

Nikki Dobay ([00:02](#)):

Hello and welcome to Gettin' SALTy, a state and local tax policy podcast hosted by Greenberg Traurig. My name is Nikki Dobay, shareholder in the Portland, Oregon and Sacramento, California offices. We are kicking off the legislative season this 2026 and per you, I decided to invite back Jeff Newgard. Jeff, I'm going to give you a title. You are the executive director and principal of Peak Policy here in Oregon and a regular on the podcast. So thank you so much for being here.

Jeff Newgard ([00:35](#)):

Thanks Nikki. It's great to be here.

Nikki Dobay ([00:36](#)):

So we're going to do a little Oregon update, catch everybody up, what's been going on. So at the time that this podcast airs, the Oregon legislature will be in session. The date session starts is February 2nd, I believe. And Jeff, catch us up on kind of where things are going into this session. What were the big highlights of 2025 and what do folks need to remember or have top of mind as this session kicks off?

Jeff Newgard ([01:12](#)):

Yeah. Absolutely. Going back to 2025 and 2026 is very much a continuation in a way of issues from 2025. Here in Oregon on the tax fund, there was really two main conversations occurring in the legislature. One was a large scale transportation package that the legislature was trying to maneuver. Sure, we'll get into that in a second, but it progressed into special sessions and referendums and a lot of politicking going on there. The other issue was a proposal from last year's session, House Bill 2092 that I believe we actually did a podcast on in the late spring that would've switched Oregon from its role in conformity to federal taxable income to static conformity on a temporary basis kind of in preparation for H.R.1, the One Big Beautiful Bill.

([02:04](#)):

Now that we are into 2026, which is an election year, it's a gubernatorial election here in Oregon, but the transportation package is still very top of mind. In many ways it's the driver of the politics occurring in the session that starts next week and just like most of the other states with an income tax conformity is also top of mind and becoming a very thorny issue. I would say that the difference between last year and this year is last year was a lot more about policy. This year is a lot more about the politics of both issues.

Nikki Dobay ([02:37](#)):

All right. So before we get into those politics and maybe a little policy, just set the stage as to this is a short session year. How long are they going to be in session and what are they supposed to be doing?

Jeff Newgard ([02:52](#)):

Yes, so in Oregon during odd numbered years last year, we had our long session, which is five and a half months. In even-numbered years during election years, we have a 35-day session and our constitution has strict limits on those timelines for the session. And so from Monday, February 2nd through, I believe, the first full weekend of March, Oregon lawmakers will be convening in what has historically been considered a budget rebalance session with the notion of the session being an opportunity for the legislature to go and make changes to the budget, so that way the state remains within that balanced budget requirement as well as going and doing technical or corrective measures from previous session

or session issues that have come up through the administration of programs and then also to go and address emergent or urgent issues for the state.

(03:48):

And of course, once you get into the politics of an election year, you can get into an environment where everything is an emergency. And over the last 10, 12 years, the nature of this short session has really turned in more into a general session rather than that budget or corrective action focus for the short session. I think that's just by virtue something that happens in politics, but in Oregon, it's something that's occurred fairly recently.

Nikki Dobay (04:17):

Yeah. And I mean I remember a time when we were one of those states where there was no short session, and so these short sessions haven't been around very long and I just think it's a good reminder for folks to understand that these short sessions were really meant to just be kind of like, "Let's get in there. Let's make sure everything, all our I's are dotted and our T's are crossed because maybe we need to do some technical corrections or something of that sort to shore things up during this very short period."

(04:53):

I'm not saying Oregon is alone in here because I see this happening in a lot of states where the sessions are pretty condensed is there's just a lot being jammed into these very short periods and from the perspective of a person that dislikes the politics and really wants to focus on the policy, it's a bit of a bummer. So somebody told me not to be a Debbie Downer today, so I'm going to try to get amped up for this one, but okay, so what's going to happen? I think the driving force, you said, is going to be transportation. So what the heck is going on in Oregon with transportation?

Jeff Newgard (05:32):

So last year during the long session, there were, I believe, technically three different iterations of a transportation package with each one becoming smaller, trying to go and find the votes to be able to get it across the finish line. By the time that the legislature adjourned its regular session, the Democrats had gone and pulled the plug on doing anything on transportation. Then once we got into July, really a couple of days after the legislature adjourned, Governor Kotek announced that because there wasn't a transportation funding solution, and unlike previous times where transportation funding has been about new major projects, building new bridges, building new highways, this transportation conversation is predominantly around basic operations and maintenance, which is a much less sexier political issue for legislators to address.

(06:22):

People want to go and talk about building a new bridge or a new highway going and saying that you're going to go and pay for the potholes that you think you're already filling is not nearly as interesting, at least in terms of messaging to voters. But because the legislature didn't finalize a funding package, the governor said that there were going to be mass layoffs and then heading into the Labor Day weekend, the governor called the legislature into a special session, which in Oregon are traditionally 1, 2, 3 days long for the legislature to go and do whatever the task at hand is. But due to member illnesses and issues in the building, that special session extended 35 days until they were able to get a transportation funding bill passed. Then once in Oregon-

Nikki Dobay (07:13):

And they did that.

Jeff Newgard ([07:15](#)):

They did that. They were able to go and pass that kind of what some people call a stop gap, what other people call a major funding bill. I think that parts of both phrasing are correct, but the opponents to the transportation funding plan, which was passed on a partisan basis, were able to go and collect 250,000 signatures to go and refer the measure to voters. And because there wasn't an election date specified that when the signatures were verified or set for a November election.

Nikki Dobay ([07:51](#)):

Okay. So the piece that everybody's... Not everybody. That some folks are upset about is it's a gas tax. So it was an increase to the gas tax? Correct?

Jeff Newgard ([08:03](#)):

The six-cent increase of the gas tax, it's also a doubling of the statewide payroll tax for transit and then as an assortment of other fees, some changes to the weight mile tax for freight, really a wide assortment of different taxes. Now for the referendum, it wasn't all of the provisions of the transportation funding plan. It was predominantly the gas tax increase, the doubling of the statewide payroll tax for transit and a few other components. But those at least as of today, are set for the November general election.

Nikki Dobay ([08:39](#)):

All right. And this is not a legislative referral. This is a referendum.

Jeff Newgard ([08:44](#)):

Correct.

Nikki Dobay ([08:44](#)):

Okay. All right. Okay. So special session, new taxes, referendum. I mean, why aren't we just smooth sailing into the session? So how is this disrupting the politics now? Shouldn't we be focused on other things?

Jeff Newgard ([09:02](#)):

Well, with having the transportation package scheduled for the November general election, the same time that all offices in the state of Oregon will be up for election, there are some people that don't believe that it's politically prudent to go and have to campaign alongside that. There's also a very legitimate argument that come November, that's a long time from now without any resolution to transportation, the transportation funding issues, and since the entire package wasn't on that referendum ballot, there is a spending side of it that isn't up for consideration by the voters.

([09:45](#)):

And so heading into the short session, originally the governor said that she wanted the legislature to just outright repeal the transportation package and that the legislature would go and revisit it during the 2027 legislative session. A few weeks ago, there was a legal opinion from 1935 that surfaced saying that once a bill passed by the legislature was referred by the voters for an election, that the legislature

couldn't repeal it. So now the conversation in the legislature is whether to go and fast track the election, move it from the November general election to the primary election. But just this week, our Secretary of State came out saying that in order to do that, the legislature would need to pass a bill and have it signed by the governor by February 25th, which is just a mere three or four weeks away. And so there's not that much time even. There's hardly time in a short session to do a lot of things, but to go and manage the politics of this, it will be a very potent issue during our session.

Nikki Dobay ([10:45](#)):

Okay. So a lot to watch on this, I'm just going to call it this transportation issue because we don't know if legislation that would potentially move would be just to move the election or maybe they will try to do something legislatively despite the 1935 AG opinion. So there just seems like there's a lot of moving pieces here that it's really hard to know where this will land.

Jeff Newgard ([11:12](#)):

There's a lot of moving pieces. And on top of that, Republicans seem very interested in having this on the November general election ballot. And as we've learned in Oregon, there's a lot of small tactics that the minority party can use. Over the last six years, there have been numerous walkouts from Republicans with having a shortened timeframe, even shorter than the legislature adjourning sine die. There will be a lot of activity and a lot of attention focused on this one issue.

Nikki Dobay ([11:43](#)):

So Jeff, are there any bills that we're actually looking at and seeing and that are scheduled for any sort of hearings? Is anything other than this conversation going on?

Jeff Newgard ([11:56](#)):

There is a lot going on besides this conversation.

Nikki Dobay ([11:58](#)):

All right. Okay.

Jeff Newgard ([11:59](#)):

Much like other states of Oregon is trying to figure out what it's going to do with its conformity to H.R.1, the One Big Beautiful Bill, the continuation of the conversation from last year really under the microscope right now are provisions like full expensing both for machinery and equipment as well as qualified production activity. There's some conversations occurring around qualified small business stock exemptions. There's talk about going and disconnecting from the home mortgage interest deduction just for second homes. Of course there's talk about no tax on overtime. There's a whole assortment of funding conversations that are percolating. What's interesting is that we already have agendas out for the first week of session and conformity is not on any of the agendas, which means that we're really looking at the second week or further out from this conversation really starting at least in its public venue.

([12:55](#)):

There's certainly conversations going on behind the scenes. But next Wednesday is when lawmakers will receive the only revenue forecast that they'll get until they adjourn sine die. And so the consensus, at

least among those of us working through the process, is that much of the conformity conversation will really play off of however that revenue forecast turns out next week.

Nikki Dobay ([13:18](#)):

Any expectations ahead of that?

Jeff Newgard ([13:21](#)):

In terms of the revenue forecast?

Nikki Dobay ([13:24](#)):

Mm-hmm.

Jeff Newgard ([13:24](#)):

As part of my job, I watched the revenue forecasts around the country and it seems that the vast majority of states are up not necessarily significantly but up modestly. One component of the economic outlook that our state economist continually brings up is the outcome of the IEPA ruling from the US Supreme Court. And that if the US Supreme Court does invalidate those tariffs and the refunds are issued, that there would be a sizable stimulative effect on Oregon's economy, which is very trade dependent. And so there is a lot of upside risk as I look at the forecast, but it'll be interesting to see how it is communicated next week.

Nikki Dobay ([14:07](#)):

Yeah. I had Lucy on from the Pew Charitable Trust on the last podcast, and I would put Oregon into one of those states where because we're so heavily dependent on our personal income taxes and the stock market by and large has been up very much that we should be in pretty good shape. We now have CAT revenues, which have been fairly stable over the last handful of years, so it'll be interesting to see how things are looking as we're going into the sessions. So all right, so transportation conformity, maybe two of the bigger conversations, but is there a possibility that nothing happens on conformity?

Jeff Newgard ([14:49](#)):

In Oregon, anything is possible. I think the thing to watch really is that transportation conversation and how do the delay and stall tactics play into the other issues of the session. For what I do, I look at transportation and conformity as being equally the top issue of the session. Conformity is certainly an issue where taxpayers are very engaged in Oregon and Oregon, like many other blue states, is looking at budget holes of debatable sizes but certainly over in the next biennium as the Medicaid and SNAP cuts for states really come into play. There are funding conversations, not necessarily just revenue conversations, but the entire spectrum of the budget conversations that the legislature really is being pushed into doing, and especially politicians in an election year during these short sessions going and having to discuss budget reductions is not frequently a preferred conversation to be having.

Nikki Dobay ([15:49](#)):

And then outside of those two big issues, are there any one-offs, miscellaneous things we should be thinking about?

Jeff Newgard ([15:57](#)):

No, there's plenty of one-offs. There's a handful of lodging tax bills that are actually continuations from bills from the 2025 session. There is a proposal to go and not create a sales tax, but go and say that if Oregon were to ever approve of a sales tax, go and reduce rates for various other taxes, namely the corporate income tax, CAT, personal income tax and estate tax, that conversation is one that I'm particularly interested in watching. For anybody that isn't as familiar with Oregon over the last a hundred years, Oregon has had, I believe, 11 ballot measures trying to institute a sales tax and not one of them has received more than 30% support from voters. And here in Oregon there is just a general animosity towards sales taxes. And so it seems that every cycle where there is budget troubles, there tends to be conversations about a sales tax in Oregon. Historically, the conventional wisdom says that it's not a conversation that really will go anywhere, but we'll see what happens this year.

Nikki Dobay ([17:03](#)):

Well, I think these are interesting times generally. We have Alaska, the governor has come out in favor of a general statewide sales tax. Now Alaska, a little unique, they have local option sales taxes, so maybe that's a smoother path. Montana is also currently thinking about a potential sales tax bill for 2027, and we've got Washington that's on the verge of proposing a high earners personal income tax. So I would say, I was telling somebody earlier, it's like we're in the upside down right now, so maybe this is Oregon's moment to have a sales tax conversation. Now I want to put on the record if we're having that conversation, it shouldn't just be about cutting rates. We do currently have numerous individual sales taxes through various itemized excise taxes and the corporate activity tax was our version of a consumption tax put in place, what, seven, eight years ago now. Frankie really does not like the CAT.

Jeff Newgard ([18:18](#)):

I would just add that, and Nikki, I think you know this probably just as much as anybody out there. But yes, the sales tax can be a very powerful instrument for raising revenue, but it's not as simple as people in politics tend to think of sales taxes to go and create a sales tax in a state where, yes, we have some smaller sales taxes, some individualized sales taxes, we have a bicycle sales tax, there's a few others, but to go and create that large scale operational sales tax, it's not really something that the legislature or the Department of Revenue could stand up in a year.

Nikki Dobay ([19:00](#)):

Oh, no.

Jeff Newgard ([19:01](#)):

Going and standing up the corporate activity tax within, what, six months after it was enacted, required a huge lift from the Department of Revenue. There was penalty relief. There was a lot of wiggle room provided in statute for that first year of operation for the CAT. I find it difficult to see sales taxes as at least a way to be able to address some of the funding predicaments that states without a sales tax are in right now. Perhaps in the long term it could be a funding mechanism if the politics allow it in those individual states, which that alone is a big conversation locally.

Nikki Dobay ([19:38](#)):

Yeah. And don't get me wrong, I'm not saying this is something that's easy. I'm just saying if these are the conversations that are going to be had, there needs to be broader structural conversations and there needs to be a long-term plan to execute on those long-term structural changes. So no, in no way am I saying, "Oh, that'll just flip a switch." I know that's not how it happens, but we've got a lot of these

states where there haven't historically been these types of taxes and states are exploring. So I think the next five years will be interesting in many places. All right. What else should folks have on their radars for this short session which should be just to kind of like, let's tidy things up and get our house in order?

Jeff Newgard ([20:28](#)):

There is a somewhat serious proposal brewing over a state tax reform, which is an issue that has come up in our legislature the last two long sessions. It's come up for as long as I've been working in Oregon politics for the last almost 15 years. But there is more of a concerted effort right now on a state reform. And Oregon has the lowest exemption threshold of any state in the country for its estate tax. We are still tied to, I believe it's 2001, the 2001 federal estate tax rules. And with the pandemic housing boom and just the generational wealth that's occurring as the older generation passes money on to the younger generation now, there are more Oregon estates that are having to work through the Oregon estate tax at just that \$1 million exemption threshold.

([21:24](#)):

The estate tax has also become a very impressive revenue instrument for the state but there's also that give and take there you have. It raises a significant amount of revenue right now. I believe it's in the ballpark of \$580, \$600 million over the two-year budget cycle, but it's also increasingly falling on the backs of people who were never the intended target of the estate tax. And so there are conversations about finding ways to go and increase that exemption threshold. The problem politically that occurs in the legislature as they have that conversation is that there's a countervailing conversation of, "Well, how do you go and do that and make it revenue neutral?" One of the starting premise for some lawmakers is that any conversation about providing estate tax relief also needs to have revenue neutrality attached. And so there's this conversation percolating of if you go and raise the exemption threshold, do you go and increase Oregon's already higher estate tax rates on those larger estates, which then really goes after family owned businesses.

Nikki Dobay ([22:28](#)):

All right. Well, let's see if they take that one on as well. Seems like a big one, not just a little tidying up conversation, but stranger things have happened, I'm sure. So all right, anything else? Anything else?

Jeff Newgard ([22:42](#)):

I'm sure there's plenty more, but I think this is a good flavor of what's going on in Oregon. And again, just remember that there's only 35 days to go and work through this session. The first crossover deadline of the session is after the first week. And so bills have to start moving their way to the floor after the first week. So there really isn't that much time to go and navigate the policy. There is a lot of politicking that is going on in the legislature, but a big part of it also has to be figuring out the policy or otherwise you end up in problematic situations whether litigation or through administrative regulation. And the legislature is certainly trying to bite off a lot this session.

Nikki Dobay ([23:26](#)):

And Rosie did want me to put on the record that she also was barking and did not like the cat, does not like the cat. I'm not quite sure if they know that we're talking about taxes or just cats, the animals. Just an aside, but okay, two last questions not focused on the legislative session. There is a ballot initiative that's been filed not very far along that would create a wealth tax here in Oregon. And let's be clear, this

is a wealth tax, so this is an annual tax that would... Or is this a one-time? What do you know about this guy?

Jeff Newgard ([24:03](#)):

The initiative at this point is called Initiative Petition 70, IP 70. That is the first step after going and filing the paperwork to go and try to start collecting signatures. So it is extremely early on in the process. And what we know so far is that they're looking at a 2% wealth tax on accumulated wealth over \$30 million, both tangible and intangible assets. So we're looking at more of a market-to-market style calculation of what assets are in any given year but much like the conversation that's going on in California right now around their wealth tax, Oregon is extremely dependent on personal income tax revenues even more than California. California might have higher rates, but Oregon is from a revenue distribution perspective, is far more reliant on individual income taxation and especially from the wealthier households.

([24:56](#)):

And so if you go and end up having even just the threat of a wealth tax, do those wealthier households try to go and find somewhere else to move, at least live in Oregon five months out of the year, live elsewhere the rest of the year to be able to go and avoid that type of taxation? We don't know yet. We don't know how far along this will get, but there is that reverberating echo from California that very well could end up being a conversation here in Oregon.

Nikki Dobay ([25:24](#)):

All right. And one last question. I don't really like asking questions I don't know the answer to. I'm hoping I know the answer to this and I'm hoping it's short. I don't think there's anything going on at the local level that we need to be thinking about or have on people's radars right now. Portland's been, it seems like, I don't want to say they've gotten the memo that people are taxed out, but it seems like they've kind of been laying low on this issue for a while. Anything on your radar locally?

Jeff Newgard ([25:56](#)):

Not necessarily. I will say this is one of the few times where Portland and then also the greater Portland area isn't as active as it has been in years past. Nikki, you and I have written plenty of articles and tax notes over issues going on in Portland. One that I would flag, and this is more of the budget political side in Portland, there is a proposal to go and reallocate portions of Portland's clean energy surcharge to law enforcement, which is an interesting conversation. I would add that much of the big issue for Portland's clean energy fund, for those that aren't as familiar, it's a gross receipts tax, a retail sales gross receipts tax in the Portland area.

([26:42](#)):

This will be one of the, I believe the only time that the voters have actually been asked to go in and make changes to that tax, which there have been other times where the city council has come in and changed the way that the tax operates or who the tax applies to, which there are very strong arguments out there that is a violation of the city's charter. This proposal, while it doesn't necessarily affect how much or who pays, it is the only time that the voters have been asked to go and make a change to that tax, which to me, is notable.

Nikki Dobay ([27:17](#)):

Yeah. That's good to hear that there... And so this is being referred out to voters. Okay. Yeah. Because I would argue that as passed by voters, the clean energy surcharge, the funds that are raised from the clean energy surcharge are required to go into the clean energy fund and the city really does not have the authority to touch that funding. So I'm pleasantly surprised to hear they're going to ask voters if they can move that money and we'll see what the voters say. Sounds like there's a good reason for that potentially. So we'll see. TBD, as they say. All right, Jeff, anything else before we get to the fun part?

Jeff Newgard ([27:58](#)):

Let's get to the fun part.

Nikki Dobay ([27:59](#)):

All right. Good. So I was thinking about this today. You recently moved to more of a rural area in Oregon. Congratulations on that.

Jeff Newgard ([28:11](#)):

Thank you.

Nikki Dobay ([28:11](#)):

I know you all are very happy about that. And I usually live in Bend, although in Portland this week. So I was thinking about this last night as my dog, Frankie, she kept wanting to go outside after dark. It turns out she was just really looking for bunnies. There are a lot of bunnies around Portland these days and she really likes to try and chase the bunnies. And so I was wondering what wildlife are you guys now experiencing out in your new neck of the woods that you weren't experiencing before? And is that a good thing, or maybe not?

Jeff Newgard ([28:53](#)):

Earlier we could hear Frankie barking over presumably a cat outside.

Nikki Dobay ([28:57](#)):

No, that was just the mailman.

Jeff Newgard ([28:59](#)):

Oh, well, let's just assume for a second that it was the cat because I know that there's plenty of cats where you are up in Portland. My dogs aren't the biggest fan of cats either.

Nikki Dobay ([29:09](#)):

All right.

Jeff Newgard ([29:10](#)):

What I'm waiting for though is the first encounter with a very large cat, a mountain lion.

Nikki Dobay ([29:15](#)):

Oh, okay.

Jeff Newgard ([29:16](#)):

We have a good amount of mountain lions. We're just in the Cascade Foothills, so there is a lot more wildlife out here.

Nikki Dobay ([29:21](#)):

All right.

Jeff Newgard ([29:22](#)):

And there have been some mountain lion sightings just in the last few weeks. And so I'm kind of waiting for the middle of the night when I go and let the dog out to go and hopefully not have an encounter, but I'm kind of also excited just to see one from a distance.

Nikki Dobay ([29:37](#)):

All right. Okay. See, mountain lions would be very scary. I like that Frankie's just trying to hunt bunnies right now, so that seems much safer. She's also not been able to get off her leash to get any of the bunnies. Just for our listeners to know, no bunnies have been harmed in the taping of this episode. So mountain lions. Okay. Those are kind of serious.

Jeff Newgard ([30:03](#)):

Yeah. They're very serious. Thankfully they're pretty reclusive but as more development occurs and as ecosystems are changing, they are changing where they go. And that's one of the trade-offs with living a more rural lifestyle. And it's just a big cat.

Nikki Dobay ([30:22](#)):

Lions and tigers and bears. Oh, my. So kind of like the Oregon legislative session. Let's wrap it up there. All right. Well, thank you, Jeff, for joining me for a great conversation. I won't say it's not a little depressing, but I'm trying to push through this legislative season. And thank you to the listeners for joining us. Jeff and I's information will be in the show notes. If you have any questions or comments, please don't hesitate to reach out and I will be back in a few weeks on the next Gettin' SALTy.