REVENUE IMPACT OF PROPOSED LEGISLATION

83rd Oregon Legislative Assembly
2026 Regular Session
Legislative Revenue Office

Bill Number:	**SB 1507 - 7**
Revenue Area:	**Income Taxes**
Economist:	**Kyle Easton, Jon Hart**
Date:	**2/8/2026**

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Requires qualified passenger vehicle loan interest deducted by a taxpayer on their federal tax return to be added to income reported on their Oregon income tax return. Requires gain from the exchange or sale of qualified small business stock that is excluded from a taxpayer's federal income tax return to be added to income reported on their Oregon personal income tax return. Respective additions both apply to tax years 2026 and later.

Disallows bonus depreciation for property placed in service in tax years 2026, beginning on or after January 1, 2026. Requires addition for federal bonus depreciation on property, with a corresponding subtraction over the asset's remaining depreciable life.

Increases Oregon's earned income tax credit to 14 percent of a taxpayer's federal credit, or 17 percent in the case of taxpayers with a dependent under the age of three (existing percentages are 9 and 12 respectively). Applies to tax years 2026 and later.

Creates nonrefundable personal and corporate income tax credit available to a taxpayer that has created a new job(s) in Oregon during the year. Specifies credit is equal to $1,000 for each net new job created by the taxpayer but limited to no more than ten net jobs per taxpayer. Requires each new job to have compensation equal to or greater than 150 percent of the applicable minimum wage. Specifies new jobs created to be determined by comparing average annual employment of taxpayer in the 12-month period ending June 30 of the calendar year in which tax year began compared to the same 12-month period in the immediately preceding tax year. Requires a taxpayer to receive written certification of credit eligibility from the Oregon Business Development Department. Allows unused credits to be carried forward for up to three successive tax years. Limits total amount of potential certified tax credits to $12.5 million for any tax year. Applies to tax years 2026 through 2031.

Revenue Impact ($Millions):

	Biennium		
Policy	**2025-27**	**2027-29**	**2029-31**
Vehicle loan interest deduction disconnect	$36.4	$101.4	$0.0
OR earned income tax credit expansion	-$26.2	-$52.7	-$53.7
Qualified small business stock disconnect	$38.9	$56.5	$83.0
Bonus depreciation disconnect	$267.0	$228.3	$118.5
Credit for taxpayers creating jobs	-$4.6	-$19.6	-$24.2
Total General Fund	**$311.6**	**$313.9**	**$123.7**

Impact Explanation:

The personal income tax deduction for qualified vehicle loan interest was newly created as part of federal legislation enacted in July of 2025 (H.R. 1). Upon enactment, the deduction immediately became part of Oregon tax policy through Oregon's connection to the federal definition of taxable income. Per H.R. 1, the deduction is applicable to tax years 2025 through 2028. The Oregon addition requirement disconnects Oregon from the deduction for tax years 2026 through 2028. The revenue impact estimate reflects the deduction's current law sunset.

In 2023, about 235,000 Oregon taxpayers claimed a total of about $50 million in Oregon earned income tax credits for an average credit amount of $213. Using 2023 as an example, applying the increased credit percentages of 14 and 17 percent would increase the average credit amount to about $323. The current law sunset date of January 1, 2032, remains unchanged for the credit.

The income tax exclusion for gain from the exchange or sale of small business stock is a federal exclusion that is part of Oregon tax policy due to Oregon's connection to federal taxable income. The exclusion was enacted in 1993 and was most recently expanded by 2025 federal legislation, H.R. 1. The Oregon addition requirement disconnects Oregon entirely from the exclusion and is applicable for tax years 2026 and later.

The disallowance of the bonus depreciation allowed under Section 168(k) of the Internal Revenue Code will require businesses to add back the first-year, bonus depreciation deductions taken on their federal returns in the year property is placed in service. Those deductions will instead be taken over the life of the property, which is typically five or seven years. The increase in revenue from the first-year deduction will be offset by decreased revenue over time. Consequently, the revenue impact is highest in the first years and gradually declines.

Based on an analysis of employment data sourced from the Oregon Employment Department, U.S. Bureau of Labor Statistics and the U.S. Census, it is estimated that on average about 40K to 50K jobs are created annually in Oregon that meet the requirements of the job creation tax credit. This estimate reflects jobs created by private taxable employers. Certification of the tax credit is expected to increase following the initial year of the credit as awareness of the credit increases. The revenue impact estimate reflects the timing of tax credits being claimed by taxpayers and the annual tax credit certification limit of $12.5 million.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

Earned income tax credit

The policy purpose of this credit is to increase the spendable income of low-income working families and encourage individuals to enter and/or increase their labor force participation.

Credit for job creation

The policy purpose of this credit is to support economic activity in Oregon.