

This Week in State Tax (TWIST)

November 24, 2025



Oregon: Beaver State enacts major transportation package with tax increases

Governor Tina Kotek recently signed [House Bill 3991](#), a measure making changes to Oregon's transportation-related taxes to raise revenue to maintain the state's highway and transit infrastructure. Effective December 31, 2025, the state motor vehicle fuel tax will increase from \$0.40 to \$0.46 per gallon and now includes diesel fuel among the fuels subject to the motor vehicle fuel tax. The additional revenue generated is allocated among the state Department of Transportation, counties (with a portion specifically for small counties), and cities.

In addition, the legislation temporarily doubles the statewide payroll tax rate on wages for services performed in Oregon from 0.1 percent to 0.2 percent beginning January 1, 2026 through December 31, 2027, at which point it reverts to the original 0.1 percent. Funds from the tax are dedicated to public transit. The bill also raises vehicle registration and titling fees, effective December 31, 2025.

The bill also updates Oregon's Road Usage Charge (RUC) program, known as OReGO, which is a voluntary alternative to the traditional fuel tax. Drivers participating in the RUC program pay a per-mile charge for the miles they drive. To offset the fuel tax that the participating drivers pay at the pump, the program provides a nonrefundable tax credit. HB 3991 expands the RUC program to specifically include electric, hybrid, and plug-in hybrid vehicles as subject vehicles and clarifies definitions for these vehicle types. Owners or lessees who voluntarily participate in the per-mile RUC program are exempt from certain reporting requirements until mandatory participation begins in 2031. For electric vehicle owners, an alternative flat annual fee of \$340 is available instead of the per-mile charge. For questions regarding this bill or fuel taxes in general, please reach out to [Jeff Cook](#).

Learn about us:



kpmg.com

The following information is not intended to be "written advice concerning one or more federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS011027-1AG