

**REVENUE IMPACT OF
PROPOSED LEGISLATION
82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office**

**Bill Number: HB 2812
Revenue Area: Personal Income Tax
Economist: Kyle Easton
Date: 4/21/2023**

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Creates Oregon personal income tax subtraction for amount of personal casualty loss that would otherwise be deductible but for federal law requiring such casualty loss to occur in a federally declared disaster area. Requires casualty loss to be incurred in Oregon as a result of an event subject to a state of emergency declared by the Governor, or occur in an area subject to Governor's executive order invoking the Emergency Conflagration Act. Disallows subtraction for amounts deducted on taxpayer's federal income tax return. Applies to tax years beginning on or after January 1, 2020, and before January 1, 2026.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2023-24	2024-25	2023-25	2025-27	2027-29
General Fund	-\$0.4	-\$0.2	-\$0.6	-\$0.2	N/A

Impact Explanation:

Personal income taxpayers are allowed to claim an itemized deduction for personal casualty and theft losses. This itemized deduction exists in federal tax law and is available to taxpayers on their Oregon income tax return due to Oregon's income tax connection to federal tax law. The deduction is for amounts of casualty and theft losses that exceed 10% of a taxpayer's adjusted gross income. In 2017, federal tax law modified, for tax years 2018 through 2025, the casualty and theft loss deduction to allow a deduction only for losses attributable to a federally declared disaster. Deductible losses are for amounts of such loss that are unreimbursed and exceed the taxpayer's adjusted basis in the property.

For tax years 2020 through 2025, measure allows personal income taxpayers to claim as an Oregon subtraction, a personal casualty loss incurred in Oregon that would otherwise be deductible but for the recent temporary federal limitation. Additionally, the Oregon subtraction may only consist of casualty losses resulting from an event subject to a state of emergency declared by the Governor or occurring in an area subject to the Governor's order invoking the Emergency Conflagration Act.

Measure's applicability to tax years 2020 through 2025 will allow Oregon taxpayers with sufficient qualified casualty losses to claim the Oregon subtraction. Taxpayers with such casualty losses from a prior tax year(s) may amend previous year tax returns to claim the subtraction. Estimate is based on an analysis of historical use of the itemized deduction (prior to recent federal limitations) and assumes partial use of the subtraction by taxpayers amending previous year tax returns, and use in applicable years going forward. Actual revenue impact will depend

on casualty losses incurred and attributable to Oregon declared disasters that are not federally declared disasters. Historically, about 1,000 taxpayers used the deduction each year with an average annual loss in revenue of about \$1 million. Measure effectively implements a partial reinstatement of the casualty loss itemized deduction.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to provide support to Oregonians with property destroyed in areas subject to Oregon declared emergencies thereby eliminating the tax deduction disparity between federal and state declared disasters.