OREGON DEPARTMENT OF REVENUE

Agricultural Employer Overtime Tax Credit (AEOTC)

Agricultural Employer Overtime Tax Credit

Oregon law requires agricultural employers to pay certain workers for overtime hours worked and provides for a refundable personal or corporate income tax credit for employers for a percentage of wages paid as overtime pay [Oregon Revised Statutes (ORS) 653.272 and 315.133]. The wage requirement and credit began in the 2023 tax year.

Overview

The AEOTC application is available online only through Revenue Online. Employers who apply for the tax credit by January 31 are granted an automatic filing extension for their Oregon tax return. Employers will receive an acknowledgment notice of their eligible credit amount by June 1 and will then claim the refundable credit on their income tax return. Partnerships or S corporations must pass the distributive shares of the credit through to their partners, shareholders, or members. They will also be granted an extension of time to file for their Oregon return. The law specifies the hour threshold at which an employer must pay overtime for different years, industries, and number of employees. The law also includes a provision allowing a three-year net operating loss carryback (ORS 317.346).

AEOTC table: Tax credit as a percentage of overtime paid

Year	Overtime threshold	More than 50 FTE*	26 to 50 FTE* & dairies with more than 25 FTE*	Not more than 25 FTE*	Dairies with not more than 25 FTE*
2023	55 hours	60%	75%	90%	100%
2024	55 hours	60%	60%	80%	100%
2025	48 hours	45%	60%	80%	100%
2026	48 hours	30%	50%	60%	100%
2027	40 hours	15%	50%	60%	100%
2028	40 hours	15%	50%	60%	100%

*FTE is full-time equivalent

The tax credit is a percentage of the difference between the overtime pay and the base wage. The annual limit for credits to all eligible employers is $55 million. If the total amount of approved applications is greater than the annual credit limit, all approved credit amounts are proportionally reduced to not exceed the limit.

Annual Application Timeline:

- Application period – January 1 - 31
- Department of Revenue (DOR) reviews applications for eligibility criteria – January to March
- DOR reviews appeal requests in response to denied or adjusted applications – April to May
- DOR notifies qualified applicants of their approved credit – By June 1
- Taxpayers file returns claiming the credit by extension deadline – October 15

Applications for tax year 2025

The application filing period was January 1 – February 2, 2026, for overtime paid during calendar year 2025.

Applications

The department received **394** applications for tax year 2025 and issued **376** Notice of Acknowledgement letters. The total amount of credits **requested** was **$8.8** million, with **$7.9** million in credits ultimately **allowed**.

The entity types that filed:

- Corporations (including S corporations) – 53 percent
- Partnerships – 28 percent
- Individuals (sole proprietors and qualifying joint ventures) – 19 percent

Commodities

Agricultural employers who qualify for the tax credit grow or produce a variety of commodities. The applicant is required to list a North American Industry Classification System (NAICS) code on the application. Many of the codes that were listed were generic to "crop farming" in addition to codes for dairies, ranching, nursery, and other agricultural industries. Dairies have different qualifications and are eligible for a larger credit, so their codes are tracked specifically. There were 38 applications from the dairy sector.

The average allowed credit was estimated[1] to be:

- Dairy sector (NAICS 11212 and 112120) – $41,000.
- Crop Production (NAICS 111) – $18,000.
- Animal Production and Aquaculture (NAICS 112) – $19,000, not including dairy.

Outreach

The department has continued sharing information about the AEOTC with agricultural employers since 2023. Department staff presented at the Northwest Ag Show and the Agricultural Labor Laws Forum. DOR staff also plan to host informational booths at the Farwest nursery convention (Portland) and the Agricultural Workforce & Compliance Conference (Salem). We have continued to partner with the Oregon Bureau of Labor & Industries and Oregon Department of Agriculture.

Observations and next application period

- Continue to encourage new applicants to establish their Revenue Online account **now**, and to start the application process **early** in January.
- Remind pass-through entities (PTE) to submit shareholder or partner information as part of the application process.
- Increase awareness of the difference between base wages versus overtime wages. The credit is allowed for a percentage of the overtime portion over the base wage.
- Remind employers that utilize farm labor contractors (FLCs), to include overtime wages and hours paid to FLCs in their application. Contact us for an infographic illustration of FLCs and actual hours worked examples.
- Inform employers and applicants how to report exempt overtime wages paid to exempt employees or for non-qualifying agricultural farming activities in their application.

[1] The average allowed credits are estimated by pro rating the allowed credit based on the business activity (percentage of employee hours) reported on the application under NAICS codes 111 and 112.

- Encourage applicants to include attachments with their applications, especially if they paid overtime to FLCs or H-2A workers or to workers who had exempt overtime wages. This eliminates having to request the information later.

The **application period for tax year 2026 will open by January 1, 2027.** Applications must be submitted no later than February 1, 2027. The department will update the application based on taxpayer experience in previous seasons. The number of applications is expected to continue to increase, since the overtime hour threshold dropped to 48 from 55 hours beginning January 1, 2025.

Tip: We recommend new applicants register for Revenue Online before the application period opens and all applicants to verify access to their entity account.

Additional information

View resources and FAQs on the Agricultural Employer Overtime Tax Credit web page[2].
Subscribe to DOR's agriculture overtime email list to receive updates[3].
Contact DOR's Agricultural Overtime team at Ag.Overtime@dor.oregon.gov.

[2] See the AEOTC webpage: www.oregon.gov/dor/programs/businesses/Pages/ag-overtime.aspx.
[3] Sign up to subscribe: public.govdelivery.com/accounts/ORDOR/subscriber/new.