

Oregon Employment Department 2026 Legislative Session Summary



April 2026

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Executive Summary

The 84th Oregon Legislative Assembly adjourned sine die on Friday, March 6. Oregon's 2026 Legislative Session lasted 33 days – ending two days before the constitutional deadline. During the course of this session, the Legislative Assembly introduced 304 measures, and with the support of Governor Tina Kotek, 152 were passed into law. Subject matter experts at the Employment Department reviewed each measure, ultimately identifying and tracking 68 bills relevant to the agency's administration and programs.

Some of the key pieces of legislation passed include, but are not limited to, operations and maintenance funding for the Department of Transportation; authorizing a loan from the Unclaimed Property Fund to support the only major hospital on the Oregon Coast; and providing resources to modernize Portland's multi-purpose arena, the Moda Center. As always, the Oregon Employment Department (OED) worked closely with members of both political parties to answer policy questions, provide information about agency impacts, and ensure implementation of measures is based on the expressed intent of the Legislature.

The Oregon Employment Department worked closely with the chair of the Senate Labor and Business Committee, Senator Kathleen Taylor, during the 2025-26 interim to develop a legislative vehicle to minimize the impact of IRS Revenue Ruling 2025-04. Since this ruling established a requirement for the portion of Paid Leave Oregon contributions paid by an employer toward medical leave benefits to be taxable, the Department had to act quickly to ensure the ruling could be implemented without impacting OED's customers. Fortunately, **Senate Bill (SB) 1520** passed with extensive bi-partisan support and was signed into law by Governor Kotek on March 3, 2026.

The Oregon Employment Department's Legislative Affairs Team would like to express our appreciation for the collaborative work of the agency's internal legislative team, including subject matter experts, bill analysts, and agency executives who provided their knowledge and time over the course of the session. We also want to extend special thanks to OED's 2026 Budget and Legislative Coordination Teams. Their expertise, dedication, and contributions cannot be overstated.

The agency maintains year-round communication with legislators, provides education and outreach, implements legislation, and coordinates with internal divisions to identify policy issues to bring forward in the next legislative session. If you have any questions, or are interested in learning more about the legislative work performed by OED, please contact our Legislative Affairs Team at OED_Legislative_Affairs@Employ.Oregon.Gov.

Table of Contents

EXECUTIVE SUMMARY.....	2
TABLE OF CONTENTS	3
SECTION I: MEASURES FOLLOWED BY THE OREGON EMPLOYMENT DEPARTMENT (OED) AND PASSED DURING THE 2026 REGULAR LEGISLATIVE SESSION.....	4
House Measures.....	4
House Bill 4027: Workers' Compensation Diversion to Fund Bureau of Labor and Industries	4
House Bill 4084: Economic Development Package.....	5
House Bill 4089: Expansion of Crime of Wage Theft.....	6
House Bill 5204: 2026 Legislative Session Budget Appropriation	7
Senate Measures.....	
Senate Bill 1507: Revenue Package and Job Creation Tax Credit.....	7
Senate Bill 1512: Updates to Prosperity 10,000 Program	8
Senate Bill 1520: Paid Leave Oregon Trust Fund Rulemaking Authority.....	9
SECTION II: OTHER MEASURES TRACKED BY OED WHICH DID NOT PASS DURING THE 2026 LEGISLATIVE SESSION	10
House Measures.....	10
House Bill 4094: Worker Vacation Leave Payout	10
House Bill 4109: Repeal of Senate Bill 916 (2025).....	10
House Bill 4143: Federal Payment Recourse Act.....	10
House Bill 4147: Oregon Health Authority Medical Assistance Program Report	11
House Bill 4150: Public Contract and Grant Administration Requirements.....	11
Senate Measures.....	11

SECTION I

Measures followed by the Oregon Employment Department (OED) and passed during the 2026 Regular Legislative Session

As adopted in 1999, Oregon Revised Statute (ORS) 171.022 requires all legislative measures to take effect on Jan. 1 of the year following passage. Unless otherwise noted, the effective date for each measure listed below is Jan. 1, 2027. Alternatively, measures may include an emergency clause, which ensures the measure is effective upon the Governor's signature or may include a requirement to become effective the 91st day following adjournment of session, which in 2026, is June 5, 2026.

House Measures

[House Bill 4027](#): Workers' Compensation Diversion to Fund Bureau of Labor and Industries

Chapter 30 (2026 Laws)

Effective date: June 5, 2026

House Bill (HB) 4027 established a new fund, the Bureau of Labor and Industries (BOLI) Expenses Fund, to support BOLI's administration of state labor and employment laws related to Oregon's Workers' Compensation program as administered by the Department of Consumer and Business Services (DCBS).

Current Workers' Compensation laws require that DCBS maintain sufficient revenues in a fund, the Workers' Benefit Fund (WBF), to cover projected expenditures to support DCBS' functions and duties in a manner that minimizes employer assessment rates. A portion of the assessment, which employers pay into the WBF, is used to fund BOLI's enforcement of Workers' Compensation protections.

All employers required to pay the assessment are already required to make and file reports of employee hours worked and amounts due as part of Oregon's Combined Payroll Reporting System. Employers report this information and pay this assessment, along with their payment of regional and Statewide Transit Taxes, Unemployment Insurance taxes, and Paid Leave Oregon contributions. The Employment Department, along with the Department of Revenue (DOR), both bear responsibility for administering this system. The elements of Oregon's Combined Payroll Reporting System the Employment Department is directly responsible for administering are programmed into the agency's modernized system, Frances.

Although OED is not responsible for administering the WBF assessment, there are tables within OED's modernized system, Frances, which reflect the WBF rate and help ensure when employers are filing quarterly payroll reports that the correct amounts are paid. OED reviews all tables within Frances on an annual basis and updates WBF assessment rates to ensure they are accurate, based on rates as directed by DCBS. HB 4027 also included a stipulation that the rate may be updated outside of the current process, depending on the fund adequacy.

HB 4027 required that the WBF assessment also fund a distinct expense fund for BOLI to ensure BOLI funding is sufficient but based on similar criteria used to determine employer assessment rates for the WBF. HB 4027 did not create a new assessment or require employers in Oregon to pay an additional assessment; it only changed how the amount of money apportioned to BOLI to administer labor and employment laws related to Workers' Compensation is calculated.

Whether DCBS directs OED to update the WBF rate on annual basis or as needed based on fund adequacy, updating the rate only impacts OED minimally. Therefore, the Employment Department will absorb any impact due to the passage of HB 4027 using existing resources.

House Bill 4084: Economic Development Package

Chapter 50 (2026 Laws)

Effective date: June 5, 2026

The passage of House Bill (HB) 4084 supported key economic policy objectives to:

- 1) Establish a Joint Permitting Council within the Governor's Office to administer a fast-track permitting program;
- 2) Require specified state agencies to publish a comprehensive catalog of permits related to economic development and to report to the Governor on the performance and operations of their respective permitting programs by Oct. 3, 2026;
- 3) Expand enterprise zone program eligibility requirements and impose limits on the use of the program for data centers; and
- 4) Modify certain provisions from another piece of legislation passed in the 2026 Legislative Session, Senate Bill (SB) 1507, relating to a new job creation tax credit.

The Oregon Employment Department is not one of the agencies required to participate on the council or required to participate in the publishing of the permit catalog, and the Department does not provide regulatory approvals, or issue permits for economic

development projects. However, changes to enterprise zone program eligibility requirements and the job creation tax credit in SB 1507 do have an indirect bearing on programs administered by OED.

HB 4084 removes existing criteria, including the unemployment rate, used by Business Oregon to determine if a local area is an enterprise zone. Instead, HB 4084 requires Business Oregon to rely on broader economic development criteria than the unemployment rate and other data provided by OED's Workforce and Economic Research division.

With regard to the changes to SB 1507 (2026), instead of relying on employment data provided by the Department to measure the creation of new jobs, HB 4084 requires taxpayers seeking to claim the job creation tax credit to certify their eligibility for the credit with Business Oregon.

The Oregon Employment Department already has an inter-agency agreement to share economic analysis and data with Business Oregon to support business development objectives in the state. However, passage of neither HB 4084 nor SB 1507 will require the Department to provide any additional data to Business Oregon. Therefore, HB 4084 creates no impact for OED.

House Bill 4089: Expansion of Crime of Wage Theft

Chapter 53 (2026 Laws)

Effective date: Jan. 1, 2027.

House Bill (HB) 4089 made a variety of changes to the crime of theft of services, also known as wage theft, so that:

- Both full and partial non-payment for services is considered a crime;
- A wage theft prosecution does not preclude other forms of relief; and
- Direct contractors or subcontractors who knowingly enter into contracts and commit the crime of theft of services are guilty of misdemeanor for the first offense, or a felony in the case of a prior conviction.

Additionally, HB 4089 expands the functions of the Interagency Compliance Network (ICN) under existing state law to develop investigative methods to gather and share information relating to persons whose actions may constitute theft of services and who do not comply with laws relating to taxation or employment.

Under current law, the agencies of the ICN, including but not limited to the Oregon Employment Department, the Department of Justice (DOJ), the Department of Consumer

and Business Services, and the Bureau of Labor and Industries, coordinate efforts involving compliance with various laws relating to taxation and employment.

HB 4089 adds one new function to the ICN's eight existing responsibilities; however, any additional work OED and the other agencies now need to perform, due to the passage of HB 4089, is consistent with existing ICN functions. Even though the Employment Department's detection of potential instances of wage theft is infrequent, based on the passage of HB 4089, the Department will rely DOJ guidance on how best to gather and share the information it has with the ICN and will absorb any impacts using existing resources.

House Bill 5204: 2026 Budget Appropriation Bill

Chapter 129 (2026 Laws)

Effective date: April 7, 2026

House Bill (HB) 5204 is the Oregon Legislature's 2026 Budget Appropriation bill. Among other biennial approved budget changes, HB 5204 included a \$3M appropriation for OED to make critical program and process enhancements to the Paid Leave Oregon program. The Department will use the increase in limitation authority to buy additional system development hours and hire temporary staff to improve efficiency, reduce processing times, and ensure a sustainable, customer-focused system.

Senate Measures

Senate Bill 1507: Revenue Package and Job Creation Tax Credit

Chapter 142 (2026 Laws)

Effective date: June 5, 2026

Senate Bill (SB) 1507 modified Oregon's tax laws in relation to the passage of the federal One, Big, Beautiful Bill Act (OBBBA) of 2025. SB 1507 disconnects Oregon's tax laws from the Internal Revenue Code (IRC) to prohibit taxpayers in Oregon from qualifying for the following three types of credits or deductions:

- 1) Bonus depreciation values for new equipment purchases;
- 2) Auto loan interest paid on the purchase of new cars; and
- 3) Qualified business stocks.

As OED understands, passage of SB 1507 will enable the State of Oregon to retain more state tax revenue and use it to:

- Increase the earned income tax credit eligible residents are allowed to receive from 9% to 14% per tax year; and
- Offer a \$1,000 tax credit to a corporation for each new job in Oregon created during the tax year (for no greater than 10 jobs).

The new job tax credit created by SB 1507 will be certified by Business Oregon based on an attestation of eligibility under penalty of perjury by each corporation. To qualify for this credit, each corporation would need to certify that the wages earned in the new job must be equal or greater than 150% of the applicable minimum wage. The provisions establishing the new tax credit would also require a comparison of the corporation's average annual "covered employment" at the end of each state fiscal year (June 30) to quantify the number of jobs created for the credit.

Lastly, SB 1507 updated existing effective dates for the federal IRC in a variety of Oregon laws from Dec. 31, 2023, to Dec. 31, 2025, including but not limited to two laws administered by the Employment Department:

- The IRC definition under Unemployment Insurance (UI) law, ORS 657.010; and
- The IRC definition under Paid Leave Oregon law, ORS 657B.010,

Both of these statutes are amended annually so that the time frame referenced with respect to the UI and Paid Leave Oregon programs corresponds to the most recently applicable period of time under the IRC. Therefore, passage of SB 1507 did not create an impact for OED.

Senate Bill 1512: Updates to Prosperity 10,000 Program

Chapter 22 (2026 Laws)

Effective date: Jan. 1, 2027

Senate Bill (SB) 1512 expanded the number of people served by the workforce development program, Prosperity 10,000, administered by Higher Education Coordinating Commission (HECC) through local Oregon's nine workforce development boards. The boards administer a variety of current grant programs to prioritize the participation, demonstrate effective strategies for engagement, or use the funding to perform outreach and recruitment of priority populations. SB 1512 removes previously established funding constraints and extends Prosperity 10,000 by permitting HECC to distribute additional funds appropriated by the legislature to the boards through workforce development grants.

SB 1512 does not create any direct impacts for OED. The Department works closely with partners including but not limited to the local boards to provide workforce development services in its administration of local WorkSource Oregon (WSO) offices. Passage of SB 1512 will potentially increase the number of Oregonians served through the boards and receive services in the WSO offices. Additionally, SB 1512 increases the possibility OED may be considered as one of the entities potentially eligible for a grant administered by one of the local boards.

However, any additional customers WSO offices may need to serve or services the Department would need or provide due to the passage of SB 1512 would be absorbed using existing resources.

Senate Bill 1520: Paid Leave Oregon Trust Fund Rulemaking Authority

Chapter 3 (2026 Laws)

Effective date: June 5, 2026

During the 2025-26 interim, OED worked with Senator Taylor to develop Senate Bill (SB) 1520 in response to IRS Revenue Ruling 2025-04 on the federal tax treatment of paid family and medical leave insurance (Paid Leave Oregon) benefits.

SB 1520 amended Paid Leave Oregon's trust fund laws to authorize the Director of the Employment Department to adopt administrative rules that ensure compliance with tax reporting and withholding requirements without additional costs to Oregonians.

The passage of SB 1520 permits OED to adopt rules to establish an accounting system for moneys in the fund to ensure that employer contributions do not fund medical leave benefits. With this authority the Department can use this system to allocate trust fund moneys to pay benefits for specific leave types, and to restrict the sources of benefit payments to specific leave types. SB 1520 also explicitly prohibited the Department from promulgating rules to change the maximum contribution rate of 1% or the employee/employer split of the total contribution rate from 60%/40%.

Although the IRS Revenue Ruling originally was slated to take effect on Jan. 1, 2026, states were recently granted an extension until Jan. 1, 2027. To implement SB 1520, OED will need to adopt administrative rules and update the agency's internal accounting system to administer the moneys within the Paid Leave Trust Fund prior to that date. However, OED will absorb this impact using existing resources and will be able to do so without any risk of completing implementation within the required timeframe.

SECTION II

Other measures tracked by OED which did not pass during the 2026 Regular Legislative Session

House Measures

House Bill 4094: Worker Vacation Leave Payout

House Bill (HB) 4094 would have required employers who provide paid vacation to compensate employees upon termination for all earned or accrued but unused vacation time at 100% of the employee's regular rate of pay, under the same requirements for final wages as required by existing state law. Passage of the engrossed version of the bill would have created an impact for OED and other agencies because state employees under collective bargaining agreements generally do not receive vacation pay if they separate from work prior to the end of their trial service period.

House Bill 4109: Repeal of Senate Bill 916 (2025)

House Bill (HB) 4109 would have repealed the passage of Senate Bill (SB) 916 on 2025. The passage of SB 916 allowed workers who are unemployed due to a labor dispute to receive Unemployment Insurance (UI) benefits after the first week of a strike if otherwise eligible. Passage of this bill would have reversed the cost to administer payment of benefits to striking workers both in staffing workload and in impacts to the UI Trust Fund.

House Bill 4143: Federal Payment Recourse Act

House Bill (HB) 4143 would have given the Governor the authority to direct state agencies that receive qualified payments slated for transfer to the federal government to suspend their transfer and instead deposit them into a Federal Moneys Holding Account at the Oregon State Treasury (OST). Qualified payments would have included payments state agencies are obligated to transfer to the federal government pursuant to contract or federal law, excluding payroll taxes for officers or employees of state agencies. The Governor's authority to direct the transfer of these funds would have required the consent of the attorney general and the state treasurer and would have been limited to withhold money "if unlawfully withheld federal moneys are owed to the state." While passage of the introduced version of the bill would have potentially created an impact for OED because there are several types of payments it administers that would have been subject to transfer, HB 4143 was amended to exclude these payment types. Therefore, passage of the engrossed version of the bill would not have impacted OED.

House Bill 4147: Oregon Health Authority Medical Assistance Program Report

House Bill (HB) 4147 would have required the Oregon Health Authority (OHA) to create and submit a report by Jan. 15 every year to the Legislature in collaboration with the Department of Human Services and the Employment Department to provide information about large employers employing workers who receive medical assistance from any OHA programs. While passage of the introduced version of the bill would have potentially put Oregon at risk for being out of conformity with federal Unemployment Insurance laws because sharing identifying particulars is prohibited, it was amended to require only the sharing of aggregated information. Had the engrossed version of HB 4147 passed into law, OED would have shared the required information with OHA, but the bill would not have created any impact.

House Bill 4150: Public Contract and Grant Administration Requirements

House Bill (HB) 4150 would have prohibited prospective contractors, subcontractors, and grant recipients of the state from helping transport individuals detained by federal agencies for the purpose of deportation, and directed state agencies to require them to attest they would not do it, except in accordance with judicial orders. Had HB 4150 passed into law as amended, it would have required OED's Paid Leave Oregon program to make adjustments to the Small Business Assistance grant application program to implement these changes, but the bill otherwise would not have created an impact for OED.

Senate Measures

There were no Senate measures that would have created an impact for OED but failed to pass.

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