

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

| | |
|----------------------|-----------------|
| Bill Number: | HB 3405 A |
| Revenue Area: | Corporate Taxes |
| Economist: | Chris Allanach |
| Date: | 6-4-09 |

Measure Description: Increases the C-corporation minimum tax from \$10 to an amount that ranges from \$150 for corporations with less than \$500,000 in Oregon sales to \$100,000 for corporations with Oregon sales of more than \$100 million. Increases the minimum tax on S-corporations from \$10 to \$150. Imposes a \$150 entity tax on entities filing a partnership return. Increases the Secretary of State filing from \$50 to \$100 for domestic corporations and to \$275 for foreign corporations. Creates a second marginal corporate tax rate of 7.9% that is applied to taxable income greater than \$250,000 for tax years 2009 and 2010; reduces the rate to 7.6% for tax years 2011 and 2012. For tax years after 2012 the top tax rate of 7.6% applies to net income greater than \$10 million. Other changes are applicable beginning with tax year 2009. Becomes effective 91 days following sine die.

Revenue Impact (\$Millions):

| | Fiscal Year | | Biennium | | |
|---------------------|-------------|--------------|--------------|--------------|--------------|
| | 2009-10 | 2010-11 | 2009-11 | 2011-2013 | 2013-2015 |
| General Fund | \$52 | \$209 | \$261 | \$270 | \$231 |

Most of the revenue impact is from the new minimum tax and new marginal tax rate for C-corporations. The minimum tax raises roughly \$93 million in the 2009-11 biennium and decreases slightly in the subsequent two biennia as the trend toward fewer C-corporations continues and the economy improves. The new marginal tax rate results in approximately \$108 million in revenue in the 2009-11 biennium. The higher minimum tax on S-corporations is expected to increase revenue by approximately \$18 million per biennium. The entity tax on those filing a partnership return is expected to raise roughly \$18 million per biennium. The increased Secretary of State filing fees are estimated to increase revenue by \$30 million per biennium. The relatively slow growth in revenue for 2011-13 is the net impact the lower top tax rate and the expected rebound in corporate profits. The lower revenue in 2013-15 is driven by the smaller applicability of the top marginal tax rate.

Creates, Extends, or Expands Tax Expenditure: No