



Legislative Fiscal Office
83rd Oregon Legislative Assembly
2026 Regular Session

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Bill Title: Relating to revenue; prescribing an effective date.

Government Unit(s) Affected: Department of Revenue, Employment Department, Oregon Business Development Department

Summary of Fiscal Impact:

| 2025-27 Biennium | General Fund | Lottery Funds | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|--|------------------|---------------------|-----------------|---------------|---------------------|-----------|-------------|
| Department of Revenue | \$ 58,534 | \$ - | \$ 1,473 | \$ - | \$ 60,007 | 1 | 0.25 |
| Oregon Business Development Department | \$ - | \$ 1,309,021 | \$ - | \$ - | \$ 1,309,021 | 16 | 3.50 |
| Total Fiscal Impact | \$ 58,534 | \$ 1,309,021 | \$ 1,473 | \$ - | \$ 1,369,028 | 17 | 3.75 |

| 2027-29 Biennium | General Fund | Lottery Funds | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|--|-------------------|---------------------|-----------------|---------------|---------------------|-----------|-------------|
| Department of Revenue | \$ 202,200 | \$ - | \$ 5,089 | \$ - | \$ 207,289 | 1 | 1.00 |
| Oregon Business Development Department | \$ - | \$ 2,588,129 | \$ - | \$ - | \$ 2,588,129 | 16 | 7.00 |
| Total Fiscal Impact | \$ 202,200 | \$ 2,588,129 | \$ 5,089 | \$ - | \$ 2,795,418 | 17 | 8.00 |

- The Department of Revenue (DOR) splits personal service expenditures between General Fund and Other Funds. The split for the Personal Tax and Compliance Division (PTAC) is 97.54% General Fund and 2.48% Other Funds.
- If the measure passes, funding for DOR and the Oregon Business Development Department (OBDD) will be included in an omnibus budget reconciliation bill. The Legislative Fiscal Office (LFO) notes that measures modifying state revenues typically do not include appropriations or budgetary adjustments.

Measure Description

The measure disconnects specific provisions from the federal Internal Revenue Code (IRC), including Section 168(k) bonus depreciation, gains from the sale or exchange of small business stock, and qualified passenger vehicle loan interest. The measure also increases the earned income credit from 9% to 14% and from 12% to 17% for taxpayers with a dependent under the age of three at the end of the tax year.

Additionally, the measure creates a new tax credit based on the number of annual net new jobs created by the taxpayer, to be administered by OBDD. Taxpayers are limited to claiming up to 10 new jobs per tax year. The total credit is capped at \$12.5 million per tax year and may not exceed the taxpayer's tax liability for that year. To qualify, compensation for each position must be equal to or greater than 150% of the specified minimum wage. Net new jobs are determined using covered employment data reported to the Oregon Employment Department (OED). Prior to claiming the credit, taxpayers are required to obtain written certification of eligibility from OBDD, which will then provide necessary information to DOR.

Fiscal Analysis

The fiscal impact is estimated to be \$1.4 million total funds and 17 positions (3.75 FTE) in the 2025-27 biennium and \$2.8 million total funds and 17 positions (8.00 FTE) in the 2027-29 biennium.

Department of Revenue

The fiscal impact for DOR is estimated to be \$58,534 General Fund, \$1,473 Other Funds, and one permanent full-time position (0.25 FTE) in the 2025-27 biennium and \$202,200 General Fund, \$5,089 Other Funds, and one permanent full-time position (1.00 FTE) in the 2027-29 biennium.

PTAC anticipates needing one Public Service Representative 4 position to address the increased call volume from taxpayers and practitioners. This position will provide customer support for the new jobs tax credit program and for provisions related to disconnecting from federal IRC. The costs associated with updating taxpayer letters, instructions, and tax forms and information technology (IT) system programming, new codes, and updates will be absorbed within current resources.

LFO notes that the department has experienced a significant increase in call volume related to H.R. 1. DOR has provided additional guidance to taxpayers and practitioners regarding the implementation and impacts of the recent legislation, which have been absorbed within current resources; however, any additional tax law changes will require additional resources.

Oregon Business Development Department

The fiscal impact for OBDD is estimated to be \$1.3 million Lottery Funds, four permanent full-time positions (2.00 FTE), and 12 permanent part-time seasonal positions (1.50 FTE) in the 2025-27 biennium and \$2.6 million Lottery Funds, four permanent full-time positions (4.00 FTE), and 12 permanent part-time seasonal positions (3.00 FTE) in the 2027-29 biennium.

Based on data provided by OED, there are an estimated 40,000 businesses in Oregon that create jobs. OBDD assumes a portion of those businesses won't apply or meet the wage requirements and estimates 20,000 applications annually for the tax credit. To administer the program, OBDD will require a Program Manager position and two Program Analyst positions to manage program design, rulemaking, certification, marketing, and overall administration of the credit. In addition, OBDD anticipates needing 12 permanent part-time seasonal Program Analyst positions to process the estimated 20,000 certification applications annually during the certification season (September through November).

One-time services and supplies costs include \$100,000 for IT programming within the department's electronic document management system and \$25,000 for legal review related to rulemaking, application review, and program materials. OBDD also anticipates needing a Human Resource Analyst position to manage the hiring, onboarding, and ongoing support for the new program, including staffing for seasonal positions. Total personal services costs for the 16 positions are estimated to be \$889,021 Lottery Funds in the 2025-27 biennium and \$1.8 million Lottery Funds in the 2027-29 biennium. Total services and supplies costs are estimated at \$420,000 Lottery Funds in the 2025-27 biennium and \$738,000 Lottery Funds in the 2027-29 biennium.

Employment Department

OED anticipates a minimal fiscal impact to provide to OBDD the employment data necessary for determining net new jobs in a tax year.

Relevant Dates

The provisions related to qualified passenger vehicle loan interest and any gain from the sale or exchange of qualified small business stock apply to tax years beginning on or after January 1, 2026.

The provisions related to bonus depreciation apply to property that is placed into service in tax years beginning on or after January 1, 2026.

The provisions related to increasing the earned income credit apply to tax years beginning on or after January 1, 2026.

The new jobs tax credits apply to tax years beginning on or after January 1, 2026, and before January 1, 2032.

The measure takes effect on the 91st day after sine die.