

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
75th Oregon Legislative Assembly  
2009 Regular Session  
Legislative Revenue Office

<b>Bill Number:</b>	HB 2069 A
<b>Revenue Area:</b>	Income Taxes
<b>Economist:</b>	Chris Allanach
<b>Date:</b>	6-15-09

**Measure Description:** Increases the eligibility age for the additional medical deduction from 62 to 65 in tax year 2010 and then to 67 in tax year 2018. Phases-out the deduction for single filers with income above \$125,000 and joint filers with income above \$250,000. Applies to tax years beginning on or after January 1, 2009.

**Revenue Impact (\$Millions):**

	Fiscal Year		Biennium		
	2009-10	2010-11	2009-11	2011-2013	2013-2015
<b>General Fund</b>	<b>\$6.5</b>	<b>\$13.8</b>	<b>\$20.3</b>	<b>\$25.4</b>	<b>\$31.7</b>

**Impact Explanation:** The estimates are based on the historical trends in the number of claimants and average amount claimed each year, adjusting for the program phase-in during the 1990s and anticipated growth in the eligible population over the next several years. Between 2002 and 2008, the population of Oregonians aged 62 or greater grew at an annual average rate of 2.2 percent. From 2009 through 2015 that percentage is expected to nearly double to 4.2%. The revenue impact is based on the combination of the number of claimants and the average deduction – which is tied to both medical costs and income. Because the deduction is at most 7.5% of the taxpayer’s adjusted gross income, a change in the growth of incomes changes the growth in the deduction. In 2007, roughly 221,000 filers claimed an average deduction of \$3,500, resulting in a total revenue loss of just under \$58 million. Roughly 7 percent of these filers would be affected by this policy. The impact in 2009-11 includes an expected decrease in the number of claimants as the age requirement is increased from 62 to 65 in 2010.

If HB 2649 becomes law, the estimated revenue impact of the policy increases to \$24.5 million in 2009-11, \$30.2 million in 2011-13, and \$37.2 million in 2013-15. The higher tax rates included in HB 2649 translate into the deduction having relatively greater value. For example, a \$1,000 deduction against a tax rate of 9% reduces tax by \$90. The same \$1,000 deduction against a tax rate of 10.8% reduces taxes by \$108.

**Creates, Extends, or Expands Tax Expenditure:      No**