REVENUE IMPACT OF PROPOSED LEGISLATION

Seventy-Seventh Oregon Legislative Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number: HB 2456 - A
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 4/18/2013

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description: Phases-out itemized deductions on incomes above $125,000 for single filers and $250,000 for joint filers. Excludes charitable contributions from the phase-out. Modifies the corporation minimum tax for corporations with at least $100 million in Oregon sales from $100,000 to $100,000 plus 0.1 percent of the amount of sales above $100 million. Changes the higher corporation tax bracket and rate from 7.6 percent on taxable income above $10 million to 7.9 percent on taxable income above $2.5 million. Eliminates the personal exemption credit for single filers with income above $125,000 and joint filers with income above $250,000. Requires the taxable income or loss of corporations that are headquartered in certain countries and are a member of a unitary group to be included in the Oregon tax return. Requires the Department of Revenue to report to the Legislature every other year on potential changes to the list of relevant countries. The inclusion of income from listed countries applies to tax years beginning on or after January 1, 2014; all other changes apply to tax years beginning on or after January 1, 2013.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2013-14	**2014-15**		**2013-15**	**2015-17**	**2017-19**
Personal Income Tax	$74	$69		$143	$162	$191
Corporate Taxes	$56	$76		$132	$153	$162
General Fund	**$130**	**$145**		**$275**	**$315**	**$353**

Impact Explanation: The estimates for the personal income tax provisions are based on the March 2013 Economic and Revenue forecast with projections for the use of itemized deductions and the personal exemption credit. Roughly 75 percent of the impact is due to the phase-out of itemized deductions. The estimates for corporate tax changes – to the corporate tax rate, to the minimum tax, and the inclusion of income from corporations headquartered in certain countries – are also based on the March 2013 forecast. Of the tax rate and minimum tax changes, roughly 60 percent of the revenue impact is due to the rate change. The inclusion of income from certain corporations first affects the 2014-15 fiscal year. The estimate is based on actual collections in Montana (where a similar provision has been in effect for ten years), adjusted for the size of Oregon's corporate tax base and the different apportionment factors used by the two states. Changes to ORS 317.853 and 318.074 in Sections 12 and 13 are intended to maintain the current projection of Rainy Day Fund contributions from the corporation tax rate.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒

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