

# **State of Oregon 2011 - 13 Tax Expenditure Report**

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# General Overview

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- Budget Accountability Act (1995) requires tax expenditure report (biennial)
- "...are similar to direct expenditures" \*
- "The tax expenditure report will allow tax expenditures to be debated in conjunction with online budgets..." \*

\* Oregon Laws 1995, Chapter 746  
ORS 291.195

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# Statutory Definition of Tax Expenditure

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“any law of the Federal Government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.” (Oregon Laws 1995, Chapter 746)

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## **TYPES OF OREGON TAX EXPENDITURES**

<b>Tax Program</b>	<b>Number</b>
Income (Personal and Corporate)	217
Federal Exclusions	66
Federal Adjustments/Deductions	55
Oregon Subtractions	28
Oregon Credits	61
Other Oregon Provisions	7
Property	123
Full Exemption	87
Partial Exemption	23
Special Assessment	12
Other	1
Other Tax Programs	38
Gas and Use Fuel	5
Weight-Mile	7
Cigarette & Other Tobacco	5
Beer and Wine	2
Miscellaneous State Taxes	19
All Taxes	378

# Tax Expenditure Types

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- Provide economic incentives that encourage specific taxpayer behavior
  - Provide financial assistance to certain groups of taxpayers
  - Prohibited by federal law
  - Other (including to simplify or reduce the costs of tax administration)
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# Oregon's Tax Expenditures

<b>Tax Program</b>	<b>Number</b>	<b>2011-13 Estimated Revenues (\$ Million)</b>	<b>2011-13 Revenue Impact (\$ Million)</b>
<b>Income (Personal and Corporate)</b>	<b>217</b>	<b>\$13,018.7</b>	<b>\$12,071.2</b>
Federal Exclusions	66		5,268.9
Federal Adjustments/Deductions	55		3,278.4
Oregon Subtractions	28		1,702.4
Oregon Credits	61		1,674.3
Other Oregon Provisions	7		147.2
<b>Property<sup>1</sup></b>	<b>123</b>	<b>\$11,200.0</b>	<b>\$19,113.2</b>
Full Exemption	87		18,389.7
Partial Exemption	23		274.9
Special Assessment	12		448.6
Other	1		0.0
<b>Other Tax Programs</b>	<b>38</b>	<b>\$3,028.5</b>	<b>\$155.1</b>
Gas and Use Fuel	5	1,071.8	19.4
Weight-Mile	7	599.3	19.8
Cigarette & Other Tobacco	5	501.2	3.0
Beer and Wine	2	38.0	2.8
Miscellaneous State Taxes	19	818.2	110.1
<b>All Taxes</b>	<b>378</b>	<b>\$27,247.2</b>	<b>\$31,339.5</b>

# Top 10 2011-13 Income Tax Expenditures

<b>Tax Expenditure</b>	<b>2011-13 Revenue Impact (\$ Million)</b>	<b>Percent of Total</b>
Home Mortgage Interest	\$1,631	14%
Personal Exemption	1,108	9%
Employer Paid Medical Benefits	1,023	8%
Pension Contributions and Earnings	853	7%
Social Security Benefits (Federal)	807	7%
Federal Income Tax Subtraction	718	6%
Social Security Benefits (Oregon)	488	4%
Capital Gains on Inherited Property	389	3%
Property Taxes	384	3%
Charitable Contributions: Other	354	3%
Subtotal	\$7,756	64%
Other	4,315	36%
Total	\$12,071	100%

# Top 10 2011-13 Property Tax Expenditures

<b>Tax Expenditure</b>	<b>2011-13 Revenue Impact (\$ Million)</b>	<b>Percent of Total</b>
Intangible Personal Property	\$10,881	55%
Federal Property	1,897	10%
State and Local Property	1,736	9%
Personal Property for Personal Use	1,311	7%
Motor Vehicles and Trailers	920	5%
Inventory	615	3%
Western Private Standing Timber	395	2%
Farmland	303	2%
Strategic Investment Program	191	1%
Charitable, Literary, and Scientific Organizations	127	1%
Subtotal	\$18,376	93%
Other	1,339	7%
Total	\$19,715	100%



# Revenue Estimate Issues

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- Static estimates
  - Interactions between expenditures
  - Different than potential yield
  - Loss and shift (property tax estimates)
  - Rapidly changing economic and revenue outlook
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# The report must contain:

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- Statutory authority
  - Purpose
  - Revenue loss estimates
  - Budget program or function
  - Who Benefits?
  - Evaluation – achieves purpose? fiscally effective?
  - Sunset recommendations - extend provision or allow to sunset
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# How to use the report

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- Three indexes
    - ✓ By tax program (pg 9)
    - ✓ By budget program/function (pg 21)
    - ✓ By Keyword (pg 409)
  
  - 17 Chapters by Tax:
    - Tax descriptions
    - Detail for each expenditure
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# 1.456 Political Contribution Credit

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<b>Income Group for Full-Year Taxpayers</b>	<b>2008 Taxpayers</b>			<b>Mean Credit</b>
	<b>Total Number</b>	<b>Number Taking Credit</b>	<b>Percent Taking Credit</b>	
<b>Below \$10,000</b>	273,586	6,007	2.2%	\$50
<b>\$10,000 - \$20,000</b>	247,311	7,825	3.2%	\$51
<b>\$20,000 - \$40,000</b>	376,890	18,037	4.8%	\$56
<b>\$40,000 - \$70,000</b>	328,475	29,406	9.0%	\$62
<b>Above \$70,000</b>	367,101	62,824	17.1%	\$78
<b>All Full-Year Taxpayers</b>	1,593,363	124,099	7.8%	\$68
<b>Part-Year and Nonresident Taxpayers</b>	212,480	5,081	2.4%	\$61

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# DOR's Role in Tax Expenditure Report

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- Identify & describe new/modified/deleted expenditures
  - Produce estimates of revenue loss
  - Coordinate information flow among agencies, DAS Budget and Management, and the Governor's office to facilitate evaluations
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# Summary

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- The Tax Expenditure Report provides detailed information about Oregon's tax system
  - Tax Expenditures are reported together with the budget because of similarity to direct spending
  - Report is the result of the work of roughly 30 agencies
  - Would appreciate feedback about usefulness
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