

2003

OREGON REVENUE COALITION

Working Together for Oregon's Future

A Primer on Tax Breaks In Oregon

March 2003

OREGON REVENUE COALITION: *An ad hoc group of organizations representing public education, long-term care, human services, organized labor, civil rights, the faith community, and other areas. Members include* Advocacy Coalition of Seniors and People with Disabilities, AFT-Oregon, Alzheimers Association, American Association of University Women of Oregon, Alcohol & Drug Program Association of Oregon, Alternatives to Growth Oregon, Brain Injury Association of Oregon, Cascadia Behavioral Health Care, Inc., Children First for Oregon, Columbia River Pensioners (ILWU), Common Cause Oregon, Community Action Directors of Oregon, Community Providers Association of Oregon, Confederation of Oregon School Administrators (COSA), Gray Panthers of Oregon/Greater Idaho, Human Services Coalition of Oregon (HSCO), ILWU, Jewish Federation of Portland, League of Women Voters - Oregon, National Association of Social Workers -- Oregon Chapter, Oregon Advocacy Center, Oregon AFL-CIO, Oregon AFSCME, Oregon Alliance of Seniors and Health Services, Oregon Association of Area Agencies on Aging & Disabilities (O4AD), Oregon Campaign for Economic Justice, Oregon Education Association, Oregon Environmental Council, Oregon Health Care Association, Oregon Hunger Relief Task Force, Oregon School Boards Association (OSBA), Oregon School Employees Association, Oregon Small High School Consortium, Oregon State Firefighters Council, Oregon Student Association, Pacific Northwest Council of Carpenters, PCUN, Rural Organizing Project, SEIU-OPEU, Social Justice Alliance of Josephine County, Stand for Children, Superintendent of Public Instruction Susan Castillo, Support Oregon Services Alliance (SOSA), Survivors Advocating for an Effective System (SAFES), United Cerebral Palsy of Oregon & SW Wash., United Seniors of Oregon, Women's Rights Coalition.

Executive Summary

We conducted an extensive analysis of the state's Tax Expenditure Report 2003-05, which itemizes 350 tax expenditures, popularly known as tax breaks, including all exemptions, deductions, exclusion and credits that reduce tax collections at the state and local level. Based on this analysis, we developed the following findings and recommendations.

Findings

- Tax breaks are growing faster than revenues and are consuming larger and larger shares of the resources we need to fund schools, human services and public safety. If tax breaks had been held to a constant percentage of revenues over the past two years, the state and local governments would have collected an additional \$1.4 billion during the current biennium.
- We now give away more money in tax breaks than we collect in taxes. Overall, the state and local governments collect only 42 cents in revenue for every dollar levied in taxes. This "revenue recovery rate" reflects the amount of revenue we collect after tax breaks compared to total revenue that would be collected without these tax breaks.
 - The property tax has a revenue recovery rate of only 27 cents on the dollar. But, when adjusting for the fact that the state cannot tax federal lands and chooses not to tax intangible assets, like stocks and bonds, the revenue recovery rate for the property tax is 71 cents on the dollar.
 - The revenue recovery rate for the income tax is 55 cents. For the corporate income tax, it is only 45 cents.
- We identify 13 purposes that appear to represent good public policy purposes for tax breaks, from fighting hunger and poverty to making housing more affordable. We also allow for three governmental interests that qualify as reasonable purposes, e.g. preventing inter-governmental taxation. Even so, we find that there are 174 tax breaks that do not serve any of these purposes. Of these, 126 benefit businesses.
- We find few instances of a documented connection between job creation and business tax breaks.
- Oregon allows federal tax policy to dictate state tax policy. As a result, the state will lose \$124 million in this biennium from two business tax breaks were approved by the Congress in 2000 and 2001 but have not been shown to create jobs.
- We find that there is great potential for raising revenue by reducing the cost of tax expenditures to address the state's \$2.5 billion shortfall in 2003-05.
 - Reducing by 25% all tax breaks within the reach of state and local governments (excluding the taxation of federal lands and intangible assets such as stocks and bonds) would raise \$3.1 billion for state, schools and local government.
 - Capping income tax breaks at 33 cents on the dollar would recover \$1.7 billion in otherwise lost revenues for the state in 2003-05.

Recommendations

We recommend the following policy options to strike a better balance between tax expenditures and the need to maintain funding for public services.

1. **Disconnect from the federal tax code to allow case-by-case review and implementation of all tax policies affecting our state income tax.**
2. **Establish a moratorium on all new tax breaks that are not offset by the repeal of less compelling tax breaks of equal or greater cost.**
3. **Create and conduct an appropriate budget process to maximize revenue recovery from existing tax sources to help maintain services in 2003-05. This process should be coordinated with the Ways and Means appropriations process and involve the use of common criteria of purpose and cost-effectiveness for both tax expenditures and direct program expenditures. Among the approaches for this tax expenditure budget process are the following.**
 - a. Establish a list of public purposes and criteria for cost-effectiveness. Target specific tax breaks for further scrutiny of costs and benefits if they do not meet these purposes and criteria.
 - b. For tax breaks that benefit business, establish criteria for creating and/or sustaining jobs in Oregon on a cost-effective basis, require accountability for job creation and impose penalties (in the form of refunds of tax savings) if jobs promised are not delivered over a specified period of time. Repeal business tax breaks that don't meet these criteria.
 - c. Reduce all tax breaks by a common percentage, e.g. 25% of the tax otherwise due from the income or asset, to spread the cost of supporting public services more evenly among all taxpayers and to offset some of the budget reductions now affecting all Oregonians. A 25% reduction in tax breaks would recover \$3,152 million in otherwise lost revenue in the upcoming biennium.
 - d. "Put the income back in the income tax" by establishing a minimum revenue recovery rate for the state income tax, which has the lowest adjusted revenue recovery rate. By limiting income tax breaks to 33 cents on the dollar, the state would recover \$1,713 million in otherwise lost revenue in 2003-05.
 - e. Have the revenue committees establish a short-term work group to complete the analysis of all tax breaks identified herein for further scrutiny according to criteria established for the tax expenditure budget. Direct the work group to complete its review and recommendations before adoption of a final budget for 2003-05.

A Primer on Tax Breaks in Oregon

Final Report (March 10, 2003)

Tax breaks are consuming larger and larger shares of the resources we need to fund our schools, human services and public safety.

We now give back more in tax breaks than we collect in taxes.

In 1999-01, Oregon and its local governments collected approximately 46 cents for every dollar levied in taxes. In 2001-03, that number declined to 42 cents. Now, for every dollar we levy in taxes, we forgo 58 cents in credits, deductions, exemptions and exclusions.

Tax breaks are growing faster than tax revenues. Between 1997-99 and 2001-03, tax expenditures (the technical term for tax breaks) grew by 27% at the state and local level, while tax collections grew by 15%.

If tax breaks had been held to a constant percentage of total taxes levied between 1999-01 and 2001-03, we would have \$1,443 million in additional tax revenue in the current biennium – enough to restore all the cuts to our schools, public safety and human services, with money left over for the next biennium.

I. Analyzing the Tax Breaks by Incidence and Cost

The best source of information on tax breaks is the state's Tax Expenditure Report, which lists 350 tax breaks at the state and local level. The cost of these 350 tax breaks in lost revenues for the state, school districts and local governments totaled \$25,200 million (\$25.2 billion) in the current budget period (2001-03). The cost of these tax breaks is projected to grow to \$27,000 million in the next budget period (2003-2005), when the state projects a shortfall of \$2,500 million to maintain current services.

(Exhibit A, "Tax Expenditures with Purpose and Beneficiary," details the type, program area, purpose, beneficiary, date of origin and cost in 2001-03 and 2003-05 for all 350 tax breaks.)

II. Property and Income Taxes Are Riddled with Tax Breaks

The bigger the tax, the higher the incidence of tax breaks. Property taxes and income taxes generate 82% of state and local tax revenue, but tax breaks on property and income taxes account for 99.8% of all revenues lost to tax breaks at the state and local level.

The incidence of tax breaks can be measured in two ways: (1) by the number of different tax credits, deductions, exemptions and exclusions; and, (2) by the amount of revenue collected from a tax with the tax breaks now in effect compared to total revenue that would be collected without these tax breaks.

We call the latter measure the “revenue recovery rate.” We quantify this rate in terms of cents on the dollar – the amount of revenue collected for each dollar that would otherwise be received if the tax were applied across-the-board with no exceptions.

Looking at the number of tax breaks and the revenue recovery rate, we find the following variations by tax source.

Tax Breaks by Tax Source, 2001-03

Tax	# of Tax Breaks	Revenue Recovery Rate
Income	192	\$0.55*
Property	117	\$0.27**
Gas & Fuel	5	\$0.99
Weight Mile	7	\$0.97
Insurance	7	\$0.91
Cigarette/Tobacco	5	\$1.00
Beer & Wine	2	\$0.94
Other State Taxes	15	\$1.00
ALL	350	\$0.42

*The revenue recovery rate for the corporate income tax component is \$0.45.

**The revenue recovery rate for the property tax can be misleading in two respects – the extent to which federal law prohibits the taxation of certain assets (such as federal and tribal land) and the policy of not taxing intangible assets (such as stocks and bonds). Adjusting for these constraints, the revenue recovery rate for the property tax would be \$0.72.

Based on this information, we conclude that the targets of any inquiry into tax breaks in Oregon should be the property tax and the income tax.

III. Sorting the Good from the Bad

Tax breaks shouldn't be suspect just because they are tax breaks. Many were designed to help working families own their own homes, gain access to health care, send their children to college and save for retirement. Others are meant to attract and keep businesses in Oregon with the expectation of good jobs for Oregonians.

To sort the good from the bad, we need to assess:

1. Whether their purposes reflect compelling public policy goals;
2. Whether they are cost-effective in achieving those goals; and,
3. Whether they are worth their cost, i.e. would the revenue we forgo because of a given tax break for a given purpose be better spent on direct services for the same or different purpose.

This is the kind of cost-benefit analysis that is applied to the budgets of state and local governments for direct expenditures for public services. We believe the same budgetary process should apply to tax expenditures as well.

IV. Tax Breaks Serve Many Purposes

The 350 tax breaks at the state and local level address many different purposes. These purposes, in order of their total cost, include:

<u>Purpose</u>	<u>#</u>	<u>Cost 2003-05</u>
Prevent inter-government taxation	20	\$5,227.3 million
Make health care more affordable, accessible	25	\$1,379.6 million
Make housing more affordable	20	\$1,201.9 million
Help workers save for retirement	3	\$ 790.3 million
Help seniors make ends meet	6	\$ 614.5 million
Promote charitable giving	4	\$ 328.8 million
Create jobs	5	\$ 236.7 million
Promote education, job training	27	\$ 153.6 million
Reduce the cost of government borrowing	3	\$ 114.4 million
Assist the disabled	9	\$ 103.4 million
Protect the environment, save energy	26	\$ 62.1 million
Promote the welfare of children	10	\$ 54.3 million
Minimize tax administration difficulties	5	\$ 51.3 million
Fight poverty and hunger	4	\$ 27.3 million
Assist military personnel and veterans	4	\$ 22.9 million
Support the arts	2	\$ 17.9 million
Promote political giving	1	\$ 8.8 million
Help victims of disasters, crimes	5	\$ 1.5 million

In addition to these purposes, there are numerous tax breaks designed to help businesses in general or specific businesses. But, unlike tax breaks tied to, and conditioned on, creating and/or sustaining a specified number of jobs (see “Create jobs,” above), these tax breaks have no explicit connection to jobs. These tax breaks include those that:

<u>Purpose</u>	<u>#</u>	<u>Cost 2003-05</u>
Help specific businesses or business sectors	107	\$1,142.9 million
Help businesses generally	19	\$ 978.3 million

Finally, there are a variety of tax breaks that don’t fit any of the above purposes – from property tax breaks for pleasure boats and ski resorts on federal land to income tax breaks for foreign earnings of U.S. citizens – whose purpose can only be described as reducing taxes for a politically favored group or avoiding politically unpopular forms of taxes. These, which we categorize as “To Be Determined” in our description of purposes, have the following impact:

<u>Purpose</u>	<u>#</u>	<u>Cost 2003-05</u>
To be determined (TBD)	45	\$14,489.3 million

This “TBD” category includes a \$10,700 million tax break that exempts stocks and bonds and other intangible property from property taxes. Without this item, the total cost of these TBD tax breaks in 2003-05 would be \$3,789.3 million.

V. Tax Breaks Have Many Different Beneficiaries

Tax breaks can also be assessed in terms of whom they benefit, i.e. who pockets the taxes saved. The beneficiaries can be grouped in the following categories in order of cost:

<u>Beneficiary</u>	<u>#</u>	<u>Cost 2003-05</u>
Businesses & individuals	34	\$ 11,895.2 million*
Individuals only	66	\$ 5,277.3 million
Government only	25	\$ 5,254.3 million
Businesses only	153	\$ 2,378.3 million
Employers and employees	37	\$ 1,883.4 million
Non-profit organizations	29	\$ 204.0 million
Investors only	5	\$ 114.4 million
Businesses & government	1	\$ <0.1 million

The “Top 10 Tax Breaks” that benefit businesses and individuals account for approximately 55% of the cost of all 350 tax breaks in Oregon.

The largest of these tax breaks for businesses are:

- Intangible personal property exclusion (Prop Tax) \$6,848 million (est'd*)
 - Inventory exclusion (Prop tax) \$ 605 million
 - Standing timber exclusion (Prop tax) \$ 511 million
 - Accelerated depreciation of equip. (Income tax) \$ 276 million
 - Strategic Investment Program (Prop tax) \$ 197 million
- \$8,437 million

The largest of these tax breaks for individuals are:

- Intangible personal property tax exclusion (Prop tax) \$3,852 million (est'd*)
 - Home mortgage interest deduction (Income tax) \$ 882 million
 - Personal exemption credit (Income tax) \$ 875 million
 - Personal property for personal use (Prop tax) \$ 662 million
 - Federal income tax deduction (Income tax) \$ 598 million
- \$6,869 million

*Note: The intangible personal property tax exclusion accounts for \$10.7 billion in revenue forgone from exempting intangible assets (e.g. stocks, bonds, trademarks and patents) from property taxes. Stocks and bonds are owned by both households and businesses. The Dept. of Revenue estimates that the value of stocks and bonds can be divided as follows: 36% held by households; 64% held by businesses. These proportions are reflected above in how we divided the benefit of the intangible personal property tax exclusion by beneficiary. However, the Dept. of Revenue has not been able to produce an estimate of the cost of the property tax exclusion for other intangible assets (e.g. trademarks and patents) owned primarily by businesses. Thus, the \$10.7 billion cost of this property tax exclusion underestimates the total cost of this exclusion overall and for business beneficiaries in particular.

VI. Business Tax Breaks Are Substantial

Tax breaks that benefit businesses will cost more than \$9,226 million in 2003-05, counting the 153 tax breaks that apply to businesses exclusively and the business share of the intangible property tax exemption for stocks and bonds (but not for patents and trademarks, whose value remains unknown).

One would expect that the pay-off for these tax breaks would be jobs for Oregonians.

By that measure, with current employment in Oregon at approximately 1,700,000 including self-employed individuals, tax breaks for businesses average \$2,714 per job per year.

VII. Tax Breaks Benefit Some Businesses More Than Others

The distribution of tax breaks for businesses varies widely by business sectors. That's because most business tax breaks are specific to a business sector or business activity.

If we start with \$2,714 annual cost per job for all business tax breaks and disaggregate the cost of tax breaks that potentially benefit all businesses, those that are project-specific and those that are targeted to specific businesses, we find:

Business Tax Breaks: General

Total Cost (2003-05):	\$8,070,150
Cost Per Job/Per year:	\$ 2,374

Business Tax Breaks: Specific Businesses

Total Cost (2003-05)	\$1,146,520
Cost Per Job/Per Year:	See examples below

Business Tax Breaks: Project-Specific

Total Cost (2003-05):	\$ 9,330
Cost Per Job/Per Year:	To be determined, based on data not yet obtained for employment in enterprise zones and SIP areas

A cross section of the tax breaks that benefit particular industries, business sectors or types of business operations shows a wide variation of tax benefits:

<u>Sector/Activity</u>	<u># Tax Breaks</u>	<u># Tax Breaks</u>	<u>Cost of All Tax Breaks</u>
	<u>Overall*</u>	<u>Business Only**</u>	<u>2003-05</u>
Agriculture	30	21	\$ 311.3 million
Aircraft	3	3	\$ 9.0 million
Developers	3	2	\$ 53.6 million
Finance/Ins/Real Est.	24	22	\$ 61.8 million
Mining	6	6	\$ 1.7 million
Publishing	2	2	\$ 0.3 million
Railroads	5	5	\$ 0.7 million
Shipping	2	2	\$ 3.4 million
Timber	17	14	\$ 613.9 million

*These include tax breaks for specific purposes, e.g. environmental protection, as well as those for unspecified purposes that provide an economic benefit to the business or business activity.

**These include only those tax breaks that do not appear to address a particular public purpose other than to provide an economic benefit to the business or business activity.

When the total cost of these tax breaks is compared to the number of jobs in each business sector, the disparities are even greater.

The following table analyzes business tax breaks overall for selected industries – separate from the \$2,374 cost per job applicable to all businesses in all sectors. The 2001-03 biennium is used as the base period for the costs of these tax breaks, because the jobs data come from 2002.

# of Tax Breaks	Business Sector	Cost in 2001-03	Total Direct Jobs	Cost Per Direct Job Per Year***
30	Agriculture	\$297,710,000	54,200	\$2,746
22	Finance/Ins/Real Estate	\$65,650,000	95,100	\$345
6	Mining	\$1,710,000	1,600	\$534
2	Publishing/Printing	\$300,000	14,900	\$20
5	Railroads	\$610,000	2,300	\$265
14	Timber	\$654,900,000	46,700	\$7,012

*** The number of direct jobs and the costs per direct job do not tell the whole story.

This is because some direct jobs, like manufacturing jobs, generate more secondary jobs than others, like service sector jobs. And some sectors are integral to the support of jobs in other sectors, as is the case with timber and paper manufacturing.

Subsidies for Foreign Operations

In addition to the tax breaks noted above, three tax breaks exist for the stated purpose of reducing the costs of foreign operations for companies that do business in Oregon. These tax breaks will cost \$70.6 million in 2003-05, although they will not directly sustain jobs in Oregon.

VIII. Criteria for Tax Breaks

We believe a *prima facie* case can be made for the following public policy goals as reasonable purposes for tax breaks. Often, the reasons for these tax breaks are reflected in the budgets and programs of state and local governments. If these purposes are worthy of significant direct expenditures, we assume they also warrant some indirect tax expenditures for the same purpose. We provide a brief rationale for each purpose.

1. Make health care more affordable and accessible.

- Given the importance of employer-sponsored health care, which is the source of coverage for almost 60% of state residents, and the societal costs created by the uninsured, we consider this to be an obvious public purpose.

- 2. Make housing more affordable.**
 - The lack of affordable housing is a primary cause of hunger among low-income working families.
 - Home ownership is a key to stable communities.
 - But neither purpose is served by subsidizing lavish homes, second homes or vacation homes.
- 3. Help workers and the self-employed save for retirement.**
 - Sheltering retirement savings from income and property taxes encourages employers to support pension plans and helps workers and the self-employed save for their non-earning years.
- 4. Help low and middle income seniors make ends meet.**
 - Retired persons on fixed incomes can have difficulty making ends meet, especially as their pensions and assets are eroded by inflation. Tax breaks are appropriate for low and moderate-income retired persons, but not for high-income retired persons with disposable income adequate to pay for necessities and live in comfort.
- 5. Promote charitable giving.**
 - Charities are recognized in law for their public purposes. Encouraging the transfer of income and assets to charities helps those public purposes.
- 6. Create good jobs.**
 - The purpose of assistance to business is to help create and maintain jobs for state residents – good jobs with pay and benefits that can support families and sustain communities. Helping a business to become or remain profitable is not a valid public purpose unless that business delivers jobs.
- 7. Promote public education and job training.**
 - The importance of public education to the state is reflected in the state budget itself. 59% of the state's general fund budget is devoted to public schools, from pre-K through four-year universities.
 - Job training and re-training have become critical in developing and maintaining a skilled workforce and supporting a competitive business climate.
- 8. Assist persons with disabilities.**
 - Parents of disabled children and adults with disabilities incur greater costs to participate in school and work and incur greater health care expenses. This is a critical element for any state's social services safety net.
- 9. Protect the environment, save energy.**
 - Protecting or improving the environment and encouraging the use of less-polluting alternative sources of energy are priorities reflected in the state budget.
- 10. Promote the welfare of children.**
 - For obvious reasons, this purpose is already a high priority of the state's human services system.
- 11. Fight poverty and hunger.**
 - This has always been a priority for the state's human services program, but it is even more compelling now that Oregon has been number one in hunger in the United States for the past three years.

12. Assist military personnel and veterans.

- Although supporting military personnel can be viewed as an obligation of the federal government, states and local governments have traditionally helped address this purpose by avoiding taxation of economic activity on military bases and by providing housing and income assistance to veterans.

13. Help victims of disasters and thefts.

- When assets are lost due to disaster or theft, it is reasonable to expect the government to allow some consideration for such losses.

In addition to the public purposes described above, there are practical considerations for certain tax expenditures, as described in the following.

14. Minimize inter-governmental taxation.

- Absent a compelling rationale for a particular tax or service, the state should avoid taxing local governments and vice versa.
- Federal law pre-empts the taxation of federal land and tribal land.

15. Reduce the cost of government borrowing.

- If government has to borrow funds in the private market, it makes sense to reduce the costs of such borrowing, as is done through tax-exempt bonds. Not doing so would put Oregon at a competitive disadvantage with the other 49 states and the federal government.

16. Minimize tax administration difficulties.

- Some items are not worth taxing, because they are too small to justify elaborate reporting schemes. For example, trying to track the value of free meals for employees would not be worth the time and effort required of governments and employers.

IX. Standards for Tax Breaks That Benefit Individuals

Most tax breaks that benefit individuals and workers would better meet their central purposes and be more cost-effective if they were limited to those who need help the most.

For example, to promote affordable housing, it makes sense to focus on rental units and homes of modest size. But, because our income tax deductions for mortgage and property tax payments for homes also apply to the costs of owning a vacation home and to million-dollar homes as well as one-bedroom homes, we provide proportionately more housing assistance to the wealthy and the extravagant than to the poor and the middle class.

The same standard is implicit in the upper limits for deducting contributions to 401(k) plans, for example. But this standard is lacking in some tax expenditures designed to help seniors make ends meet (e.g. by not taxing Social Security income at any level).

For addressing health care, housing, retirement and senior assistance, it is imperative to establish a standard for what is appropriate.

For health care and retirement, we believe current federal standards that exist to prevent discrimination in favor of high-wage workers and owners are sufficient.

For housing, we believe that taxpayers should not subsidize second homes and that a limit should be established on mortgage interest (equivalent to a \$300,000 mortgage) and property taxes (equivalent to a \$400,000 home) above which the income tax deductions would not apply.

For senior assistance, we believe that a high multiple of the federal poverty level (e.g. at 300% to 400%) would be appropriate as a cut-off point to consider for tax deductions and exclusions for certain tax expenditures.

X. Standards for Tax Breaks That Benefit Business

No business has ever argued for a tax break to make it more wealthy. The argument for every business tax break is always contained in one word: jobs. We believe that tax breaks for business should pay off with good jobs for Oregon workers. But this pay-off can be difficult to quantify and assess.

Also, we recognize that taxes, like the services they support, shape a state's business climate. Effective tax rates, i.e. net taxes paid after tax breaks, can be a key factor in attracting and retaining businesses in certain industries. Reducing Oregon's relatively high property tax for business property was key to luring Intel and other high-tech firms to Oregon. This was done via the Strategic Investment Program, which allows local jurisdictions to negotiate the *quid-pro-quo* of good jobs in return for tax abatements.

Finally, we believe that ability to pay is an important principle to apply to business taxpayers as well as individuals. Taxes which are unrelated to profitability, e.g. the property tax, are more burdensome for a business than taxes based on profits. If the adage that "we shouldn't raise taxes during a recession" has any truth, it applies to property taxes, but not income taxes. The personal income tax (paid by most small businesses) and the corporate income tax (paid mostly by large corporations) are based on ability to pay: If a business is struggling, it will pay less in taxes; when it regains its footing, it will pay more.

For the last reason, we conclude that state legislators should set a higher bar for business tax breaks affecting the state's personal and corporate income taxes and maintain the broadest possible tax base with the fewest exceptions for those taxes.

Tax Breaks That Are Project Specific

Tax breaks that are project specific, e.g. those involving enterprise zones and the strategic investment program, lend themselves to specific commitments to a certain number of jobs at minimum pay rates.

For these project-specific tax breaks, we recommend:

- The criteria for job commitments should be strengthened, e.g. by requiring employers to provide health insurance as a way to promote better quality jobs for Oregonians;
- Criteria for good corporate citizenship should be addressed; and,
- Penalties should be established for failing to meet promised commitments, e.g. by requiring businesses to repay the tax breaks if they don't meet their goals for job creation.

Tax Breaks for Businesses Generally

Tax breaks that are applicable to all businesses (e.g. accelerated depreciation for new equipment purchases) are not easily connected to job creation. Nonetheless, we recommend that the state use its newly developed Oregon Tax Incidence Model to prepare a job-impact analysis for each of these tax breaks.

The key questions for these assessments of business tax breaks should be:

- How many jobs do they directly create or support?
- What are their costs for Oregon taxpayers, after accounting for the proportion of taxes exported to out-of-state taxpayers?

The Oregon Tax Incidence Model should be able to answer these questions.

Tax Breaks for Specific Businesses and Industries

Tax breaks that are specific to certain businesses or industry sectors (e.g. the early write-off for bad debt reserves that is allowed for small banks) are often called “corporate welfare,” because they apply government benefits to chosen businesses or types of businesses that do not apply to their competitors or their counterparts in other sectors.

In this regard, we start with the same question: Are these tax breaks justified based on the number of jobs they create or sustain in a particular business or industry? But we must also consider:

- Whether it can be demonstrated that this kind of tax break, and the amount of the tax break, makes Oregon more competitive to any meaningful degree for a particular business or industry in the context of national and global market forces that affect that industry. For example, the property tax abatements offered by the Strategic Investment Program were necessary to attract the capital-intensive investments of the semi-conductor industry, which is highly mobile in a global market. But can tax breaks for the construction of commercial buildings be justified when supply and demand dictate the development of such buildings in local markets?
- Whether the business or industry that benefits from the tax break deserves special tax benefits vis-à-vis other businesses and industries. For example, tax breaks for the timber industry can be said to support an industry that plays to our natural strengths (an environment that promotes fast-growing softwood timber), has become a mainstay of our rural economies and supplies the primary material for secondary manufacturing (in the

form of wood products and paper). But can tax breaks for the insurance industry be justified on the same basis when insurance has a built-in market in every state?

Because of these considerations, we believe that state legislators should limit business-and-industry-specific tax breaks to businesses and industries in the more mobile “traded sector” and should do so in a way that reflects a coordinated economic and industrial development strategy.

XI. Are These Tax Breaks Worth What They Cost?

A rigorous cost-benefit analysis should be considered for all tax breaks in all categories.

Some of these analyses will raise questions of priorities. For example:

- Is it wise to spend \$17.9 million in tax breaks to support the arts and only \$27.3 million to help poor families make ends meet? Do these tax expenditures reflect our relative priorities for these worthy causes? And, even if they do, would it be better to provide direct expenditures for these purposes, e.g. grants to artists or emergency food for hungry families?

Because of fiscal pressures, a number of states are reconsidering their support for the arts because of other, more compelling priorities. According to the New York Times (2/20/03), a legislative committee in Arizona has recommended eliminating a \$7 million endowment fund for the arts, and the governor of New Jersey has proposed canceling a \$10 million payment to a cultural trust fund.

Others will raise questions of benefits. For example:

- Why should we subsidize the foreign operations of corporations that do business in Oregon? Tax expenditures for this purpose will cost \$70.6 million in 2003-05. Defenders argue that these tax breaks make their operations in Oregon more viable and therefore indirectly support headquarters jobs here. But shouldn't the tax policies and economics of a foreign market be the final determinant of whether it is worthwhile to station employees there? Why should Oregon taxpayers be expected to subsidize such business practices?

Finally, there will be questions of comparative cost and cost-effectiveness. The latter goes to an assessment of the cost-efficiency of a particular tax break. For example: Even if a tax break creates jobs, does it do so at a reasonable cost? The former involves a comparison of the cost of the tax break versus the cost of a direct program expenditure for other worthy purposes.

The best yardstick for assessing the comparative costs of tax breaks will be what the revenue forgone from a particular tax break could otherwise be used for. The following list of “What One Million Dollars Would Buy” quantifies alternative uses of \$1 million in the 2003-05 biennium:

- A full two years of public school for 96 children
 - One day of school for 51,000 students
- Summer school for 2,880 students not reaching benchmarks
 - Two years in prison for 19 inmates

- 7 state troopers on the job for two years
- In-home care for 77 seniors for two years*
- Crisis services for 1,637 persons battling mental illness
- Two years of medical care (Oregon Health Plan) for 129 Oregonians*
- Income assistance and health care for one year for 53 poor persons with disabilities

Note: These numbers are based on total costs, including federal funds. Services noted by an asterisk receive \$1.50 in federal funds for each dollar in state general funds. So \$1 million in general funds, augmented by \$1.5 million in federal funds, funds services for 2.5 times the numbers indicated above.

XII. Federal Tax Breaks Dominate the State Tax Code

Many of our income tax breaks flow from changes in federal tax laws. That's because the legislature has tended to follow the federal tax code for ease of administration and consistency of public policy. Also, in 1997, the Oregon legislature decided to connect Oregon's tax code to the federal tax code for all new tax policies affecting the definition of taxable income. As a result, 107 of the 192 tax breaks affecting the Oregon income tax have their basis in the federal tax code.

These tax breaks deserve special scrutiny, because many were never explicitly authorized by Oregon lawmakers.

Here are two examples:

- When Congress enacted a subsidy for exporters known as the "extraterritorial income exclusion" in 2000, the same subsidy was automatically added to Oregon's income tax code. The result has been a loss of \$19 million in corporate income taxes this biennium that is expected to grow to \$24.9 million in 2003-05 for a provision that the state's Economic and Community Development Department has determined has "limited benefit" for most Oregon companies.
- Another example is the enhancement of the accelerated depreciation provision for equipment purchases by businesses, which was enacted by the Congress in early 2002 retroactive to September 2001. This provision will cost Oregon's general fund \$105 million in the current biennium.

If these two provisions, which were never explicitly authorized by the legislature, had not automatically become part of the state's tax code, we would now have enough additional revenue to fund:

- Two full years of public school for 5,952 students; and,
- Two years in prison for 399 inmates; and,
- In-home care for 1,617 frail seniors for two years; and,
- Two years of medical care through the Oregon health plan for 2,580 Oregonians; and,
- Generate \$61.5 million in additional funds from the federal government.

XIII. Recommendations for Legislators

We recommend the following policy options to strike a better balance between tax expenditures and the need to maintain funding for public services.

1. **Disconnect from the federal tax code to allow case-by-case review and implementation of all tax policies affecting our state income tax.**
2. **Establish a moratorium on all new tax breaks that are not offset by the repeal of less compelling tax breaks of equal or greater cost.**
3. **Create and conduct an appropriate budget process to maximize revenue recovery from existing tax sources to help maintain services in 2003-05. This process should be coordinated with the Ways and Means appropriations process and involve the use of common criteria of purpose and cost-effectiveness for both tax expenditures and direct program expenditures. Among the approaches for this tax expenditure budget process are the following.**
 - a. Establish a list of public purposes and criteria for cost-effectiveness. Target specific tax breaks for further scrutiny of costs and benefits if they do not meet these purposes and criteria.

Based on the criteria described in Section VIII above, we have prepared a list of 174 tax expenditures for further scrutiny. These will account for lost revenues of \$7,364 million in 2003-05, even after exclusion of the \$10,700 million property tax exemption for intangible personal property (which will cost \$10,700 million in that biennium). The intangibles exemption has been dropped from our list because it reflects long-standing state policy and would be extremely expensive to establish. The total of \$7,364 on this list represents 27% of current tax expenditures by cost.

(See *Exhibit B – Tax Expenditures by Purpose: Targets for Further Scrutiny*).

- b. For tax breaks that benefit business, establish criteria for creating and/or sustaining jobs in Oregon on a cost-effective basis, require accountability for job creation and impose penalties (in the form of refunds of tax savings) if jobs promised are not delivered over a specified period of time. Repeal business tax breaks that don't meet these criteria.

Based primarily on the criteria described in Section VIII, X and XI above, we have prepared a list of 128 business tax expenditures for further scrutiny. These will account for lost revenues of \$2,908 million in 2003-05, after exclusion of the property tax exemption for intangible personal property. The total of \$2,9087 on this list represents 11% of current tax expenditures by cost.

(See *Exhibit C – Business Tax Expenditures: Targets for Further Scrutiny*).

- c. Reduce all tax breaks by a common percentage, e.g. 25% of the tax otherwise due from the income or asset, to spread the cost of supporting public services more evenly among all taxpayers and to offset some of the budget reductions now affecting all Oregonians. A 25% reduction in tax breaks would approximate the percentage shortfall in revenues needed to maintain current service levels in the next biennium.

Excluding items which cannot legally be taxed by the state or local governments (e.g. federal and tribal lands) and the intangible property exclusion, we calculate the revenue forgone from all other tax breaks at \$12,608 million in 2003-05. Cutting back these tax breaks by 25% would recover \$3,152 in otherwise lost revenue in the upcoming biennium.

- d. “Put the income back in the income tax” by establishing a minimum revenue recovery rate for the state income tax, which has the lowest adjusted revenue recovery rate.

There are 192 income tax expenditures, which will account for lost revenues of \$7,366.6 million in 2003-05 or approximately 43 cents of every income tax dollar (based on the March revenue forecast). Limiting these income tax expenditures to a specified maximum would recover significant amounts of otherwise lost revenue in 2003-05, as follows.

State Income Tax (Personal and Corporate)

<u>Revenue Recovery Rate</u>	<u>Max. Tax Breaks</u>	<u>2003-05 Revenue</u>
\$0.57	\$0.43	0 additional \$
\$0.62*	\$0.38	+\$ 856.6 million
\$0.67	\$0.33	+\$1,713.2 million
\$0.75	\$0.25	+\$3,083.7 million

*This is the revenue recovery rate in effect in 1999-2001 budget period.

(See *Exhibit B-3 – Income Tax Expenditures: Targets for Further Scrutiny*, for a list of such expenditures that do not appear to meet the criteria in Sections VIII, IX and X. These tax expenditures will account for \$4,409.2 million in revenues forgone in 2003-05).

- e. Have the revenue committees establish a short-term work group to complete the analysis of all tax breaks identified herein for further scrutiny according to criteria established for the tax expenditure budget. Direct the work group to complete its review and recommendations before adoption of a final budget for 2003-05.

*Prepared by Tim Nesbitt (Oregon AFL-CIO) and Laurie Wimmer Whelan (OEA)
For the Revenue Coalition
March 10, 2003*

Code	Tax Expenditures Which Warrant Further Scrutiny	Tax	Type	Program	Purpose	Benefy Type	Benefy Sector	Since	2003-05 (\$000s)	Notes
1.122	Donations of Art by the Artist	Inc Tax	OR St	Econ/Comm Dev	Arts	Indvl		1979	10	Does not meet purposes criteria
1.192	Trust for Cultural Development	Inc Tax	OR Cr	Social Policy	Arts	Bus/Indvl	Various	2001	17,900	Does not meet purposes criteria
1.017	Accelerated Depreciation of Equipmt	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Genl	Business	Various	1954	275,700	? re: jobs criteria
1.025	Debt Cancellation for Non-Farmers	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Genl	Business	Various	<1955	10	? re: jobs criteria
1.031	Employee Stock Ownership Plans	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Genl	ER/Ees	Various	1974	6,100	? re: jobs criteria
1.032	Employee Awards	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Genl	ER/Ees	Various	1986	800	? re: jobs criteria
1.034	Spread on Acquisition of Stock	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Genl	ER/Ees	Various	1981	5,900	? re: jobs criteria
1.043	ER Paid Transportation Benefits	Inc Tax	Fed Ex	Transportation	Bus-Genl	ER/Ees	Various	1992	27,700	? re: jobs criteria
1.051	Imputed Interest Rules	Inc Tax	Fed Ex	Tax Admin	Bus-Genl	Bus/Indvl	Various	1964	2,300	? re: jobs criteria
1.076	Research and Development Costs	Inc Tax	Fed D	Econ/Comm Dev	Bus-Genl	Business	Various	1954	20,700	? re: jobs criteria
1.077	Section 179 Expensing Allowances	Inc Tax	Fed D	Econ/Comm Dev	Bus-Genl	Business	Small Bus	1959	7,000	? re: jobs criteria
1.078	Amortizat'n of Business Start-Up Costs	Inc Tax	Fed D	Econ/Comm Dev	Bus-Genl	Business	Small Bus	1980	3,700	? re: jobs criteria
1.080	Losses from Small Business Corp. Stock	Inc Tax	Fed D	Econ/Comm Dev	Bus-Genl	Business	Small Bus	1958	300	? re: jobs criteria
1.104	Net Operating Loss Limitation	Inc Tax	Fed D	Tax Admin	Bus-Genl	Business	Various	1954	2,200	? re: jobs criteria
1.108	Expatriate Residential Status	Inc Tax	OR St	Econ/Comm Dev	Bus-Genl	ER/Ees	ForeignOp	1999	1,600	Does not meet jobs criteria
1.123	Capital Gains from Oregon Reinvestment	Inc Tax	OR St	Econ/Comm Dev	Bus-Genl	Investors	Various	1995	0	? re: jobs criteria
1.128	Underground Storage Tank Grants	Inc Tax	OR St	Natural Resources	Bus-Genl	Business	Retail	1991	0	? re: jobs criteria
1.152	Oregon Capital Corporation Investments	Inc Tax	OR Cr	Econ/Comm Dev	Bus-Genl	Investors	Various	1987	0	? re: jobs criteria
2.016	Inventory	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Genl	Business	Various	1969	604,800	? re: jobs criteria
2.017	Business Personal Property Cancellation	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Genl	Business	Small Bus	1979	10,000	? re: jobs criteria
2.019	Leased Docks & Airports	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Genl	Business	Various	1947	9,500	? re: jobs criteria
1.016	Accelerated Depreciation of Buildings	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Specif	Business	Devel.	1954	7,500	? re: jobs criteria
1.019	Inventory Property Sales Source-Rule Ex.	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Specif	Business	ForeignOp	1921	24,900	? re: jobs criteria
1.020	Magazine, Paperback & Record Ret.	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Specif	Business	Publishing	1978	100	? re: jobs criteria
1.021	Cash Accounting, Other than Agriculture	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Specif	Business	Small Bus	1916	2,300	? re: jobs criteria
1.023	Income of Controlled Foreign Corp's	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Specif	Business	ForeignOp	1909	20,800	Does not meet jobs criteria
1.024	Extraterritorial Income Exclusion	Inc Tax	Fed Ex	Econ/Comm Dev	Bus-Specif	Business	ForeignOp	2000	24,900	Does not meet jobs criteria
1.040	Cancellation of Debt for Farmers	Inc Tax	Fed Ex	Natural Resources	Bus-Specif	Business	Ag	1986	400	? re: jobs criteria
1.042	Contrib. in Aid of Constr. for Utilities	Inc Tax	Fed Ex	Transportation	Bus-Specif	Bus	Utilities	1996	100	? re: jobs criteria
1.047	Credit Union Income	Inc Tax	Fed Ex	Ins/Financial	Bus-Specif	Business	FIRE	1951	4,100	? re: jobs criteria
1.048	Life Insurance Company Reserves	Inc Tax	Fed Ex	Ins/Financial	Bus-Specif	Business	FIRE	1984	5,800	? re: jobs criteria
1.049	Structured Settlement Accounts	Inc Tax	Fed Ex	Ins/Financial	Bus-Specif	Bus/Indvl	FIRE	1982	10	? re: jobs criteria
1.050	Small Property Insurance Companies	Inc Tax	Fed Ex	Ins/Financial	Bus-Specif	Business	FIRE	1986	10	? re: jobs criteria
1.053	Gain on Like-Kind Exchanges	Inc Tax	Fed Ex	Tax Admin	Bus-Specif	Bus/Indvl	FIRE	1921	9,900	? re: jobs criteria
1.075	Deferral of Fin. Inc. of Foreign Corp's	Inc Tax	Fed D	Econ/Comm Dev	Bus-Specif	Business	FIRE	1997	100	? re: jobs criteria

1.079	Construction Funds of Shipping Cos.	Inc Tax	Fed D	Econ/Comm Dev	Bus-Specif	Business	Shipbldg	1936	1,200	? re: jobs criteria
1.084	Cash Accounting for Agriculture	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Ag	1916	3,400	? re: jobs criteria
1.086	Fertilizer and Soil Conditioner Costs	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Ag	1960	1,200	? re: jobs criteria
1.087	Costs of Raising Dairy & Breeding Cattle	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Ag	1916	200	? re: jobs criteria
1.088	Sale of Stock to Farmer's Cooperatives	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Food Proc	1998	10	? re: jobs criteria
1.091	Intangible Development Costs for Fuels	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Oil & Gas	1978	10	? re: jobs criteria
1.092	Depletion Costs for Natural Resources	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Mining	1962	10	? re: jobs criteria
1.093	Tertiary Injectants	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Oil	1980	10	? re: jobs criteria
1.094	Multi-Period Timber Growing Costs	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Timber	1986	34,800	? re: jobs criteria
1.095	Amortizat'n of Reforestat'n Expenditures	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Timber	1980	300	? re: jobs criteria
1.096	Development Costs for Nonfuel Minerals	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Mining	1951	300	? re: jobs criteria
1.097	Depletion Costs for Nonfuel Minerals	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Mining	1913	1,100	? re: jobs criteria
1.098	Mining Reclamation Reserves	Inc Tax	Fed D	Natural Resources	Bus-Specif	Business	Mining	1984	200	? re: jobs criteria
1.099	Bad Debt Reserves of Financ'l Institutions	Inc Tax	Fed D	Ins/Financial	Bus-Specif	Business	FIRE	1947	100	? re: jobs criteria
1.100	Small Life Insurance Companies	Inc Tax	Fed D	Ins/Financial	Bus-Specif	Business	FIRE	1984	10	? re: jobs criteria
1.101	Unpaid Loss Reserves	Inc Tax	Fed D	Ins/Financial	Bus-Specif	Business	FIRE	1986	13,300	? re: jobs criteria
1.102	Blue Cross/Blue Shield & Nonprofits	Inc Tax	Fed D	Ins/Financial	Bus-Specif	Business	FIRE	1986	N/A	? re: jobs criteria
1.103	Magazine Circulation Expenditures	Inc Tax	Fed D	Tax Admin	Bus-Specif	Business	Publishing	1950	200	? re: jobs criteria
1.109	Income Averaging for Farmers	Inc Tax	OR St	Natural Resources	Bus-Specif	Business	Ag	2001	100	? re: jobs criteria
1.110	Capital Gains from Farm Property	Inc Tax	OR St	Natural Resources	Bus-Specif	Business	Ag	2001	200	? re: jobs criteria
1.125	Out-of-State Financial Institution	Inc Tax	OR St	Econ/Comm Dev	Bus-Specif	Business	FIRE	1999	N/A	? re: jobs criteria
1.130	Wet Marine and Trans. Policies (Inc Tax)	Inc Tax	OR St	Ins/Financial	Bus-Specif	Business	FIRE	1995	400	? re: jobs criteria
1.153	Qualified Research Activities	Inc Tax	OR Cr	Econ/Comm Dev	Bus-Specif	Business	Various	1989	7,700	? re: jobs criteria
1.154	Qualif'd Research Activities (Alternative)	Inc Tax	OR Cr	Econ/Comm Dev	Bus-Specif	Business	Various	1989	N/A	? re: jobs criteria
1.172	Farm Machinery and Equipm't (Income)	Inc Tax	OR Cr	Natural Resources	Bus-Specif	Business	Ag	2001	1,400	? re: jobs criteria
1.184	Reforestation	Inc Tax	OR Cr	Natural Resources	Bus-Specif	Business	Timber	1979	1,300	? re: jobs criteria
1.185	Fire Insurance Credit	Inc Tax	OR Cr	Ins/Financial	Bus-Specif	Business	FIRE	1969	3,600	? re: jobs criteria
1.186	Workers' Comp Assessments (Inc Tax)	Inc Tax	OR Cr	Ins/Financial	Bus-Specif	Business	FIRE	1995	6,100	? re: jobs criteria
1.187	Oregon IGA Assessments (Income Tax)	Inc Tax	OR Cr	Ins/Financial	Bus-Specif	Business	FIRE	1977	5,700	? re: jobs criteria
1.188	Oregon Life & Hlth IGA Ass'ts (Inc Tax)	Inc Tax	OR Cr	Ins/Financial	Bus-Specif	Business	FIRE	1975	7,000	? re: jobs criteria
2.014	Commercial Buildings Under Construction	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Specif	Business	Devel.	1959	45,100	? re: jobs criteria
2.018	Cargo Containers	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Specif	Business	Shipping	1979	0	? re: jobs criteria
2.020	Leased Publicly Owned Shipyard Prop.	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Specif	Business	Shipping	1995	3,400	? re: jobs criteria
2.021	Ship Repair Facility Materials	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Specif	Business	Shipbldg	1957	0	? re: jobs criteria
2.022	Aircraft Being Repaired	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Specif	Business	Aircraft	1995	0	? re: jobs criteria
2.023	Railroad Cars Being Repaired	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Specif	Business	RR	1973	0	? re: jobs criteria
2.024	Recreation Facility on Federal Land	Prop Tax	OR Pa	Econ/Comm Dev	Bus-Specif	Business	Ski Resort	1975	1,700	? re: jobs criteria
2.025	Defense Contractor With Federal Prop.	Prop Tax	OR Fu	Econ/Comm Dev	Bus-Specif	Business	Milty Cntr	1965	0	? re: jobs criteria
2.044	Farm Land	Prop Tax	OR Sp	Natural Resources	Bus-Specif	Business	Ag	1967	172,700	? re: jobs criteria
2.045	Farm Homesites	Prop Tax	OR Sp	Natural Resources	Bus-Specif	Business	Ag	1987	4,800	? re: jobs criteria
2.046	Farm Machinery and Equipment (Prop)	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1973	57,600	? re: jobs criteria
2.048	Agricult'l Commodity Cleaning Property	Prop Tax	OR Pa	Natural Resources	Bus-Specif	Business	Ag	1999	100	? re: jobs criteria

2.049	Crops, Plants and Fruit Trees	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1957	20,900	? re: jobs criteria
2.050	Agricultural Products Held by Farmer	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1965	100	? re: jobs criteria
2.051	Nursery Stock	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1971	5,500	? re: jobs criteria
2.052	Leased Public Farming and Grazing Land	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1971	N/I	? re: jobs criteria
2.053	Leased Federal Grazing Land	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1961	N/I	? re: jobs criteria
2.054	Oyster Growing on State Land	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	OysterFrm	1969	10	? re: jobs criteria
2.055	Center Pivot Irrigation Equipment	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1973	N/I	? re: jobs criteria
2.056	Other Farm/Aquaculture/Egg Equipment	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1973	N/I	? re: jobs criteria
2.064	State & Local Standing Timber /Contract	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Timber	1965	2,800	? re: jobs criteria
2.065	Western Private Forestland	Prop Tax	OR Sp	Natural Resources	Bus-Specif	Business	Timber	1977	38,000	? re: jobs criteria
2.066	Western Private Standing Timber	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Timber	1977	449,500	? re: jobs criteria
2.067	Western Small Tract Option	Prop Tax	OR Sp	Natural Resources	Bus-Specif	Business	Timber	1961	4,900	? re: jobs criteria
2.068	Eastern Private Forestland	Prop Tax	OR Sp	Natural Resources	Bus-Specif	Business	Timber	1971	4,000	? re: jobs criteria
2.069	Eastern Private Standing Timber	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Timber	1961	61,800	? re: jobs criteria
2.070	Forest Homesites	Prop Tax	OR Sp	Natural Resources	Bus-Specif	Business	Timber	1989	3,700	? re: jobs criteria
2.071	Federal Standing Timber /Contract	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Timber	1965	6,300	? re: jobs criteria
2.072	Private Farm and Logging Roads	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Ag	1963	37,700	? re: jobs criteria
2.074	Inactive Mineral Interests	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Mining	1997	100	? re: jobs criteria
2.076	Crab Pots	Prop Tax	OR Fu	Natural Resources	Bus-Specif	Business	Fishing	1969	340	? re: jobs criteria
2.078	Watercraft Locally Assessed	Prop Tax	OR Pa	Natural Resources	Bus-Specif	Business	Fishing	1925	2,800	? re: jobs criteria
2.080	Watercraft Centrally Assessed	Prop Tax	OR Pa	Natural Resources	Bus-Specif	Business	WaterTrans	1925	N/A	? re: jobs criteria
2.089	Railroad Way Used for Alt. Transport	Prop Tax	OR Fu	Transportation	Bus-Specif	Business	RR	1977	0	? re: jobs criteria
2.090	Railroad Right-of-Way in Water District	Prop Tax	OR Pa	Transportation	Bus-Specif	Business	RR	1943	10	? re: jobs criteria
2.091	Railroad Way in Highway Lighting Dist.	Prop Tax	OR Pa	Transportation	Bus-Specif	Business	RR	<1953	N/A	? re: jobs criteria
2.092	Railroad Right of Way in Rural Fire Dist.	Prop Tax	OR Pa	Transportation	Bus-Specif	Business	RR	1969	660	? re: jobs criteria
2.099	FCC Licenses	Prop Tax	OR Fu	Tax Admin	Bus-Specif	Business	Wireless	2001	6,630	? re: jobs criteria
2.112	City-Owned Sports Facility	Prop Tax	OR Fu	Social Policy	Bus-Specif	Business	Sports Fac.	2001	1,700	? re: jobs criteria
2.116	Mining Claims on Federal Land	Prop Tax	Fed Ex	Federal Law	Bus-Specif	Business	Minimg	1889	N/A	? re: jobs criteria
3.001	Forest Products -- Gasoline	Transp Ta	OR Ex	Natural Resources	Bus-Specif	Business	Timber	<1953	0	? re: jobs criteria
3.002	Forest Products -- Other than Gasoline	Transp Ta	OR Ex	Natural Resources	Bus-Specif	Business	Timber	1965	0	? re: jobs criteria
3.003	Fuel for Aircraft Departing U.S.	Transp Ta	OR Ex	Tax Admin	Bus-Specif	Business	Aircraft	1959	10	? re: jobs criteria
4.001	Farming Operations	Transp Ta	OR Ex	Natural Resources	Bus-Specif	Business	Ag	1983	2,800	? re: jobs criteria
4.002	Forest Products on County Roads	Transp Ta	OR Ex	Natural Resources	Bus-Specif	Business	Ag	1977	0	? re: jobs criteria
5.001	Annuity Policies Exempted	Ins Tax	OR Ex	Ins/Financial	Bus-Specif	Business	FIRE	1967	0	? re: jobs criteria
5.002	Wet Marine and Transp. Policies	Ins Tax	OR Ex	Ins/Financial	Bus-Specif	Business	FIRE	1967	0	? re: jobs criteria
5.004	Workers' Compensation Assessments	Ins Tax	OR Cr	Ins/Financial	Bus-Specif	Business	FIRE	1965	0	? re: jobs criteria
5.005	Oregon IGA Assessments	Ins Tax	OR Cr	Ins/Financial	Bus-Specif	Business	FIRE	1977	0	? re: jobs criteria
5.006	Oregon Life and Health IGA Assessments	Ins Tax	OR Cr	Ins/Financial	Bus-Specif	Business	FIRE	1975	0	? re: jobs criteria
5.007	Oregon IGA Assessments (Fire Marshal)	Ins Tax	OR Cr	Ins/Financial	Bus-Specif	Business	FIRE	1977	4,500	? re: jobs criteria
8.001	Small Wineries	Beer/Wine	OR Ex	Econ/Comm Dev	Bus-Specif	Business	Wineries	1977	1,600	? re: jobs criteria
8.002	Wine Marketing Activities	Beer/Wine	OR Ex	Econ/Comm Dev	Bus-Specif	Business	Wineries	2001	300	? re: jobs criteria
10.001	First 25,000 Board Feet	Forest Har	OR Ex	Natural Resources	Bus-Specif	Business	Timber	1953	700	? re: jobs criteria

13.001	Dry Store Selling Less than \$50,000	Dry Clng	OR Ex	Econ/Comm Dev	Bus-Specif	Business	Dry Stores	1995	0	? re: jobs criteria
13.002	Uniform Service or Linen Supply Facility	Dry Clng	OR Ex	Econ/Comm Dev	Bus-Specif	Business	Linen Suppl	1995	10	? re: jobs criteria
15.001	First \$3,000 in Gross Sales Value	Oil & Gas	OR Ex	Natural Resources	Bus-Specif	Business	Oil & Gas	1981	10	? re: jobs criteria
15.002	Credit for Property Taxes Paid	Oil & Gas	OR Cr	Natural Resources	Bus-Specif	Business	Oil & Gas	1981	10	? re: jobs criteria
1.175	Pollution Control	Inc Tax	OR Cr	Natural Resources	Environment	Business	Various	1967	22,800	? re: scope
1.136	Interest and Dividends on US Obligations	Inc Tax	OR St	Federal Law	Govt Borrowi	Investors		1970	46,700	Does not meet purposes criteria
1.082	Property Taxes	Inc Tax	Fed D	Econ/Comm Dev	Housing	Indvl		1913	233,700	Exclude 2nd homes?
1.083	Home Mortgage Interest	Inc Tax	Fed D	Econ/Comm Dev	Housing	Indvl		1913	882,000	Limit to amt. /or excl. 2nd homes?
1.105	Completed Contract Rules	Inc Tax	Fed D	Tax Admin	Housing	Business	Devel	1986	1,000	Weak evaluation
1.189	Political Contributions	Inc Tax	OR Cr	Government	Polit. Partic.	Indvl		1969	8,800	Does not meet purposes criteria
1.121	Social Security Benefits (Oregon)	Inc Tax	OR St	Human Resources	Seniors	Indvl		1985	249,500	Limit for high income recipients?
1.018	Income Earned Abroad by US Citizens	Inc Tax	Fed Ex	Econ/Comm Dev	TBD	ER/Ees	ForeignOp	1926	23,500	Does not meet jobs criteria
1.026	ER Paid Group Life Insurance Prem.	Inc Tax	Fed Ex	Econ/Comm Dev	TBD	ER/Ees	Various	1920	19,600	Does not meet purposes criteria
1.029	Miscellaneous Fringe Benefits	Inc Tax	Fed Ex	Econ/Comm Dev	TBD	ER/Ees	Various	1984	48,500	Does not meet purposes criteria
1.036	Capital Gains on Home Sales	Inc Tax	Fed Ex	Econ/Comm Dev	TBD	Indvl		1997	140,900	Does not meet purposes criteria
1.044	Life Insurance Investment Income	Inc Tax	Fed Ex	Ins/Financial	TBD	Bus/Indvl	Various	1913	187,200	Does not meet purposes criteria
1.052	Gain on Non-Dealer Installment Sales	Inc Tax	Fed Ex	Tax Admin	TBD	Bus/Indvl	Various	1921	5,700	Does not meet purposes criteria
1.054	Allowances for Federal EEs Abroad	Inc Tax	Fed Ex	Government	TBD	ER/Ees	Govt	1943	2,800	Does not meet purposes criteria
1.056	Capital Gains on Inherited Property	Inc Tax	Fed Ex	Social Policy	TBD	Indvl		1921	444,300	Does not meet purposes criteria
1.057	Capital Gains on Gifts	Inc Tax	Fed Ex	Social Policy	TBD	Indvl		1921	47,000	Does not meet purposes criteria
1.060	Rental Allow. for Ministers' Homes	Inc Tax	Fed Ex	Social Policy	TBD	ER/Ees	ReligOrg	1921	3,500	Does not meet purposes criteria
1.081	Moving Expenses	Inc Tax	Fed D	Econ/Comm Dev	TBD	ER/Ees	Various	1964	3,400	Does not meet purposes criteria
1.111	Income Earned in Border River Areas	Inc Tax	OR St	Tax Admin	TBD	ER/Ees	Various	2001	10	Does not meet purposes criteria
1.131	Income Earned in "Indian Country"	Inc Tax	OR St	Government	TBD	Indvl		1977	2,900	Does not meet purposes criteria
1.134	Federal Income Tax Deduction	Inc Tax	OR St	Social Policy	TBD	Indvl		1929	597,700	Does not meet purposes criteria
1.177	Sewer Connection	Inc Tax	OR Cr	Natural Resources	TBD	Indvl		1987	100	Does not meet purposes criteria
1.190	Personal Exemption Credit	Inc Tax	OR Cr	Social Policy	TBD	Indvl		1985	874,900	Could be limited to low income
2.029	Fairground Leased Storage Space	Prop Tax	OR Fu	Econ/Comm Dev	TBD	Govt		1987	10	Does not meet purposes criteria
2.040	Federal Land Under Summer Homes	Prop Tax	OR Pa	Econ/Comm Dev	TBD	Indvl		1975	1,200	Does not meet purposes criteria
2.059	Nonprofit Sewage Treatment Facilities	Prop Tax	OR Fu	Natural Resources	TBD	NonProfit		1997	10	Does not meet purposes criteria
2.073	Forest Fire Protection Association	Prop Tax	OR Fu	Natural Resources	TBD	NonProfit		1957	300	Does not meet purposes criteria
2.075	Leased State Land Board Land	Prop Tax	OR Fu	Natural Resources	TBD	Business	Various	1982	450	Does not meet purposes criteria
2.077	Pleasure Boats	Prop Tax	OR Fu	Natural Resources	TBD	Indvl		1959	31,900	Does not meet purposes criteria
2.081	Nonprofit Public Park Use Land	Prop Tax	OR Fu	Natural Resources	TBD	NonProfit		1971	180	Does not meet purposes criteria
2.082	Open Space Land	Prop Tax	OR Sp	Natural Resources	TBD	Bus/Indvl	Various	1971	900	Does not meet purposes criteria
2.083	Historic Property	Prop Tax	OR Pa	Natural Resources	TBD	Bus/Indvl	Various	1975	16,900	Does not meet purposes criteria

