



Oregon's 2021-23 Tax Expenditure Report

House Committee on Revenue

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2021 - 2023

TAX EXPENDITURE REPORT

STATE OF OREGON



Governor Kate Brown

Kate Brown

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

Requirements of the Tax Expenditure Report

Set by 1995 Budget Accountability Act (ORS 291.203 and 291.214)

- Statutory authority
- Estimate of lost tax revenue
- Purpose
- Who Benefits?
- Evaluation – Does it achieve its purpose?
- Category of the budget program or function
- Sunset recommendations - extend provision or allow to sunset

DOR's Role in the Tax Expenditure Report

- Identify new/modified/deleted tax expenditures
- Describe the tax expenditures
- Produce estimates of revenue loss
 - Use tax data when available, other data sources if necessary
 - Consult with Legislative Revenue Office on methodology and tax provisions
- Work with agencies/others to collect data on use and administration of related programs, and to facilitate agency evaluations
- Coordinate other aspects with DAS Chief Financial Office, Legislative Revenue Office, and the Governor's Office

Oregon's Definition of Tax Expenditure

“...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
(ORS 291.201)

Categories of Tax Expenditures

More like direct
spending

Incentives to encourage certain activities

Financial assistance for certain taxpayers

*(Provisions 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

Contents of the Tax Expenditure Report

- 19 chapters
- One chapter for each tax program, but corporate and personal income taxes are combined in Chapter 1
- Chapter 19 is new for the Corporate Activity Tax
- There are 377 listed tax expenditures
- The income tax programs (185) and property tax (136) make up the majority.

SUMMARY OF OREGON TAX PROGRAMS WITH TAX EXPENDITURES (Dollars in Millions)				
Tax Program	Number	Estimated Revenues 2021-23	Revenue Impact	
			2019-21	2021-23
Income (Personal and Corporate)	185	\$20,948.1	\$13,737.6	\$15,231.7
Federal Exclusions	62		\$6,109.9	\$7,148.7
Federal Adjustments/Deductions	38		\$3,615.6	\$3,809.6
Oregon Subtractions	27		\$2,096.3	\$2,382.3
Oregon Credits	50		\$1,669.0	\$1,657.1
Other Oregon Provisions	8		\$246.8	\$234.0
Property	136	\$17,200.0	\$10,400.3	\$11,013.2
Full Exemption	94		\$9,221.9	\$9,740.9
Partial Exemption	28		\$565.4	\$628.6
Special Assessment	13		\$611.3	\$643.2
Other Assessment	1		\$1.7	\$0.5
All Other State Taxes with Tax Expenditures	56	\$7,513.3	\$457.6	\$451.7
All Taxes with Tax Expenditures	377	\$45,661.4	\$24,595.5	\$26,696.6
<i>For reasons explained in the Revenue Impacts section on page 3, there are difficulties with summing tax expenditures. This table is intended only to provide rough orders of magnitudes for large groups of tax expenditures and caution should be exercised when adding revenue impacts.</i>				

Notable Changes for 2021-23 Edition

- New tax program:
 - Chapter 19 was added to the report for tax expenditures in Oregon's new Corporate Activity Tax.
- Recent federal tax changes:
 - Changes to personal and corporate income taxes as a result of the Federal CARES Act (March 2020) are included in this report.
 - However, the report was compiled and released in late 2020, before the two most recent federal tax law changes.
- As listed in Appendix C of this year's report (page 421):
 - 17 new tax expenditures
 - 35 existing tax expenditures had legislative modifications
 - 8 entries from the 2019-21 report were removed for various reasons

Top Ten Tax Expenditures for Personal and Corporate Income Taxes

Tax Expenditure	2021-23 Revenue Impact (\$Millions)	Percent of Total
Pension Contributions and Earnings	2,470	16%
Employer Paid Medical and Cafeteria Plan Benefits	1,682	11%
Personal Exemption	1,309	9%
Home Mortgage Interest	1,129	7%
Federal Income Tax Subtraction	1,051	7%
Social Security Benefits (Oregon)	1,019	7%
Social Security Benefits (Federal)	744	5%
Charitable Contributions	657	4%
Property Taxes	616	4%
Capital Gains on Inherited Property	529	3%
Subtotal	11,204	74%
All Others	4,027	26%
Total	15,232	100%

The three highlighted tax expenditures are specific to Oregon law, the other seven are due to Oregon's connection to Federal taxable income

Top Ten Tax Expenditures for Property Taxes

Tax Expenditure	2021-23 Revenue Impact (\$Millions)	Percent of Total
State and Local Property	2,876	26%
Federal Property	1,718	16%
Personal Property for Personal Use	1,618	15%
Motor Vehicles and Trailers	1,044	9%
Inventory	700	6%
Western Private Standing Timber	494	4%
Strategic Investment Program	457	4%
Farmland	419	4%
Charitable, Literary, and Scientific Organizations	238	2%
Long Term Rural Enterprise Zone (Property Tax)	216	2%
Subtotal	9,780	89%
All Others	1,233	11%
Total	11,013	100%

Ambiguity in Sunsets

ORS 315.037

(1)As used in this section, “tax expenditure” has the meaning given that term in ORS 291.201 (“Tax expenditure” defined for ORS 291.201 to 291.222).

(2)Any tax credit enacted by the Legislative Assembly on or after January 1, 2010, shall apply for a maximum of six tax years beginning with the initial tax year for which the credit is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

(3)Any tax expenditure enacted by the Legislative Assembly on or after January 1, 2014, shall apply for a maximum of six tax years beginning with the initial tax year for which the tax expenditure is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

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Factors that weigh toward inclusion of a provision in the Tax Expenditure Report

- It is reflected on an assessment record, tax return, tax statement, or other tax filing document as a deduction, exclusion, subtraction, exemption, deferral, preferential tax rates, or tax credit.
- It applies only to a targeted group of taxpayers and reduces the tax owed through some other mechanism. For example, specifying a formula for appraising certain property so that it results in a lower taxable value.
- It reduces tax revenue for a tax program. Reductions in penalties, interest, or “fees” owed are not included.
- It is reported by the federal Joint Committee on Taxation as a reduction in federal taxable income, and that reduction flows through to Oregon’s treatment of that income.

Factors that weigh toward exclusion

- It is a filing status, tax rate, or other mathematical feature of the tax calculation that applies to all taxpayers. (*e.g. standard deduction; value & rate limits in Measures 5 and 50*)
- It is an exclusion implemented when the tax was created, as a way to define the tax base.
- It is a subtraction of ordinary and necessary expenses in a business that operates for profit.
- It is a reduction in tax that is necessary to avoid double-taxation of income. (*e.g. credit for “claim of right” or credit for taxes paid to another state.*)
- It is a rebate or other spending program. The program may appear to be tied to taxes but occurs separately. (*e.g. Oregon Greenlight Labor Rebate*)



Questions?

Research Section

www.Oregon.gov/DOR/STATS

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