SB 1507 A STAFF MEASURE SUMMARY

Carrier: Sen. Broadman

Senate Committee On Finance and Revenue

Action Date:	02/09/26
Action:	Do pass with amendments. (Printed A-Eng.)
Vote:	3-2-0-0
Yeas:	3 - Broadman, Patterson, Taylor
Nays:	2 - Anderson, McLane
Fiscal:	Fiscal impact issued
Revenue:	Revenue impact issued
Prepared By:	Kyle Easton, Senior Economist
Meeting Dates:	2/4, 2/9

WHAT THE MEASURE DOES:

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 deducted by a taxpayer on their personal 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 tax years 2026 and later. Requires addition for federal bonus depreciation on property, with a corresponding subtraction over the asset's remaining depreciable life. Applies to depreciation for property placed in service in tax year 2026 and later.

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. 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 tax 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 12 month period ending June 30 of 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 tax credits to $12.5 million for any tax year. Applies to tax years 2026 through 2031.

Updates connection date to federal Internal Revenue Code and other provisions of federal law. Updates connections by two years to December 31, 2025, or to January 1, 2026. Measure takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Economic, revenue, and budgetary impacts of 2025 federal legislation, H.R. 1
- Proposed expansion of Oregon's earned income tax credit
- Proposed disconnect from bonus depreciation
- Timing of impact of different depreciation policies
- Mechanics of depreciation
- Proposed jobs credit
- Disconnecting from deduction for vehicle loan interest
- Oregon's connection to federal tax system
- Revenue policy provisions in measure and respective revenue impacts.

EFFECT OF AMENDMENT:

Replaced content of the measure. The -3 amendment updated the connection date to federal law and the -7 contained the remaining provisions.

BACKGROUND:

Enacted in 2025, federal legislation H.R. 1 created a personal income tax deduction available to taxpayers for "qualified passenger vehicle loan interest". Available for tax years 2025 through 2028, taxpayers may deduct qualifying interest payments for the purchase of a new vehicle that had its final assembly in the U.S. Measure disconnects Oregon from the vehicle loan interest deduction for tax years 2026 and later.

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.

Taxpayers allowed to claim the federal earned income tax credit (EITC) are allowed an Oregon EITC equal to a specified percentage of their federal credit amount allowed for the corresponding tax year. Measure 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).

Depreciation is an accounting method by which businesses deduct from income, the cost of investment in real or personal property over the useful life of an asset. Measure's disallowance of the bonus depreciation allowed under Section 168(k) of the Internal Revenue Code will require businesses to add back 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.

Oregon has had a continuing connection ("rolling reconnect") to the federal definition of taxable income since tax year 2011. Other ties to federal tax law must be updated on a regular basis, with December 31st and January 1st being the usual connection dates.