

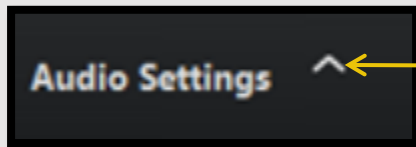


2025 Oregon New Law Update

Hosted by: Daron Prara

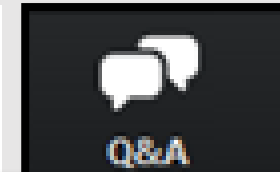
How to participate

Your camera and microphone will **not** be on.

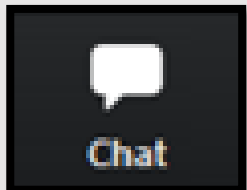
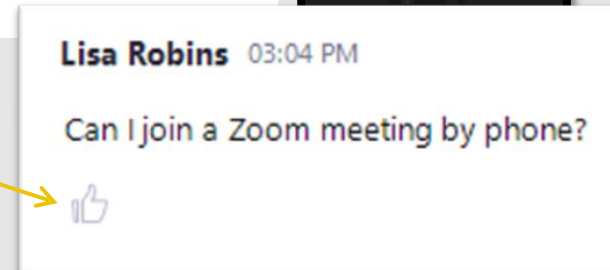


Click the caret to adjust the sound.

Use Q&A to ask questions for presenter to answer.



Click thumb to upvote questions.



Use chat function to communicate with other attendees.

Presenters

- Daron Prara – PTAC
- Robert Oakes - PTAC

Agenda

- Welcome!
- 2025 Legislative session
- Oral Nicotine Products Tax
- H.R. 1—One Big Beautiful Bill
- Statewide Transit Tax
- Updates and Reminders
- Agricultural Employer Overtime Tax Credit
- Authorization Forms
- Tax Professional Survey
- Voluntary Self-Identification (OR-VSI)



2025 Legislative Session



Federal Reconnect Date

December 31, 2023

- Static tie: All federal laws **not** related to definition of taxable income
- Applies to all programs



Pass-through Entity Elective Tax

- Voluntary program allowing tax to be paid at entity level
- First available in 2022
- Sunsets in 2025 (except fiscal filers)

House Bill 2087 – Tax Credit Omnibus Bill



Crop Donation

- Credit is now 25 percent of the value of the donated crop.
- Now requires charitable contribution deduction to be reduced.
- Sunset extended to January 1, 2032.





Rural Emergency Medical Services Provider Credit

- Credit amount raised from \$250 to \$1,000
- Sunset extended to January 1, 2030

Oregon IDA Initiative Fund Donation Credit

- Credit for 90 percent of donations made to Oregon Individual Development Account (IDA)
- Total credits— \$7.7 million in 2025, \$8 million annually thereafter
- Clarified that credit donations can be made until April 15, 2030

Oregon Production Investment Fund Credit

- Credits for sale in annual auction
- Total credits—\$20.6 million in FY 2025, \$21.2 million FY 2026 and on



First-time Home Buyer Savings Account

- Accounts can now be created until December 31, 2031, and the subtraction taken for 10 years.
- As of January 1, 2025, accounts can be opened at any financial institution doing business in Oregon.
- Accounts can be used to save for your own home purchase or for a beneficiary's purchase.



Sunset Extensions

January 1, 2032

- Earned Income Credit
- Retirement Income Credit
- Manufactured Dwelling Park Closure Credit
- Manufactured Dwelling Park Capital Gain Exclusion

Oregon Kids Credit—HB 2339

- \$1,050 per dependent under age 6
- Have qualifying income under \$31,550
- Add back foreign earned income, in addition to losses over \$20,000



Lottery Ticket Sales—HB 3115

- First applies to tax year 2026
- The purchase price of an illegally purchased lottery ticket is added to Oregon taxable income if deducted on the federal return.
- Applies to individuals and corporations



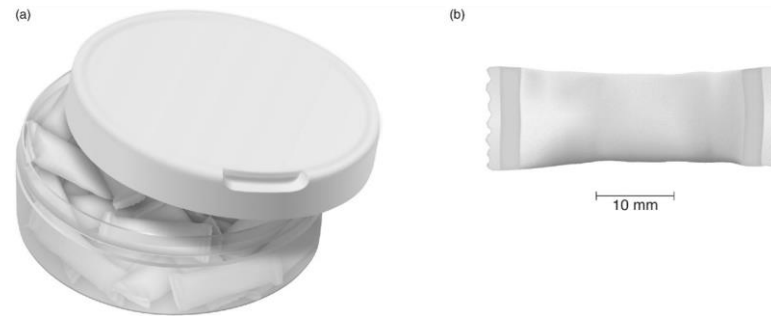


Oral Nicotine Products Tax

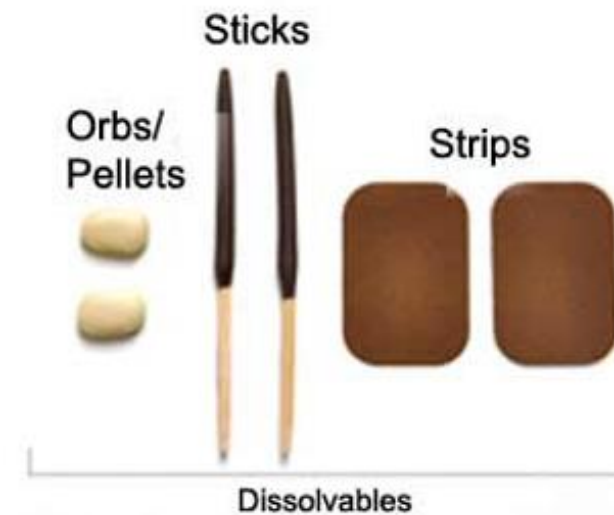
Oral Nicotine Products

- Any noncombustible product that:
 - Contains nicotine derived from any source;
 - Is intended for human consumption via mouth but not by inhalation

Nicotine Pouches



Other Nicotine Products



Source: FDA, <https://www.fda.gov/tobacco-products/products-ingredients-components/other-tobacco-products#Nicotine%20Pouches>

Oral Nicotine Product Types

- Are not:
 - “Moist snuff” or any products previously taxed as “Tobacco Products.”
 - Regulated federally as a drug or device by the U.S. Food and Drug Administration (FDA).



Source: FDA, <https://www.fda.gov/tobacco-products/products-ingredients-components/smokeless-tobacco-products-including-dip-snuff-snus-and-chewing-tobacco>

How will they be taxed?



- Oral Nicotine Products taxed on the number of units in the package:
 - Minimum tax of 65 cents per package containing 20 or fewer units
 - Packages containing more than 20 units, the tax is calculated per package at a rate of 3.25 cents per unit, rounded to the nearest cent
 - For example, a package of 40 units will be taxed at \$1.30 per package

Who pays the tax?

- Tobacco distributors will pay the tax quarterly
- The tax will be reported quarterly with tobacco taxes, by type of product
- Tax revenue dedicated to Landscape Resiliency Fund and Community Risk Reduction Fund

Form
OR-530

08822601010000

2026
Oregon Quarterly Tax Return
for Tobacco Distributors

Due date is by the last day of January, April, July, and October of each year for the preceding calendar quarter.

Clear Form

Revenue use only
Date received
Payment received

Section 9—Oral nicotine product tax
Packages with 20 or less consumable units reported on lines 47-51. Report the number of packages.

47. Number of packages (20 units or less) of untaxed oral nicotine products (Schedule 9A).....	47.		
48. Number of packages (20 units or less) eligible for credits (Schedule 9B)	48.		
49. Number of packages (20 units or less) sold into other states (Schedule 9C).....	49.		
50. Net packages of untaxed oral nicotine products (Line 47 minus lines 48 and 49).....	50.		
51. Tax on packages (multiply line 50 by \$0.65).....	51.		

Packages with more than 20 consumable units reported on lines 52-55. Report each line as total tax from the schedules.

52. Tax on packages (21 units or more) of untaxed oral nicotine products (Schedule 10A)	52.		
53. Tax on packages (21 units or more) eligible for credits (Schedule 10B)	53.		
54. Tax on packages (21 units or more) sold into other states (Schedule 10c)	54.		
55. Net tax on packages containing 21 consumable units or more	55.		
56. Oral nicotine product tax subtotal (Line 51 + 55).....	56.		
57. Oral nicotine product carryover from previous quarter (line 59 from previous quarter's return)	57.		
58. Oral nicotine tax before discount (Line 56 minus line 57).....	58.		
59. Oral nicotine carryforward. If line 58 is less than \$0, enter the amount here. Carry the credit forward to next quarterly return	59.		
60. Net tax on oral nicotine. If line 58 is more than \$0.00, enter the amount here.....	60.		
61. Quarterly oral nicotine tax discount (multiply line 60 by 0.015)	61.		
62. Oral nicotine tax due (line 60 minus line 61).....	62.		

Implementation: A Three-Pronged Approach

- IT Updates
- Forms and Communication
- Rulemaking

Information Technology Updates



- Configuration of external “Revenue Online” system for electronic filing.
- Updates to core systems for processing of returns, payments, refunds.
- Updates to tobacco inspection form for inspections of retail dealers.

Forms and Communication

Return forms:

- 530 (tobacco distributor)
- 531 (unlicensed tobacco)
- 532 (manufacturers)

Return schedule forms:

- Schedule 9 (20/fewer units per package)
- Schedule 10 (more than 20 units per package)

Communication:

- One-time letter to all retailers
- One-time letter to all distributors
- In-person inspection handout
- Emails to interested parties
- GovDelivery bulletin

In-person Inspection Handout



New Oral Nicotine Products Tax

Subscribe to our email list!



The Oregon Legislature passed House Bill 3940 (2025), which creates a new tax on the distribution of oral nicotine products in the state.



When

Beginning on January 1, 2026, Oral Nicotine Products Tax rates:

- Packages with 20 or fewer consumable units will be taxed at \$0.65 per package.
- Packages with more than 20 units will be taxed at \$0.0325 per consumable unit in the package, rounded to the nearest cent.



What

- On and after January 1, 2026, you must purchase tax-paid oral nicotine products from a licensed Oregon tobacco distributor.
- After January 1, 2026, if you have oral nicotine products for sale that have not been subject to tax, you must file a one-time Form OR-531, Oregon Unlicensed Tobacco Quarterly Tax Return, to report and pay tax on any untaxed inventory. A letter will be sent to you in mid-November 2025, with instructions how to file and pay.

Connect With Us



questions.dor@dor.oregon.gov



503-378-4988

Rulemaking

- Drafting rulemaking to assist retailers and licensed distributors how to report the tax for distribution of taxable oral nicotine products on or after January 1, 2026
- Rules Advisory Committee met in September
- Draft rule published in November bulletin
- Public hearing November 18



Other implementation notes

- Testing
 - Requires testing hundreds of scenarios to ensure both new and existing return sections are working correctly.
 - Testing to be completed in early December.
- Revenue Accounting
 - Ensures money from new revenue stream is separated from other revenue streams on the return.
 - First distribution of revenue after Q1 2026 returns.

New returns will be available the last week of December for filing as early as January 1.



H.R. 1—One Big Beautiful Bill

H.R. 1 – One Big Beautiful Bill

- Signed into law July 4, 2025
- Made Tax Cuts and Jobs Act (TCJA) changes permanent
- Includes new TY 2025 provisions

H.R. 1 – One Big Beautiful Bill Details

Impact on Oregon

- Automatic rolling reconnect
- Most changes apply to Oregon
- Exception: enhanced deduction for seniors

H.R. 1

State and Local Tax (SALT) deduction

- Temporary cap on state and local tax deduction made permanent
- 2025 limits: \$40,000 (\$20,000 MFS), with phaseout for AGI over \$500,000 (\$250,000 MFS)
- Limits increase annually until 2029, then reverts to \$10,000 for 2030

One Big Beautiful Bill

New Below-the-Line Deductions for 2025

- Tips
- Overtime
- New car loan interest
- IRS e-News for Tax Professionals, Issue Number 2025-45 includes guidance for tips and overtime

One Big Beautiful Bill - AGI

Tips

- Deductible up to \$25,000
- Phase out begins at modified AGI of \$150,000 (\$300,000 joint filers)
- Occupation must be on IRS list

H.R. 1 – Overtime

Overtime Compensation

- Can deduct the half in “time-and-a-half”, if overtime is federally mandated
- Limited to \$12,500 (\$25,000 on a joint return)
- Phase out begins at modified AGI of \$150,000 (\$300,000 joint filers)

H.R. 1 – New Car Loan Interest

New Car Loan Interest

- Final assembly of vehicle must occur within United States
- Limited to \$10,000
- Phase out begins at modified AGI of \$100,000 (\$200,000 joint filers)

H.R. 1 – Deductions

Schedule 1-A

- New federal schedule for additional deductions

File with Oregon return if claiming deductions for Oregon

H.R. 1 – Administrative Rules

Oregon Rulemaking

- Adopting rules to clarify nonresident proration of new deductions
- New car loan interest will be prorated by Oregon percentage
- Overtime and tips will be limited by connection to Oregon sources

H.R. 1 – Example

Oregon Tips Example

Gary is a resident of Washington, but commutes to his restaurant server job in Portland. He made \$10,000 in tips during 2025 from his Portland employment. Because Gary's tips were earned in Oregon, he will claim a modification for the full \$10,000 on Schedule OR-ASC-NP when he files his nonresident Oregon return.

H.R. 1 – Examples

Non-Oregon Tips Example

Maria lives in California and works as a staff member at a hotel there. She also owns a property in Oregon. During 2025, Maria makes \$8,000 in tips from her hotel position. She also sells her property in Oregon for a profit. Because Maria's tips were earned in California, she will not claim a modification for those tips when she files her nonresident Oregon return.

H.R. 1 – Timeline

Rulemaking timeline

- October 14, 2025 – DOR Rules Advisory Committee
- December 1, 2025 – Public Hearing
- January 1, 2026 – Rules effective



Statewide Transit Tax

Original Statewide Transit Tax

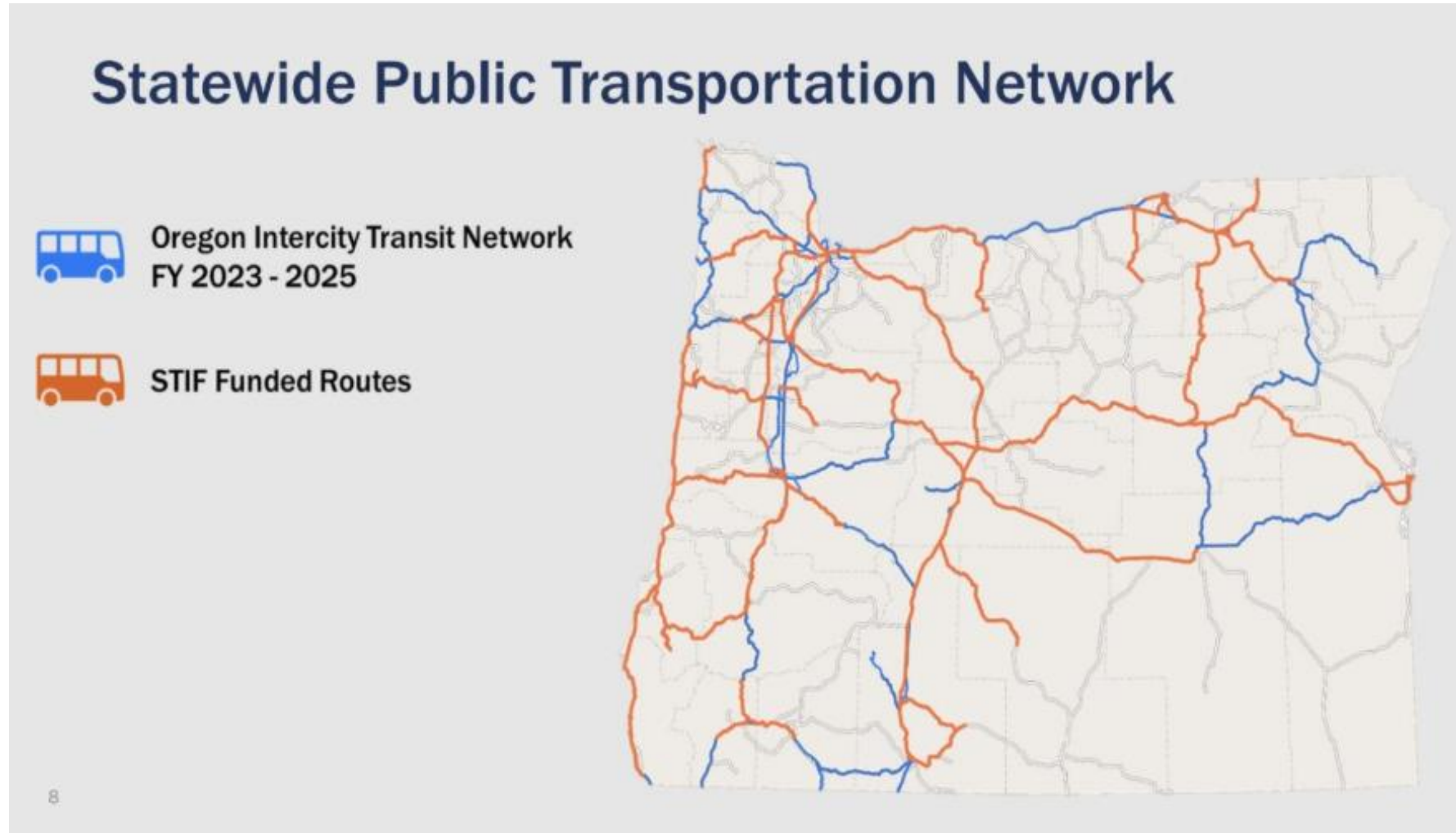


- 2017 – Legislature Passed HB 2017
- Included new Statewide Transit Tax
- 2018 – Employers start withholding one-tenth of 1 percent or .001 percent of wages

Statewide Transit Tax - Details

- Not related to Lane County or TriMet payroll taxes
- Transit tax – employers are responsible for withholding, report and remitting.
- Penalties for not withholding or paying.
- Statewide Transportation Improvement Fund (except light rail)

Statewide Public Transportation Network



Statewide Transit Tax - Legislature

- 2025 – Transportation package includes transit tax rate increase.
- Did not pass in Regular Session
- Reintroduced for Special Session – HB 3991

Statewide Transit Tax – Changes

- Signed November 7, effective December 31 unless referred to the ballot
- Increases the Statewide Transit Tax rate from one-tenth of 1 percent or .001 to two-tenths of 1 percent or .002
- Two-year increase – (2026 and 2027)

Statewide Transit Tax - Employers

Employers are still required to:

- Withhold from employee wages
- Report STT tax on the quarterly employer tax return (Form OQ)
- Remit STT payments

Statewide Transit Tax - Questions

Questions?



Updates and Reminders

Kicker for PIT (and Fiduciary)

- **9.863 percent** of 2024 tax before credits (other than credit for taxes paid to another state)
- Worksheets in instructions for change in marital status
- Same State School Fund donation process (irrevocable!)



Kicker for PIT (and Fiduciary) - Details

Wilma and Fred were married and filed a joint 2024 return. Their tax before credits was \$10,000.

- AGI \$140,000
- Wilma's share of AGI: \$105,000
- Fred's share of AGI: \$35,000
- Kicker: \$986 (\$10,000 x 0.09863)

Wilma's kicker share
 $105,000 \div 140,000 = 75\%$
Wilma's kicker: \$740
(\$986 x 0.75).

ID Type	Social Security Number
SSN	***-**-0000
Taxpayer Last Name	FLINTSTONE
2022 Filing Status	2 - Married filing jointly
Expected 2023 Filing Status	1 - Single
Notice: when you click "Find My Kicker", you agree to get information from	
Find My Kicker	

Fred's kicker share
 $35,000 \div 140,000 = 25\%$
Fred's kicker: \$247
(\$986 x 0.25).

Kicker for PIT (and Fiduciary) - Process

Deceased taxpayer

- Joint return filed in 2024, one spouse died in 2024 or 2025: Surviving spouse may claim entire kicker amount.
- Taxpayer died in 2024: personal representative may file 2025 return to claim kicker.

Taxpayer owes

Kicker is subject to offset for unpaid tax or other debt.

2024 return amended later

Kicker automatically adjusted.

Form 1099-G

Issued for 2026 if taxpayer itemized deductions on 2025 federal return **and** received kicker (even if offset, donated, or no refund issued).

Tax Recaptures

- NOT the same thing as a tax credit
- Applicable to Oregon Achieving a Better Life Experience (ABLE)/higher education savings plan nonqualified withdrawals
- The recapture amount is for the tax benefit received from the contribution—this is often not the same amount as the nonqualified withdrawal.

Tax Recaptures—Example

Emily contributes \$500 in 2024 to an ABLE account. Based on her income, Emily is able to claim a credit for the maximum of \$180 that year. In 2025, Emily withdraws \$200 from the account for a nonqualified purpose. Emily will figure her tax recapture amount by subtracting the nonqualified withdrawal from the actual contributions ($\$500 - \$200 = \$300$). Because a contribution of \$300 would have still resulted in Emily receiving a credit of \$180 in 2024, the contributions that were withdrawn did not provide Emily with a tax benefit and she does not have a tax recapture amount to report. Had Emily withdrawn the entire amount she contributed, her tax recapture would only be \$180, the amount of the credit she received.

Tax Recapture Common Mistakes

- Using recapture when no credit was ever claimed
- Using recapture when attempting to claim credit
- Reporting a credit and a recapture for the same amount
- Reporting the entire amount of your nonqualified withdrawal as a recapture, without figuring the tax benefit
- Using a recapture when you originally claimed a subtraction, not a credit (use an addition instead)



Tax Credit Auction Basics



- Proceeds go to the Oregon Production Investment Fund
- Held annually
- Bid on \$500 credit increments
- Minimum bid of \$450



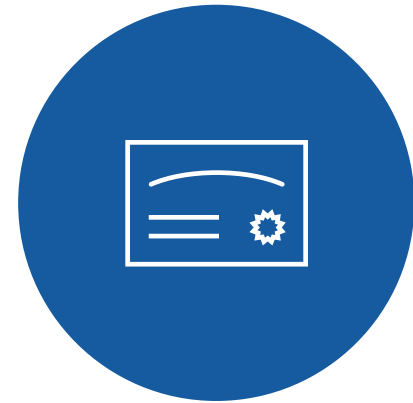
Process



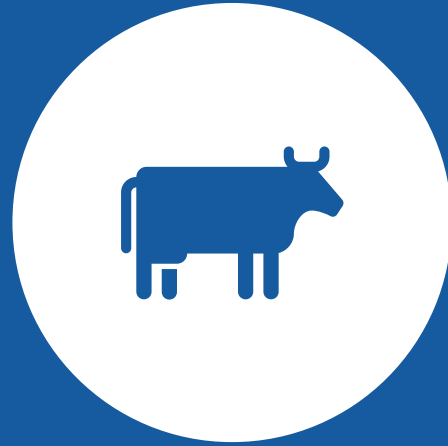
Online bid



Mail form & payment



Receive certificate or
returned payment



Agricultural Employer Overtime Tax Credit



HB 4002 (2022): Mandatory overtime for agricultural employees

- Third year of phase-in period
- ORS 653.272: Overtime (OT) must be paid for hours worked over threshold per week
- ORS 315.133: Tax credit to offset costs during phase-in (code 901)



About the Agricultural Employer Overtime Tax Credit

- North American Industry Classification System (NAICS) code 111 or 112
- Percentage of OT wages paid to qualifying employees
- \$55 million total credit available per year
- Apply through Revenue Online **in January only**
 - Set up account early (if don't already have one)

About the Agricultural Employer Overtime Tax Credit (continued)

Automatic filing extension for all applicants, not and extension to pay

- Allows time to process applications
- If more than \$55 million claimed, all credits reduced
- Letter of Acknowledgment mailed out by June 1

Credit **percentage** based on industry sector and number of full-time equivalent (FTE) employees

Credit **amount** based on OT portion of wages paid for hours worked beyond threshold by qualified employees

Agricultural Employer Overtime Tax Credit: Who Doesn't Qualify

Workers who don't qualify:

- Employer's parent, spouse, child, other immediate family
- Office, retail, other administrative employees
- Individuals described in ORS 653.020 (1) (workers who aren't subject to state minimum wage standards)

Employers who don't qualify:

- Farm labor contractors (FLCs) who don't have their own farming operation
- OT wages paid in a business activity other than NAICS codes 111 or 112

Application Filing Timeline


- February 2, 2026: Tax credit application filing deadline.
- January to March: Department reviews tax credit applications.
- Denial and Adjustment letters are mailed.
- Process appeal requests in response to denied or adjusted applications
 - Appeal to the department within 30 days of notice
- June 1: Tax credit approval letter mailed with allowed credit amount.
- October 15: Extension filing due date (an automatic tax return filing extension granted to all applicants).

Understanding Revenue Online Account Access

Favorites Summary Action Center ³ Settings **More Options**

PTE account access

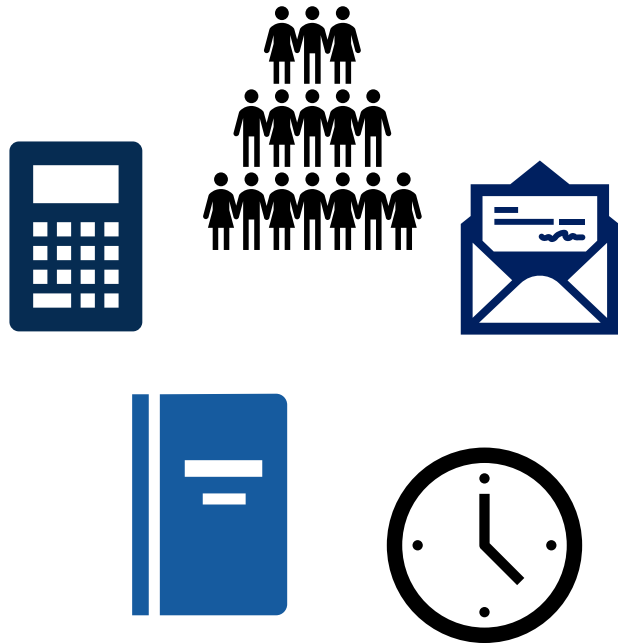
- Must have a prior year tax return, or letter issued to entity
- PTEs do not have prior year income tax return
- PTEs need to request an introduction letter
- Mailing time can take a week or more

 **Access Management**
Manage access of accounts I have access to.

[> Add access to an account](#)
[> View Access](#)
[> Manage Access](#)



What to Have on Hand



- Tax information
- Information about farming business
 - Federal employer identification number (FEIN), NAICS code, license number
- Employee information
 - Number of employees
 - Regular and overtime hours worked
 - Wages paid for overtime worked
 - Over 48 hours per week in 2025

Agricultural Employer Overtime Tax Credit Application

Revenue Online – link available January 1 under Account or **View More**

Look for the
Application Link or “View More”

Account
*****-84


Balance
\$0.00

- > View periods
- > View estimated payments
- > Where's my refund
- > Submit Agricultural Employer Overtime Tax Credit Application

Account
-**01

Balance
\$0.00

- > File or view returns
- > View estimated payments
- > View scheduled payments
- > Where's my refund
- > [View More](#)

 **View More**

Additional options for Personal Income Tax accounts.

- > Submit apportionment request
- > [Submit Application for Agriculture Employer Overtime Tax Credit](#)

Understanding Base Wages vs. OT Wages

- 🐮 Base wages is the regular hourly rate, not including the OT portion.
- 🐮 OT portion is the .5 of the 1.5 wages
- 🐮 Example: The regular rate paid to an employee is \$20 an hour. Collectively, employees worked 1,000 regular hours and 100 overtime hours. Overtime is calculated as \$20 (regular rate) times 1.5, which equals \$30. The overtime portion is calculated as \$30 minus \$20 = \$10. The overtime portion is \$10 times 100 overtime hours, which equals \$1,000. For this question you will enter \$1,000.

Understanding Farm Labor Contractor (FLC) Wages

- FLCs can not apply for the tax credit.
- Employers contracting with an FLC will claim the hours and OT wages paid in their application.
- Employers that **also** do business as an FLC may be eligible for the credit, but only for the non-FLC overtime wages.
- Hours and OT wages need to be separated if work is **not** performed on their farm.

Section C - Employee Wages

Section C - Employee Wages

2. Total number of employees ⓘ *

Required

No	Yes
----	-----

2a. Do you have employees that work both inside and outside of Oregon?

3. Total gross wages paid for all hours including overtime ⓘ *

Required

3a. Total **overtime portion** of wages paid for hours worked over 48 hours. Do not include the regular base pay. (Please see the example in the information tool before answering this question.) ⓘ *

Required

3b. Did you pay overtime wages not eligible for the tax credit? These include but are not limited to:



- Overtime wages for work performed outside of Oregon,
- Oregon overtime wages for nonagricultural farming activities (work performed under other business activities not under NAICS codes 111 or 112), or
- Oregon overtime wages of employees that are exempt from agricultural overtime requirements under ORS 653.273, including immediate family members, owners, or certain administrative, executive, or professional workers. (Please see the example in the information tool before answering this question.)

No	Yes
----	-----

3c. Eligible **overtime portion** of wages

Application Section F for PTEs

Application



PTE named PTE as recipient of pass-through credit

- 🏢 PTEs completed Section F, PTE members and shareholders, with filing entity's name
- 🏢 Complete Section F with member or shareholder information only
- 🏢 If member or shareholder information not available, file Form OR-TFR

Application Attachments Section



- You hired or contracted employees with H2A Program
- You contracted with FLCs
- You paid overtime to exempt employees
- You had out-of-state wages
- Any documents you would like the department to consider


Submitting Your Application

Agricultural Employer Overtime Tax Credit Application

Corporation Tax

000401571-84

Application



tion C Section D Section E Section F Attachments Submission

NAICS: North American Industry Classification System.
FLC: Farm Labor Contractors.
FTE: Full-Time Equivalent.

[Cancel](#) [Save Draft](#) [Previous](#) [Submit](#)

How to View Your Submitted Application

Summary

Action Center²

Settings

More Options

Filter

↓ Submissions

Search for previous submissions.

> Search Submissions

Submissions

Date	Title	Account
26-Dec-2024	Agricultural Employer Overtime Tax Credit	Partnership

Communicating with the Agricultural Employer Overtime Tax Credit Team



Tax credit questions can be sent to: Ag.Overtime@dor.oregon.gov

External Webpage:

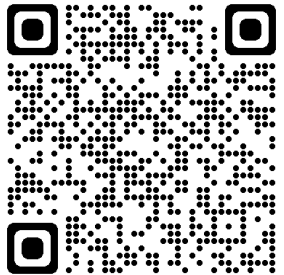
www.oregon.gov/dor/programs/businesses/Pages/ag-overtime

(From our main page, click the Businesses section and follow the link under Resources)

Subscribe to Agricultural Overtime Update emails: www.oregon.gov/dor

(Under Contact and Follow Us at the bottom of the page)

Wage and hour questions can be sent to: Ag.Overtime@boli.oregon.gov





Authorization Forms

Oregon Tax Authorization Forms

In 2024, the Department of Revenue launched two new authorization forms and instructions:

- OR-AUTH-REP (Authorization to Represent)
- OR-AUTH-INFO (Authorization to Receive Tax Information)

Oregon Tax Authorization Forms – Before Filing

- Old forms on file, no changes.
- Going forward, old forms are no longer accepted.
- Check that you are using one of our two new forms.
- Sign the form.

New Oregon Tax Authorization Forms

- For the OR-AUTH-REP form, the taxpayer and the representative must sign and date.
- For the OR-AUTH-INFO form, the taxpayer must sign
- Addresses must match.
- Representatives must list credentials.

Oregon Tax Authorization Forms -Spanish

[Form OR-AUTH-INFO Spanish](#)

[OR-AUTH-INFO instructions Spanish](#)

Questions?

- Phone: 503-378-4988 or 800-356-4222
- Email: questions.dor@dor.oregon.gov



Tax Pro Survey

Robert Oakes, OPA 3

PTAC Policy Unit

Tax Professionals Survey

- Improve Communications with tax pros
- What do you need from DOR?
- How can we tell you (Revenews, tax professional meetings, outreach to tax professional organizations)?

Tax Professional Survey

Revenews

DOR asking tax professionals how to best meet their communications needs

The Oregon Department of Revenue (DOR) is asking tax professionals to fill out a brief survey about how you prefer to receive information from us. Survey results will help the department provide information to tax professionals, especially as the tax filing season approaches.

DOR offers several resources for tax professionals, including:

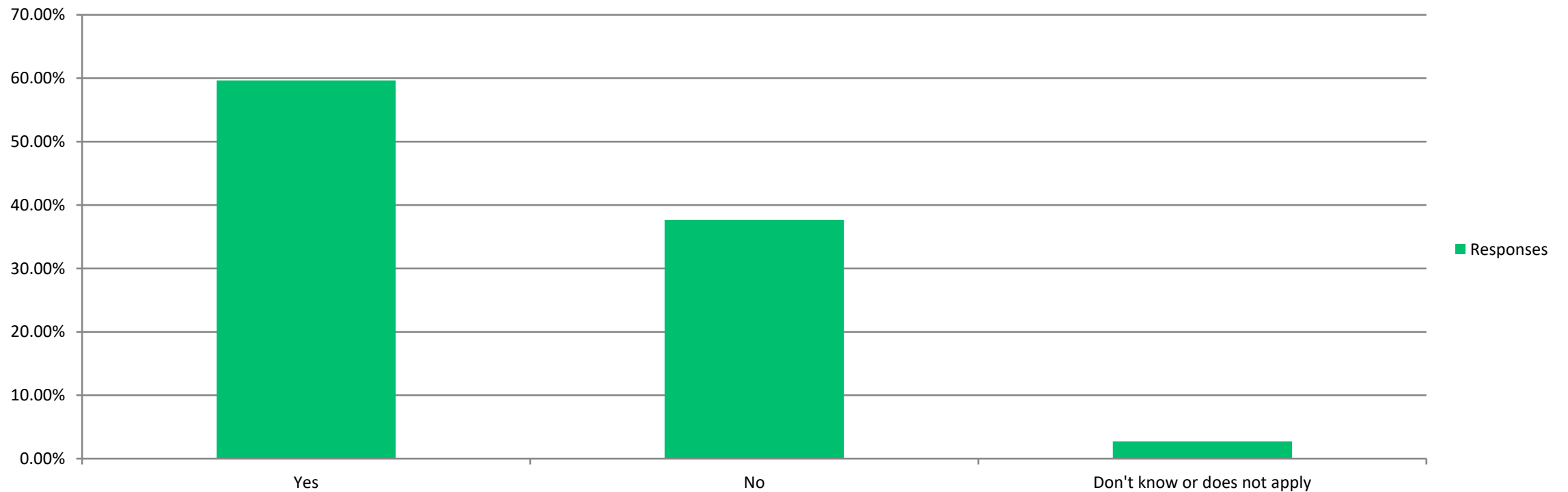
- Email bulletins called ["Revenews"](#) about tax programs, policies, and other announcements;
- Information shared with tax professional associations and their members;
- A dedicated page for [tax professionals on the DOR website](#); and

Tax Pro Survey - Details

- Available October 27 – November 10, 2025
- Sent to all DOR ReveNews subscribers
- Sent to all licensees listed with Oregon Board of Accountancy and Oregon Board of Tax Practitioners

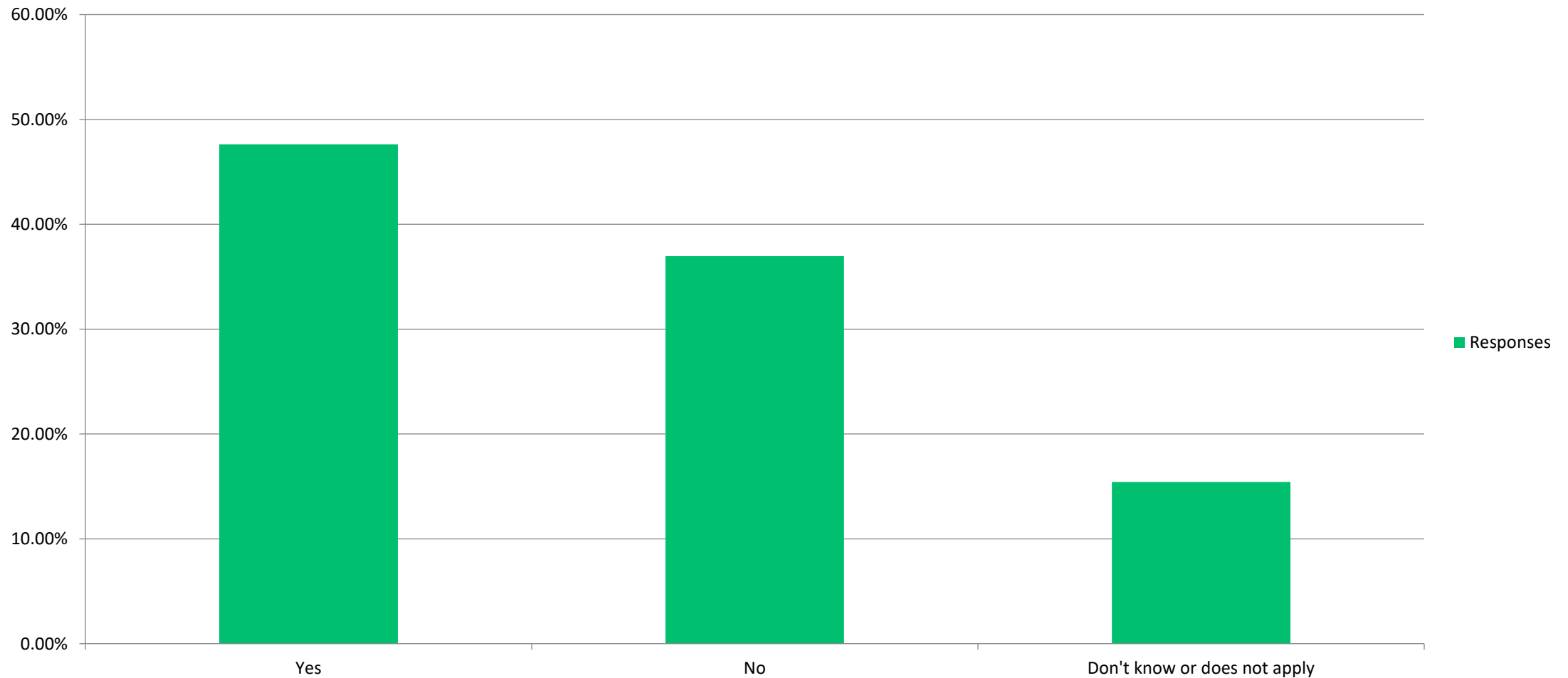
Tax Practitioner Contacts

During the past year, have you viewed our website for tax professionals or reached out to our tax practitioner specialist?



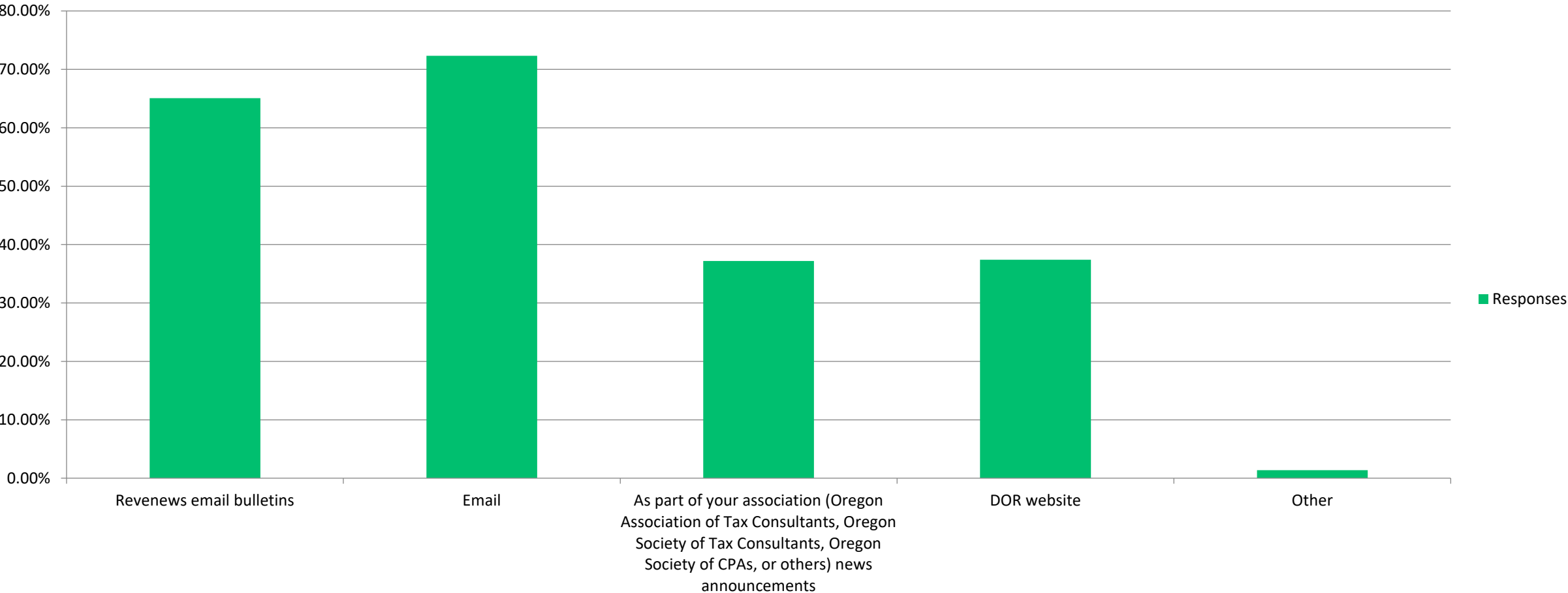
ReveNews Bulletins

Are you currently subscribed to Revenews bulletins?



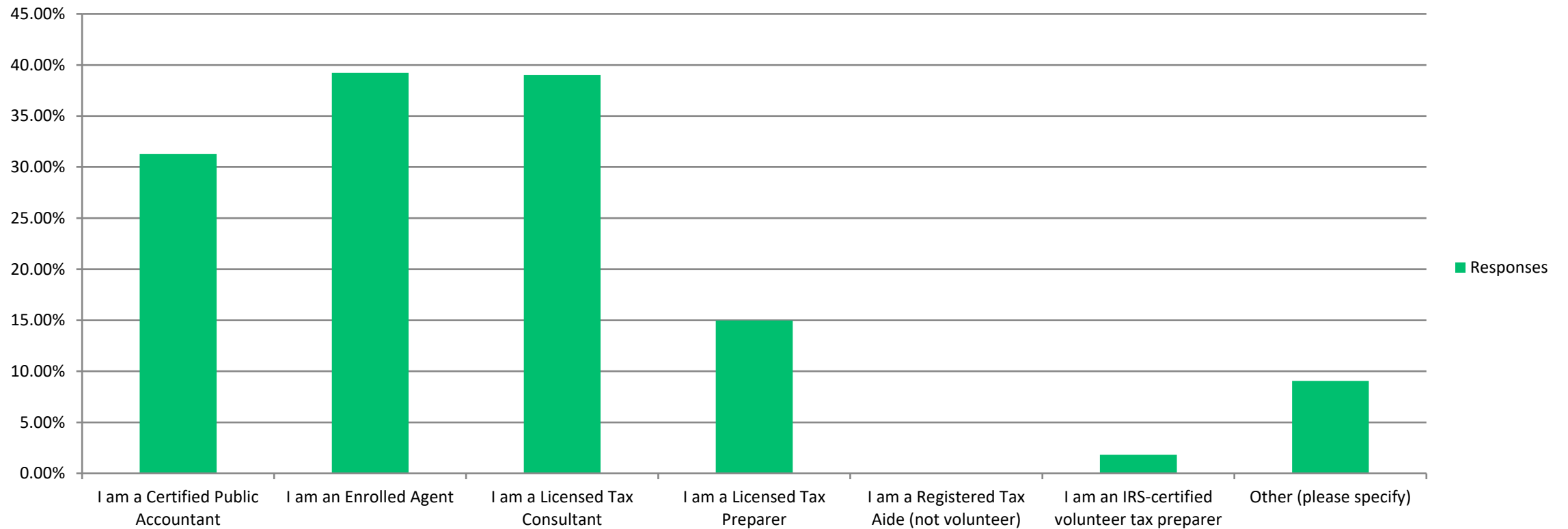
DOR Information

How would you like to receive information from DOR about state tax programs, policies and other announcements? Check all that apply.



Certifications

What certification(s) do you have? Check all that apply.



Comments

5. If you would like to share any comments with us, use the box below (do not share confidential information.)

Next

Renews Bulletins – Sign Up



Email Updates

To sign up for updates or to access your subscriber preferences, please enter your contact information below.

Email Address ★

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A captcha image showing the letters "BYMY" in a stylized, outlined font. The background is a mix of red and blue with some green highlights. There is a small speaker icon in the top left corner of the image area.

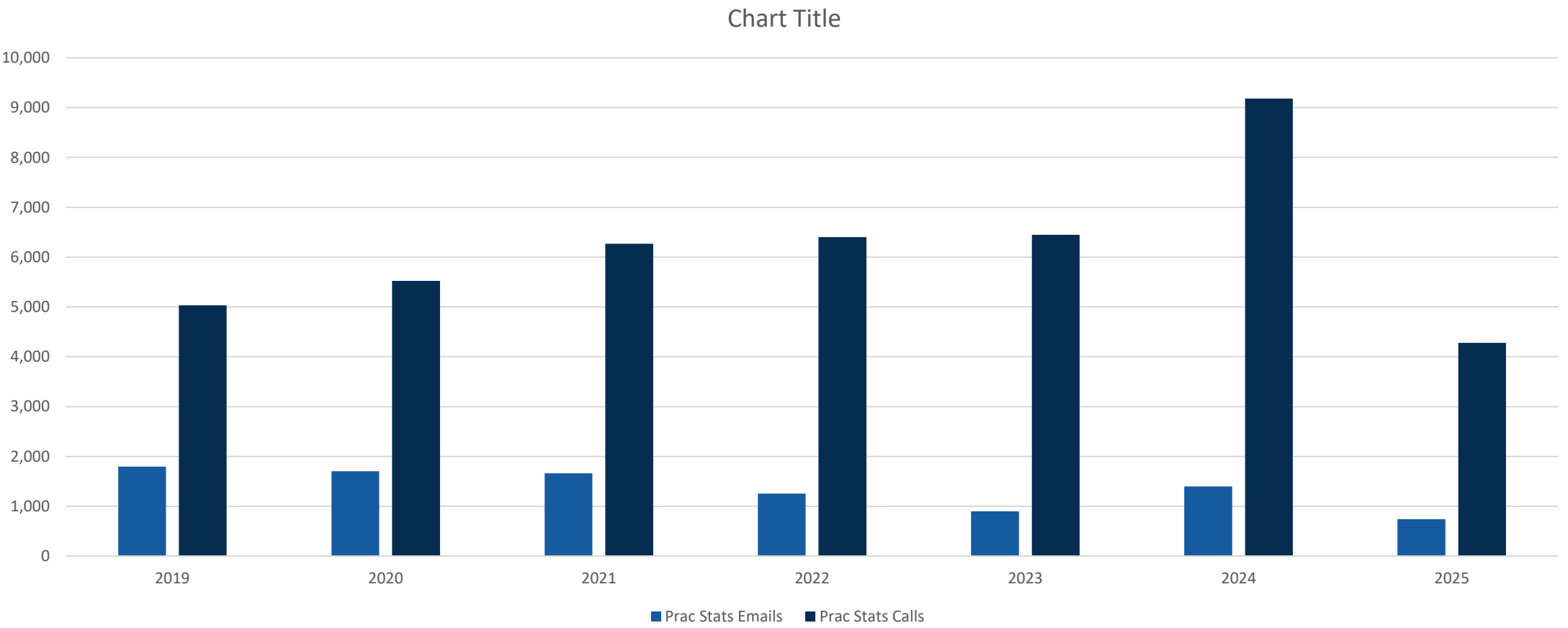


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Oregon Voluntary Self-Identification (OR-VSI)

What is OR-VSI?

- OR-VSI is the “Voluntary Self-Identification” of race and ethnicity in the Oregon tax system
- It’s an optional form that taxpayers can submit alongside their Oregon personal income tax return.
- The idea is to allow Oregon Department of Revenue to gather demographic info to inform equitable tax policy.
- Law and rule basis: Oregon Administrative Rule **150-316-0662** mandates that for tax years starting January 1, 2024 the department provide a form for voluntary self-identification.

Purpose and Use of the Data

- The data is **strictly limited** in how it can be used.
- For racial impact statements
 - Administrative rules and budget analysis
 - Responding to legislative requests
- The data is **confidential** and **voluntary**. There is **no tax penalty or benefit** tied to participation.

Purpose and Use of the Data (Cont.)

- If you file the form, your Social Security Number or individual taxpayer identification number (ITIN) may be used to match your tax return to your VSI data. If you don't file it, no matching occurs.
- Access: Only limited state offices (Legislative Revenue Office, Oregon Office of Economic Analysis) may use the data for policy research.

VSI Purpose and Use of the Data (Cont.)

VSI Response Rate per Filed Return by Filing Method as of August 11, 2025

Filing Method	Total Number of Returns Filed	Number of Returns with VSI Response	VSI Response Rate per Filed Return
Electronic	1,960,000	100,000	5%
DirectFile through DOR ROL	13,000	3,600	27%
2D Barcode ²	77,000	3,300	4%
Paper	35,000	<400	1%
Total	2,090,000	107,000	5%

Purpose and Use of the Data - Details

- Only 5 percent of Oregonians completed the form.
- Confusion around the form's requirements may have contributed to the low participation rate, so we will clarify instructions to improve participation and data quality for 2026.
- Research staff also plans to investigate demographic information for taxpayers who provided race and ethnicity data compared to the full filing population.
- However, with an estimated 150,000 extended returns still expected in 2025, a complete analysis won't be possible until 2026.

Who Can (or Must) Participate and How

- **All Oregon taxpayers** (and non-filers, optionally) are eligible to provide this data.
- The form is **voluntary** — you can opt in or opt out.
- For taxpayers using a tax preparer or software, the preparer **informs clients** of the option to fill out the form or opt out.

Who Can (or Must) Participate and How (Cont.)

- How to file:
 - With your Oregon personal income tax return (if filing)
 - Or separately via **Revenue Online** (even if you don't file a return)
 - For paper filers: Enter first four letters of last name in the form's header so pages stay together.

Completing the Form and What Data is Collected

- You may choose up to **three** race/ethnicity codes—one primary and up to two additional.
- There are about **40 categories/codes** you can choose from.
- If you don't know or don't have a race/ethnicity identity, there's a code "999" or a checkbox for "I don't have a primary race or ethnic identity."
- Married/joint filers: both spouses (or registered domestic partners) fill out separate forms.
- Amended returns: you may include OR-VSI or update your information when amending.

Implementation Timeline and Regulatory Framework

- Effective date: tax years starting **January 1, 2024** onward.
- Administrative Rule: **150-316-0662** (Voluntary Self-Identification) sets out permitted uses and restrictions.
- Software and tax preparer compliance: Vendors must not retain or use race/ethnicity data beyond tax preparation.
- Preparers must disclose option to clients.
- There is **no sanction** for opting out or not providing the information.

Benefits, Challenges and Concerns

Benefits:

- Better data to understand how tax policies affect different racial and ethnic groups
- Provide information which could inform equitable policy design
- Increase transparency in tax system

Benefits, Challenges and Concerns (Cont.)

Challenges / Concerns:

- Privacy and data security — ensuring sensitive demographic data is protected
- Public trust — some may worry about misuse
- Participation bias — if only some people respond, data may not fully represent populations
- Administrative burden on tax preparers and software vendors

Practical Guidance and Best Practices

- Tax professionals: Always inform clients of the option (opt in or opt out).
- Do not retain or use the demographic data beyond helping clients with their return.
- If a client chooses **not** to file the form, no blank form submission is needed, just opt out.
- Clients should know this is voluntary and has no tax consequences
- Use clear, transparent communication about purpose and limitations

Use Cases and Policy Implications

- Legislators and analysts can use aggregated VSI data to:
 - Assess tax burdens and benefits across demographic groups
 - Evaluate whether proposed tax changes disproportionately impact certain populations
 - Inform administrative rules, budget allocations, and equity initiatives
- Over time, data might help in identifying systemic disparities or unintended outcomes in tax law

Summary

- OR-VSI is a new, voluntary self-identification process for Oregon taxpayers to report race/ethnicity.
- Data is used in restricted, policy-oriented contexts.
- Participation is voluntary and confidential.
- Tax professionals and software vendors have obligations around disclosure and data handling.
- To support equity, encourage uptake, but ensure clear communication and strong privacy protections.

Common Questions

Can you choose to opt out for all your clients?

A: No, each client needs to be given the choice to fill out the form or opt out.

Do you need to ask your clients who don't live in Oregon if they want to participate?

A: Yes, any taxpayer filing an Oregon individual income tax return needs to be given the option to fill out the form or opt out.

VSI Common Questions

On the form OR-VSI there is no option to opt out of the filing this form. How would my client opt out?

A: For returns filed electronically, each taxpayer will have to make the choice (married filing joint taxpayers will each make their own choice) to voluntarily fill out the form or opt out of filing the form. If opting out, the form will not be transmitted to the department, and there's no record-keeping requirements about the choices made.

For returns filed on paper, the taxpayer may simply include the form if they choose to provide the race and ethnicity data.

Common Questions - VSI

On the form OR-VSI there is no option to opt out of the filing this form. How would my client opt out? (Cont.)

If they opt out, there is nothing to document, either by the taxpayer or their tax preparer, and no (blank) form needs to be submitted.

Why should I provide this information?

A: Your participation can help the state of Oregon serve you and all Oregonians better. The more people who choose to share their race and ethnicity information, the more accurate the research and analysis of data will be.

Common Questions - Data

Why should I provide this information? (Cont.)

Accurate research data—along with Census data—can show where inequities exist in current and future tax policy. Oregon leaders may consider and enact policies to mitigate inequities.



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