Statewide Transit Tax

Joint Committee on Transportation

March 11, 2025

LRO

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Overview of Tax

- Created by HB 2017 to fund Transit.

- Flat rate of 0.1% on wages of each employee
  - $1 in tax for $1,000 in wages

- Oregon employers withhold the tax from employee paychecks and remits to Dept. of Revenue

- Residents with wages outside Oregon report/pay themselves

Revenue Distributions

The distributions of the revenue (after DOR costs) by the following formula:

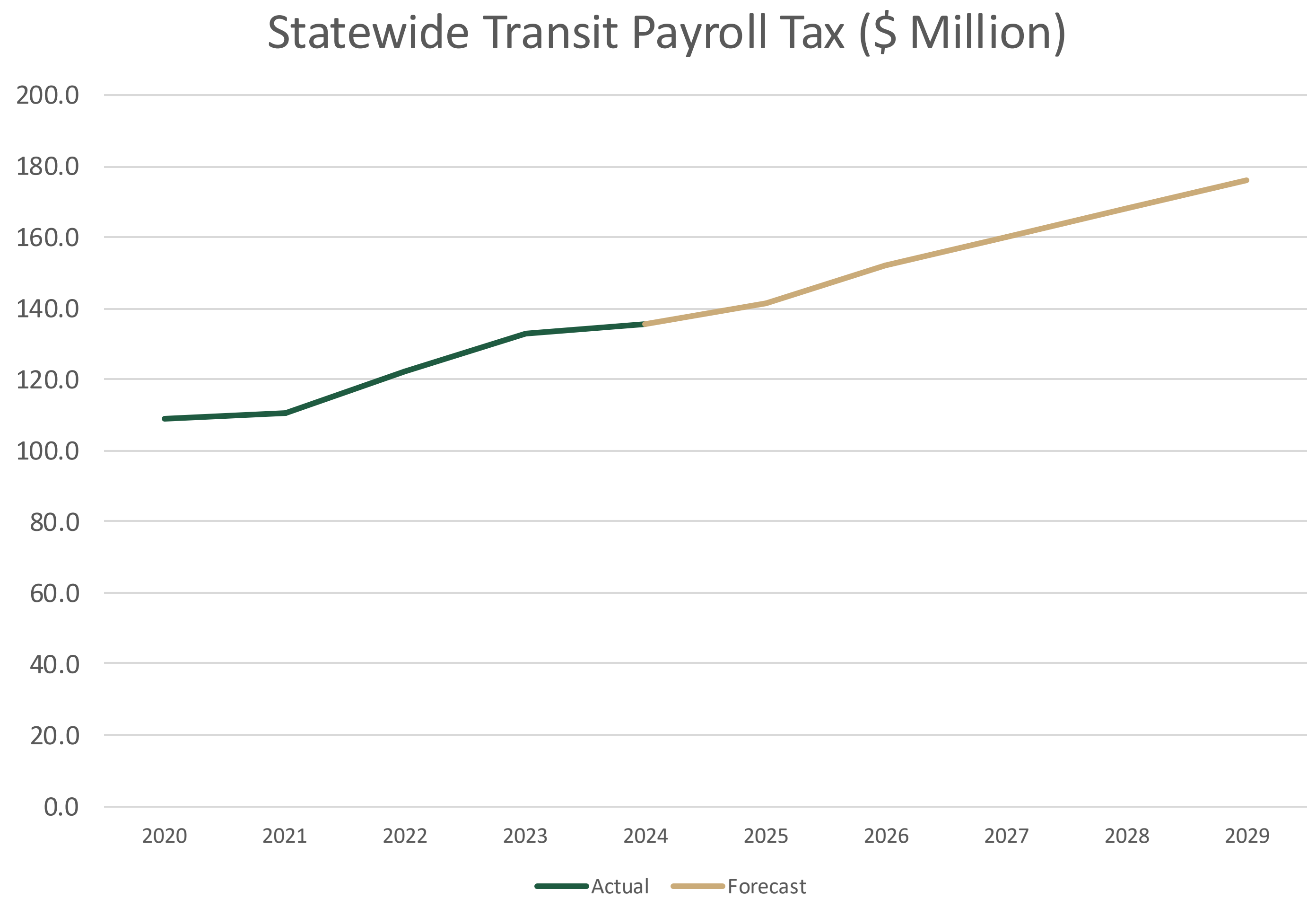
- 90% to mass transit and transportation districts in proportion to the amount of tax paid, with a minimum of $100,000.

- 5% to transportation districts,

- 4% for intercity public transportation service providers, and

- 1% for a public transportation technical resource center to assist rural areas.

Tax Revenue



- Actual FY 2024 revenue of $135.5 million
  - About 95% of STIF Revenue
- Forecast is $152 million for FY 2025 and $159.9 million for FY 2026
- Tax revenue changes would be roughly in proportion to tax rate changes, and based on forecast and timing of applicability and implementation
- For example;
  - increased rate of 0.01% (total 0.11%) would be increase of about $16 million in FY26
  - Increase of 0.05% (total 0.15%) would be increase of about $80 million

Regressivity of the payroll tax

- An issue that came up in workgroups was regressivity of payroll tax
  - With respect to payroll, the tax is proportional – every wage-earner pays the same rate
  - With respect to total income, the tax is regressive at the top 20% of income-tax payers as a larger percent of their income comes from non-wage sources

- Challenges with making a payroll tax less regressive
  - Increasing the tax for high wages doesn't proportionally impact high-income taxpayers for the same reason the tax is regressive – those taxpayers have a larger share of income from non-wage sources
  - Trying to make it progressive just within payroll would require something like increasing rates for higher payroll amounts. That would increase regressivity for seasonal workers because each pay period may be high relative to annual wages.
  - Could be fixed with annual reconciliation, but would require more administration like the income tax

- The income tax may be a better tool to reduce regressivity.
  - As an example, the Earned Income Tax Credit was initially enacted to offset payroll taxes for lower-income taxpayers

Thank You

Questions

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