

# Oregon's 2015-17 Tax Expenditure Report

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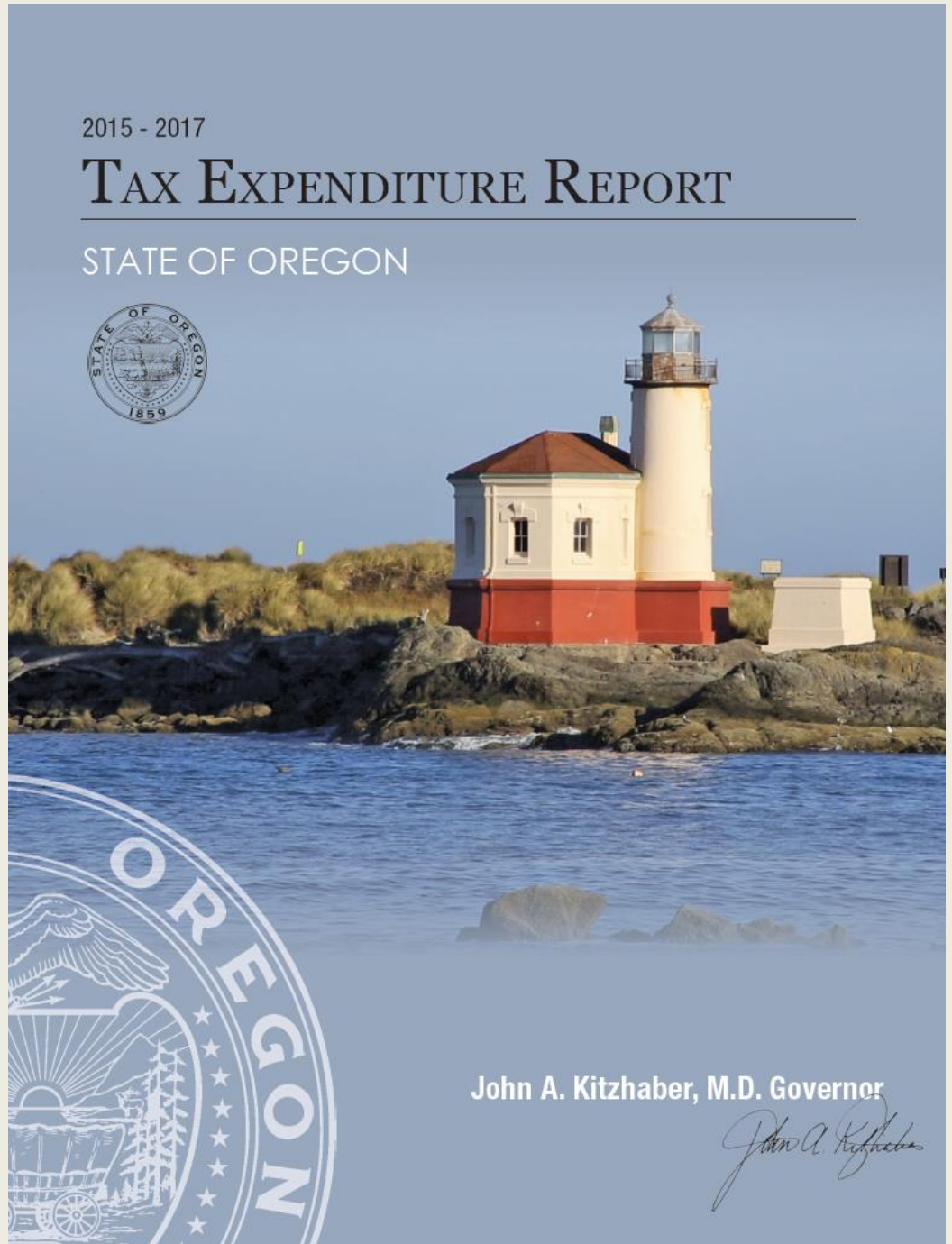
Research Section,  
Oregon Department of Revenue,

House Revenue Committee  
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2015 - 2017

## TAX EXPENDITURE REPORT

STATE OF OREGON



John A. Kitzhaber, M.D. Governor

# General Overview

- Budget Accountability Act (1995) requires tax expenditure report (biennial)
- "...are similar to direct expenditures" \*
- "The tax expenditure report will allow tax expenditures to be debated in conjunction with online budgets..." \*

\* Oregon Laws 1995, Chapter 746

ORS 291.195

## Tax Expenditure Defined:

“...any law of the Federal Government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.”

Oregon Laws 1995, Chapter 746 (Appendix A of the report)

**SUMMARY OF OREGON TAX PROGRAMS  
WITH TAX EXPENDITURES (Dollars in Millions)**

Tax Program	Number	Estimated Revenues	Revenue Impact	
		2015-17 (\$ in Millions)	2013-15 (\$ in Millions)	2015-17 (\$ in Millions)
Income (Personal and Corporate)	204	\$16,655.5	\$11,220.0	\$12,815.8
Federal Exclusions	67		\$5,507.5	\$6,574.8
Federal Adjustments/Deductions	46		\$2,302.3	\$2,555.3
Oregon Subtractions	26		\$1,660.1	\$1,797.4
Oregon Credits	60		\$1,710.3	\$1,678.9
Other Oregon Provisions	5		\$41.8	\$209.4
Property	132	\$12,400.0	\$23,599.4	\$25,912.6
Full Exemption	95		\$22,646.6	\$24,772.4
Partial Exemption	23		\$444.6	\$602.7
Special Assessment	13		\$508.2	\$537.5
Other Assessment	1		\$0.0	\$0.0
Gas and Use Fuel	7	\$1,060.0	\$10.5	\$12.1
Weight-Mile	7	\$589.3	\$18.6	\$19.3
Cigarette & Other Tobacco	5	\$465.4	\$3.0	\$3.0
Beer and Wine	2	\$36.6	\$4.0	\$4.4
Other State Taxes	15	\$618.0	\$11.3	\$11.7
All Taxes	372	\$31,824.8	\$34,868.8	\$38,778.9

# Top 10 Income Tax Expenditures

<b>Tax Expenditure</b>	<b>2015-17 Revenue Impact (\$ Millions)</b>	<b>Percent of Total</b>
Employer Paid Medical Benefits	1,345	10%
Pension Contributions and Earnings	1,154	9%
Personal Exemption	1,149	9%
Home Mortgage Interest	962	8%
Federal Income Tax Subtraction	731	6%
Social Security Benefits (Oregon)	651	5%
Social Security Benefits (Federal)	616	5%
Property Taxes	425	3%
Income of Controlled Foreign Corporation:	393	3%
Charitable Contributions: Other	390	3%
Subtotal	7,816	61%
All Others	5,000	39%
Total	12,816	100%

# Top 10 Property Tax Expenditures

Tax Expenditure	2015-17	Percent of Total
	Revenue Impact (\$ Millions)	
Intangible Personal Property	15,360	59%
State and Local Property	2,792	11%
Federal Property	1,971	8%
Personal Property for Personal Use	1,315	5%
Inventory	1,129	4%
Motor Vehicles and Trailers	938	4%
Strategic Investment Program	521	2%
Western Private Standing Timber	452	2%
Farmland	354	1%
Charitable, Literary, and Scientific Organizations	194	1%
Subtotal	25,024	97%
All Others	889	3%
Total	25,913	100%

# Categories of Tax Expenditures

More like direct  
spending

Incentives to encourage certain activities

Financial assistance for certain taxpayers

*(These are even more like direct spending if they are refundable,  
transferable, or auctioned tax credits)*

Less like direct  
spending

Provisions that simplify Compliance or  
Administration

Provisions prohibited by Federal Law

# The report must contain:

- Statutory authority
- Purpose
- Revenue loss estimates
  - Different than potential yield
    - Interactions between expenditures
    - Taken over time/carry forwards
  - Loss and shift (property tax estimates)
  - Based upon current law (both OR & Federal)



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- Statutory authority
- Purpose
- Revenue loss estimates
- Budget program or function

## 2015-17 Tax Expenditures by Subject Area

Subject Category	Count	Revenue Loss (\$000's)
Agriculture	35	503,600
Arts	4	27,500
Charitable Organizations	14	915,600
Economic Development	30	1,389,100
Education	25	232,000
Energy	24	240,400
Environment/Conservation	25	35,200
Family Support	27	1,710,600
Federal Law Prohibits	15	2,212,300
Financials/Insurance	10	48,100
Forestry	17	664,700
Health Care	23	2,919,200
Housing	21	1,842,400
Income Maintenance	23	2,292,900
Job Development	15	578,400
Military	14	238,000
Recreation	3	2,200
Retirement	13	2,720,700
State and Local Government	20	3,330,000
Tax Administration	31	18,531,800
Transportation	27	1,052,300
Utilities	7	48,400

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- Statutory authority
- Purpose
- Revenue loss estimates
- Budget program or function
- Who Benefits?
- Evaluation – achieves purpose? Fiscally effective?
- Sunset recommendations - extend provision or allow to sunset

# DOR's Role in Tax Expenditure Report

- Identify & describe new/modified/deleted expenditures
- Produce estimates of revenue loss
- Coordinate information flow among agencies, DAS Chief Financial Office, and the Governor's Office to facilitate evaluations

2015 - 2017

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STATE OF OREGON



John A. Kitzhaber, M.D. Governor

A handwritten signature of John A. Kitzhaber.