Method used for estimating disconnect from Qualified Small Business Stock (QSBS) Gain Exclusion per estimate prepared for SB 1507 (2026)

Estimate begins with an examination of recent historical personal income tax returns filed in Oregon where the QSBS gain exclusion was reported. This examination is based on unpublished information and data limitations make this a non-comprehensive dataset though for estimation purposes the information is assumed to be a representative sample (with subsequent adjustments made).

Analysis of the non-comprehensive Oregon personal income tax returns identifies about 475 returns on average claiming the QSBS exclusion per year for the years 2018 through 2023 with about $160 million in exclusion amount claimed on average. Variability by year exists with a low of about 350 returns claiming the exclusion and a high of about 625 ($100M and $250M exclusion amounts respectively).

The amount of excluded QSBS gain correlates with the overall amount of capital gain income reported on tax returns filed in Oregon. A weighted average of years 2018 – 2023 yields a QSBS exclusion amount equal to about 1.5% of overall reported capital gains. After adjusting the amount from the personal income tax return analysis to account for exclusion amounts estimated to not be included in that examination, the estimated excluded QSBS as a percentage of overall reported capital gains increases to about 2.2%. This 2.2% (held constant) is then applied in years moving forward to the capital gains forecast prepared by the Office of Economic Analysis (OEA). OEA's capital gains forecast in 2026 is about 25% higher than the average capital gains from the 2018 – 2023 period. The average annual growth in capital gains in subsequent years is about 2.4% though individual years vary (as reflected in estimates table below). The forecasted revenue change is estimated by applying a 9.5% effective tax rate to the forecasted excluded income amount.

Beginning in 2029, the estimate includes changes to the QSBS contained in federal 2025 legislation, H.R. 1. The expansion of the QSBS was estimated as an add-factor to the baseline estimate. This incremental add-factor was based on the federal H.R. 1 estimate produced by the federal Joint Committee on Taxation (JCT). The process converts the federal JCT revenue estimate to a QSBS exclusion amount by dividing the revenue estimate by an applicable federal tax rate yielding the federal income excluded. This federal exclusion amount is then apportioned to Oregon (Oregon is generally around 1.25% of a federal amount, be it measured by population/income/etc.). This Oregon shared exclusion amount is then applied to an Oregon effective tax rate.

The table below displays the revenue estimate by tax year. The biennial estimates reflect the tax year estimates adjusted for expected timing of revenue flows.

	Tax Years ($Ms)						Biennium ($Ms)		
Policy	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2025-27**	**2027-29**	**2029-31**
QSBS stock gain disconnect	$28.1	$27.2	$27.7	$31.4	$42.7	$53.8	$38.9	$56.5	$83.0