

MULTISTATE INCOME/FRANCHISE TAX



## Oregon enacts changes in response to OBBBA and extends pass-through entity elective tax

### Tax Alert

#### Overview

On March 31, 2026, and April 9, 2026, Oregon enacted [Senate Bill 1510](#) (“S.B. 1510”) and [Senate Bill 1507](#) (“S.B. 1507”), respectively, making several changes to the state’s income tax provisions in response to federal tax changes under federal Public Law 119-21, commonly known as the One Big Beautiful Bill Act (the “OBBBA”) and extending the state’s pass-through entity elective tax (“PTE-E”) through tax years beginning before January 1, 2028. Furthermore, the legislation decouples the state from certain federal tax changes made in OBBBA pertaining to bonus depreciation, the small business stock exemption, the deduction for passenger vehicle loan interest, and it increases the Oregon earned income tax credit and creates a new jobs tax credit. This Tax Alert summarizes some of the provisions in S.B. 1507 and S.B. 1510.

#### S.B. 1507

##### ***Bonus depreciation***

For property placed in service in tax years beginning on or after January 1, 2026, Oregon requires taxpayers to add back the difference between the amount deducted under Internal Revenue Code (“IRC”) section 168(k) as applicable to the current tax year and the amount allowable as a deduction under the version of IRC section 168(k) as amended and in effect on December 1, 2017 (the pre-Tax Cuts and Jobs Act version of IRC section 168(k)).

Earlier versions of S.B. 1507 included a provision decoupling the state from the deduction for qualified production property under IRC section 168(n), but that provision was not included in the enacted legislation.

##### ***Small business stock exemption***

For tax years beginning on or after January 1, 2026, Oregon requires taxpayers to add back any gain from the exchange or sale of qualified small business stock that was received by the taxpayer and excluded from income on the taxpayer’s federal income tax return, as provided under IRC section 1202.

##### ***Passenger vehicle loan interest deduction***

For Oregon personal income tax purposes, Oregon requires taxpayers to add back any amounts deducted as qualified passenger vehicle loan interest paid on the taxpayer’s federal income tax return, as provided under IRC section 163(h)(4).

##### ***Increased earned income tax credit***

S.B. 1507 generally increases the Oregon earned income tax credit under Oregon Revised Statute section 315.266 from 9% to 14% of the earned income tax credit allowed under IRC section 32. The Oregon earned income tax credit

for taxpayers with a dependent under age three is increased from 12% to 17% of the earned income tax credit allowed under IRC section 32. This change also applies to tax years beginning on or after January 1, 2026.

### ***New jobs tax credit***

S.B. 1507 creates a new non-refundable tax credit of \$1,000 for each new job created by a taxpayer for up to 10 new jobs per tax year. Taxpayers must receive written certification of eligibility from the Oregon Business Development Department prior to claiming the credit. This credit has many requirements and limitations, and it applies to tax years beginning on or after January 1, 2026, and before January 1, 2032.

## **S.B. 1510**

### ***Net CFC Tested Income (“NCTI”)***

For tax years beginning on or after, January 1, 2026, S.B. 1510 replaces all references to “global intangible low-taxed income” (“GILTI”) with “net controlled foreign corporation tested income” (“NCTI”), effectively ensuring that Oregon will treat NCTI in the same manner as GILTI. This amendment provides that the state will treat NCTI as a dividend eligible for the state’s 80% dividend received deduction, require taxpayers to addback the amount deduction under IRC section 250 related to NCTI, and exclude NCTI from the sales factor to the extent it is not included in Oregon taxable income.

### ***PTE-E tax***

S.B. 1510 also extends the PTE-E tax for two years to tax years beginning before January 1, 2028. Additionally, the bill provides that overpayments made by pass-through entities under the PTE-E before January 31, 2028, may elect to have their payments credited to estimated tax for the following year.

## **Effective date**

Both of these bills become effective on June 7, 2026, the 91<sup>st</sup> day following the adjournment of the 2026 legislative session, which occurred on March 8, 2026. This could be delayed if Oregon voters submit a petition to have a particular tax bill set aside for a statewide referendum.

## **Get in touch**

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