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Oregon Legislative Assembly – 2025 Regular Session

Hearing on HB 2092A

Senate Committee on Finance and Revenue

Written testimony related to updating the connection date to the federal Internal Revenue Code and other provisions of federal tax law.

Support HB 2092A

DATE: April 9, 2025 – 8:00 a.m.

Good morning, Chair Meek, Vice-Chair McLane and members of the Senate Committee on Finance and Revenue.

On behalf of the nearly 4,000 members of the Oregon Society of Certified Public Accountants (OSCPA), we respectfully support HB 2092A.

- As a reminder, OSCPA's primary objective is to be a technical resource to the Legislature and secondarily to promote taxpayer compliance.
    - We are offering to be a technical resource throughout the year to the legislature.
    - Taxpayer compliance is important since there are revenue and direct costs to the State of Oregon for noncompliance (for notices, phone calls, and audits).
- The connection for Oregon to the Internal Revenue Code is accomplished by using both a "permanent connection" and "fixed date conformity."
    - **Permanent connection "rolling reconnect"** applies only to the definition of taxable income.
        - The Legislature has enacted certain exceptions from this definition such as the deduction related to pass-through income under IRC 199A, certain provisions related to IRC 529 tuition savings plans, among others.
    - **Fixed date conformity** is for provisions that fall outside the definition of taxable income. Many are currently tied to the definitions in the Internal Revenue Code as of December 31, 2023. Some examples of these types of items requiring a law change are tax credits, estimated tax payments, net operating loss rules.
- This bill temporarily disconnects from the permanent connection "rolling reconnect" for the 2025 calendar year. This bill also updates the fixed date conformity to December 31, 2024.
    - We support rolling reconnect for many reasons, which you heard from the OSCPA every year, and would generally oppose a bill like this. However, we realize the amount of financial uncertainty at this time and this bill may give financial certainty for 2025 year.
- Several provisions of the Internal Revenue Code are adjusted for inflation each tax year. We assume that those COLA adjusted items would be adjusted in 2025 for Oregon to be equal to

Federal amounts. These items are not changes to the Internal Revenue Code but are annual COLA adjustment announced by the IRS through Revenue Procedure.
    - For example, we assume 401(k) contribution amounts would be $23,500 for both Oregon and federal, which is a $500 increase from the 2024 contribution limit of $23,000.
    - Also, the mileage deduction rate would be 70 cents per mile both Oregon and federal, which is an increase from the 2024 rate of 67 cents per mile.
- With TCJA, here is a list of the more known TCJA items that with the fixed date of 12/31/24 will be the same for federal and Oregon for the 2025 filings.
    - SALT limitation still in effect
    - Section 168(k) bonus depreciation step down to 40%
    - Charitable contribution deduction – 60% of adjusted gross income
    - Mortgage interest deduction – $750k depending on dates the loans originated
    - Moving expense deduction – armed forces only
    - Excess business losses and net operating losses
- This Bill reinstates the rolling reconnect on January 1, 2026, which gives clarity and knowledge that the state will be reconnected to the Internal Revenue Code. A return to rolling reconnect on January 1, 2026 avoids the period of uncertainty that would occur if we wait for the 2026 legislative session to reinstate the rolling reconnect. A tax bill passed during that 2026 short session would not be effective until 90 days after the end of session in early March. Thus, the law would not be effective until early June, after the April 15, 2026 filing deadline. That period of uncertainty would likely cause confusion and errors by taxpayers in filing their returns and negatively impact the Oregon Department of Revenue in processing tax returns.

Our experience tells us that disconnecting, even just the rolling reconnect, can also cause significant uncertainty, risk, and costs of compliance for Oregon taxpayers, businesses, tax preparers, tax software providers, Oregon Department of Revenue and others. This also increases the likelihood of accidental noncompliance by taxpayers, increases the difficulty of complying with Oregon's tax laws, and adds significant complexity to the Oregon Department of Revenue's administration of taxes. It also makes it difficult for individuals and business in making financial plans.

While we continue to support both the rolling reconnect and fixed date conformity with the Internal Revenue Code, we are supporting this bill due to the known date to reinstate the rolling reconnect on January 1, 2026.

Recommendation:

On behalf of Oregon Society of Certified Public Accountants, we respectfully encourage you to support HB 2092A.

Thank you.

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