

## Oregon Bonus Depreciation Changes: What Businesses Need to Know for 2026

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In April 2026, Oregon enacted new tax legislation that changes how businesses recover the cost of equipment and other capital investments. [Senate Bill 1507](#) formally disconnects Oregon income tax rules from federal bonus depreciation, which means federal and Oregon depreciation will no longer align beginning in 2026.

While federal law continues to allow accelerated bonus depreciation, Oregon will no longer conform to those rules for qualifying assets placed in service beginning January 1, 2026. This change does not eliminate depreciation deductions altogether, but it does change *when* those deductions are allowed for Oregon tax purposes.

### What's Changing in 2026

Starting in 2026, Oregon will not allow bonus depreciation, even if it's allowed on your federal return. Instead, Oregon requires the cost of those assets to be deducted gradually over several years.

How this affects Oregon taxes:

- Even if an asset qualifies for full or accelerated bonus depreciation at the federal level, Oregon will require the depreciation deduction to be taken over multiple years.
- This will generally result in higher Oregon taxable income in the year an asset is purchased, with deductions recovered in future years.
- Separate depreciation schedules will be required for federal and Oregon reporting moving forward.

Oregon's approach effectively reverses the federal bonus depreciation deduction for state tax purposes and allows the expense to be claimed over time using standard depreciation rules. This is a timing difference, not a permanent loss, but it does add complexity to compliance and planning.

### Who Is Affected

This change impacts a broad range of taxpayers, including:

- Businesses of all sizes.
- Pass-through entities such as partnerships, S corporations, and LLCs.
- Individual owners reporting business income on their Oregon returns.

Any taxpayer placing qualifying assets into service in Oregon beginning in 2026 should expect this difference to affect their state tax calculations, even if their federal return remains unchanged.

### What Does Not Change

It's important to note that federal depreciation rules are unchanged. Bonus depreciation remains available at the federal level under current law.

That said, because Oregon does not conform to federal law purposes for bonus depreciation purposes, taxpayers will need to track depreciation separately for federal and Oregon purposes for affected assets.

### **Why This Matters for Planning**

For businesses planning significant equipment or asset purchases, this change can have real impacts beyond the tax return. Areas to review include:

- Oregon estimated tax payments
- Cash flow projections
- Year-end tax planning strategies

Without advance planning, businesses may be surprised by higher Oregon taxable income in the year an asset is placed in service, even when federal tax liability decreases. Modeling the Oregon impact ahead of time can help avoid unexpected state tax increases and support more informed capital investment decisions.

### **Next Steps**

Businesses with planned or recent capital expenditures should revisit those decisions with this change in mind. Reviewing upcoming purchases or assets already placed in service can help identify potential Oregon tax impacts and planning opportunities.

The Kernutt Stokes tax team is available to walk through how these changes apply to your situation, including running projections based on planned capital investments. Proactive conversations now can help businesses stay ahead of shifting state tax rules and avoid surprises when 2026 returns are filed.

If you'd like to discuss how Oregon's bonus depreciation changes may affect your business, please [contact](#) your Kernutt Stokes advisor.