

SB 774 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Chris Allanach, Legislative Revenue Officer

Meeting Dates: 5/31

WHAT THE MEASURE DOES:

Repeals Oregon's personal "kicker" law - also known as the surplus refund law - beginning with the 2023-25 biennium. Only takes effect if Senate Joint Resolution 26 is approved by voters during the next general election (November 2024).

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The kicker was approved by the 1979 Legislature as part of an overall fiscal reform package. The package, which included property tax relief, was approved by voters in the spring of 1980. In 2000, voters acting on a legislative referral put a large portion of the 2% surplus kicker statute into the state constitution (Article IX, Section 14). In 2012, voters modified the constitution (Measure 85), redirecting corporate kicker revenue to the General Fund for purposes of funding K-12 education.

The kicker law divides all General Fund revenue into two pots: (1) corporate income taxes and (2) personal income taxes plus all other (non-corporate) revenue. At the end of each biennium, a calculation is made for each pot. The latter pot is referred to as either the "all other" pot or the "personal pot". If the collections in the "all other" pot are more than 2% higher than was forecast at the close of the regular session, then a credit must be paid to personal income taxpayers. In these cases, all the money in excess of the close of session forecast, including the 2%, is returned to taxpayers. This bill repeals only the personal kicker.

For the 22 biennia in which the kicker has been in effect (1979-81 through 2021-23), the personal income tax trigger was exceeded fourteen times. Kicker refunds/credits were distributed on twelve occasions (scheduled for its thirteenth) and suspended once. Eight times collections fell short of the 2% personal income tax trigger.