



Oregon

Kate Brown, Governor

December 16, 2022

Department of Revenue

955 Center St NE

Salem, OR 97301-2555

www.oregon.gov/dor

Karen Hummelbaugh
Director of Paid Leave Oregon
Oregon Employment Department
875 Union St. NE
Salem, OR 97311

Dear Director Hummelbaugh:

You asked a series of questions regarding the taxability of benefits and deductibility of contributions for the Paid Leave Oregon program. The federal taxability of benefits from this program is determined by the Internal Revenue Service, which, as of December 16, 2022, has not provided guidance. Any guidance provided by the Oregon Department of Revenue in this letter may be superseded by guidance issued by the IRS, when it provides an opinion on these issues. The Oregon Department of Revenue is providing this guidance to help explain the tax implications of Paid Leave Oregon for employees and employers in the State of Oregon under the state tax laws. **However, all employers and employees should consult their own tax advisors regarding the tax consequences of Paid Leave Oregon contributions and benefits.**

Contributions

- Paid leave Oregon contributions made by the employee are considered to be made post-tax and thus are included in wages subject to Oregon income tax withholding.
- Paid Leave Oregon contributions paid by the employee should be reported in box 14 of the W-2.
- Any employer-elected payments of the employee's portion of the contribution responsibility are considered taxable wages to the employee.
- Paid leave Oregon contributions are not allowed as an Oregon itemized deduction.

Benefits

- Benefits received from the Paid Leave Oregon program generally are taxable income:
 - Family leave benefits are fully taxable.
 - Safe leave benefits are fully taxable.
 - Medical leave benefits are taxable based on the ratio of employer contributions to total employer and employee contributions.
 - Assistance grants received from the Paid Leave Oregon program are generally taxable.

Guidance contained in this letter is issued under the authority of ORS 305.110, which requires the department to construe the tax laws of this State on request. The opinion expressed in this letter does not bind the department or the requestor to the statement of facts or opinion expressed.

Sincerely,

Megan Denison

Megan Denison, Administrator
Personal Tax and Compliance Division
Oregon Department of Revenue