



TINA KOTEK
GOVERNOR

April 9, 2026

The Honorable Tobias Read
Secretary of State
900 Court Street NE
Salem, OR 97301

RE: Senate Bill 1507

Dear Secretary Read,

Today, I am signing Senate Bill 1507, which makes specific changes to Oregon's connection to the federal Internal Revenue Code. I am taking this action after careful review and consideration of the range of perspectives shared with my office since the passage of the bill. I am also calling for needed adjustments going forward.

The federal tax changes enacted last year under President Trump's H.R. 1 have significant consequences for Oregon's ability to pay for essential services. These federal tax changes are in large part paid for by draconian cuts to Medicaid and other federal programs that lower- and middle-income Oregonians should have access to. Having Oregon magnify that damage by automatically copying every new tax break in H.R. 1 is neither fair nor responsible.

Senate Bill 1507 lessens some of the harmful budgetary impacts of H.R. 1. Through its deliberations, the legislature protected critical funding for health care, K-12 schools, and higher education in the current two-year state budget, and in doing so helped to protect many Oregonians in a challenging, unpredictable world. The bill also expands how the state provides tax relief for our lowest-income households by increasing the state's Earned Income Tax Credit. Raising the credit, from 9 percent to 14 percent for individuals and from 12 percent to 17 percent for families, provides meaningful support to Oregonians who are working hard and still struggling to meet their basic needs.

It is important to acknowledge what this bill does not change with respect to Oregon's adoption of new H.R. 1 tax changes. Oregon income taxes remain connected to provisions that ensure tips and overtime are not taxed. Oregon stays aligned with federal Section 179 expensing and two of the three bonus depreciation categories – domestic R&E expensing and Production Property. These provisions support Oregon businesses to strategically invest and expand in Oregon.

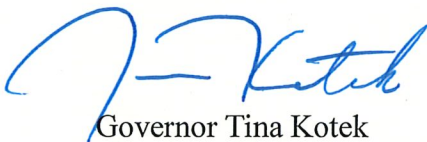
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But Senate Bill 1507 could affect Oregon's economic competitiveness, specifically disconnecting from Section 168(k), commonly referred to as M&E bonus depreciation, and disconnecting from the Qualified Small Business Stock (QSBS) exemption. These changes have unique impact on small businesses and start-ups companies. I take these potential effects seriously.

At this critical time for Oregon's economic growth trajectory, we need to take steps to ensure we are attracting and keeping business investment in Oregon. To that end, I will work with the members of my Prosperity Council to help to propose legislation for the 2027 session that would address the QSBS exemption issue specifically, as well as any other pathways toward sustained and increased investment in Oregon.

President Trump's policies are wreaking both human and economic havoc on our state. It is imperative that we act first to protect those most vulnerable and then continue to strategically advance Oregon's unique value proposition to create opportunity and steadiness for generations to come.

Sincerely,



Governor Tina Kotek