



April 9, 2025

TO: Members of the Senate Committee on Finance and Revenue

FR: Derek Sangston, Oregon Business & Industry

RE: Support for HB 2092 – Rolling Connection to Federal Tax Law

Chair Meek, Vice-Chair McLane, members of the Senate Committee on Finance and Revenue. For the record, I am Derek Sangston, policy director and counsel for Oregon Business & Industry (OBI).

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to testify in opposition to HB 2092A. While the bill would still make the typical updates to the portions of Oregon tax law that are outside of the definition of federal taxable income, which is an action this bill does every year, OBI opposes HB 2092A because it would remove Oregon's rolling or automatic connection to the Internal Revenue Code, and most importantly to the federal definition of taxable income for personal and corporate income taxpayers. Instead, HB 2092A would set Oregon's connection to this important definition to December 31, 2024, for the 2025 tax year.

OBI and its members have long supported Oregon's automatic connection to the definition of federal taxable for many reasons. Importantly, by ensuring Oregon's tax policy is consistent with federal law, an automatic connection eases the compliance burden on taxpayers, reduces the administrative burden on the Department of Revenue, and establishes consistent processes for taxpayers. An automatic connection benefits the state by increasing taxpayer compliance and lowering the costs to the state for issuing underpayment notices and performing audits. By preserving our automatic connection to federal tax law and retaining a more predictable tax code, Oregon is also placed in a better position to compete for economic and business investment.

Unfortunately, HB 2092A, by connecting Oregon tax policy to federal taxable income as of December 31, 2024, would disregard the value of Oregon's rolling connection for a remote situation that may never materialize. Changes to federal tax policy could increase or decrease Oregon revenue collections depending on what those changes entail. While we simply do not know what, if any, federal tax changes would include at this time, it is worth noting that federal tax changes that occurred in 2017 and 2020 each provided substantial windfalls to the state.

Adopting a static connection to the definition of federal taxable income, even for one year, could also present a very real challenge for taxpayers trying to manage their books and the state's

administration of its own tax policies by requiring additional resources be committed to ensure compliance. Depending on the changes made at the federal level, taxpayers would have to keep additional books to file their Oregon taxes, create separate calculations for depreciation schedules, and use different definitions for taxable income.

In the event future legislation extends the static connection, HB 2092A would also likely have the effect of requiring increased legislative action as Congressional changes, judicial decisions, and IRS interpretations change the definition of taxable income over time. Likely leading to a much more complex and worse tax policy for Oregonians.

For those reasons, I request that this committee amend HB 2092A back to its introduced version. Thank you for your consideration.

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