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The Oregon SALT Workaround for Eligible Pass-Through Entities Has Been Extended by Oregon Lawmakers - So, We Have Nothing to Worry About, or Do We?

03.10.26

As reported last week, Senate Bill 1510 ("SB 1510") was passed by the Oregon Senate on February 24, 2026. It was passed by the Oregon House of Representatives on March 4, 2026. Now, it sits on Governor Tina Kotek's desk awaiting her signature.

One of our readers asked me a simple question: "What happens next in the legislative process?" As I commenced to answer that question, with his assistance, I quickly realized that taxpayers and tax practitioners *do* have something to worry about. That worry relates to how SB 1510 was drafted.

In accordance with Section 15b of Article V of the Oregon Constitution, after a bill passes both the House and the Senate, before it becomes law, it is presented to the Governor for action. The Governor can take one of three actions: (i) she may sign the bill into law, (ii) she may allow a bill to become law without signature, or (iii) she may return the bill to the legislature or the Oregon Secretary of State with objections.

The general rule is that a bill that is not objected to by the governor automatically becomes law if it is not signed by the governor within five days (excepting Saturdays and Sundays) after being presented to the governor. However, if adjournment of the legislative session prevents the governor from returning a bill to the legislature with objections (as is the case with SB 1510), it becomes law without the governor's signature unless the governor, after giving the public five days' advance notice, files objections with the Oregon Secretary of State. The objections must be filed within 30 days (excepting Saturdays and Sundays) following adjournment of the legislative session.

The next question is: "Once a bill becomes law, when does it become effective?" Section 171.022 of the Oregon Revised Statutes provides:

"Except as otherwise provided in the Act, an Act of the Legislative Assembly takes effect on January 1 of the year after passage of the Act."

In this case, the legislation provides an exception to this rule. Section 19 of SB 1510 provides:

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"This 2026 Act takes effect on the 91st day after the date on which the 2026 regular session of the Eighty-third Legislative Assembly adjourns sine die."

So, assuming Governor Kotek signs SB 1510 into law or fails to notify the public of any objections by April 12 and fails to file objections with the Oregon Secretary of State by April 17 (thirty days from the date the bill was presented to the governor (excepting Saturdays and Sundays)), the bill will become law.

In accordance with SB 1510, it becomes effective on the 91st day after its passage by the legislature. If my math is somewhat accurate, assuming no timely objections by the governor, that means SB 1510 would be effective around June 8, 2026.

Regardless of my math, the time for the governor to file objections and the delayed effective date of SB 1510 create practical problems for taxpayers and tax practitioners. In Oregon, pass-through entity estimated tax payments are due, provided the tax liability is $1,000 or more, in four installments (April 15, June 15, September 15 and January 15). Failure to make timely estimates may expose a taxpayer to penalties.

We suspect Governor Kotek will not object to SB 1510. Consequently, the issue becomes whether the Oregon Department of Revenue will accept estimated tax payments from eligible pass-through entities before the extension of the Oregon SALT workaround becomes effective in June 2026.

My hope is that the Oregon Department of Revenue will accept estimated pass-through entity tax payments before the legislation's actual effective date. SB 1510 clearly states that it extends the SALT workaround for tax years beginning before January 1, 2028. It would have been nice had lawmakers made the bill effective before April 15, 2026, so that tax practitioners would not have one more thing to worry about during this tax season.

It appears that the Oregon Department of Revenue is aware of the issue. It posted the following on its website yesterday:

"Senate Bill 1510, which will extend the Pass-Through Entity Elective (PTE-E) Tax program, has passed the Legislature and is awaiting the Governor's signature. The program will extend to tax years beginning before January 1, 2028.

More details will be available on this webpage after Senate Bill 1510 is signed."

Let's hope practicality will prevail in this matter. My guess is that most practitioners will recommend that eligible pass-through entities make timely estimated tax payments regardless of the effective date of SB 1510.

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In an informal communication between the Oregon Department of Revenue and the Oregon Society of Certified Public Accountants ("OSCPA") earlier this week, the department indicated that it would work with taxpayers and their advisers. It further advised the OSCPA that, provided an eligible pass-through entity is registered with the department for the pass-through election, it will accept tax estimated payments due on April 15 and apply them to the entity's pass-through election account. Additionally, the department stated that it will not penalize taxpayers who do not make the first-quarter estimated payment, provided they make it up with the second-quarter estimated tax payment. While this informal communication is not binding on the Oregon Department of Revenue, it is a good sign that the tax authorities will work with taxpayers and tax practitioners on this issue.

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