

Preliminary

**REVENUE IMPACT OF
PROPOSED LEGISLATION**

**Seventy-Sixth Oregon legislative
Assembly
2012 Regular Session
Legislative Revenue Office**

**Bill Number: HB 4076
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 2/7/2012**

Measure Description: Reduces the capital gains tax rate to 2.5 percent for qualified investments made on or after January 1, 2012 and before January 1, 2014. Requires that the investment must be in an Oregon business or in real property located in Oregon and be held for at least three years. Excludes investments in publicly traded corporations.

Revenue Impact (in \$Millions):

	Biennium		
	2011-13	2013-2015	2015-2017
General Fund	\$0	-\$4.9	-\$11.7

Impact Explanation:

The static impact estimate is based on historical data of venture capital investments made in Oregon through 2011, and then trended through 2013. These data are assumed to be a proxy for the capital investments that would be affected by this policy. The estimates also include the dynamic effect, which are based on the capital response to changes in the tax rate as estimated with the Oregon Tax Incidence Model. The total capital invested during the two-year period is assumed to be realized uniformly over a ten year period, with the gains associated from the first two years not being realized until the third year – in response to the policy. The feedback effects include the labor effect from the assumed increased capital investment. Using standard capital to labor ratios derived from national data, an estimated 108 jobs would be associated with the increased capital investment by the end of 2013. Assuming a uniform phase-in for the labor response over the course of five years results in an estimated 1,140 jobs impact by 2018.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to encourage capital investment in Oregon's economy.

DRAFT
76TH OREGON LEGISLATIVE ASSEMBLY
2012 Regular Session
STAFF MEASURE SUMMARY
HOUSE REVENUE COMMITTEE

MEASURE: HB 4076
CARRIER:

REVENUE:

FISCAL:

Action:

Vote:

Yeas:

Nays:

Exc.:

Prepared By: Chris Allanach, Economist

Meeting Dates: 2/8

WHAT THE BILL DOES: Reduces the capital gains tax rate to 2.5 percent for qualified investments made on or after January 1, 2012 and before January 1, 2014. Requires that the investment must be in an Oregon business or in real property located in Oregon and be held for at least three years. Excludes investments in publicly traded corporations.

ISSUES DISCUSSED:

•

EFFECT OF COMMITTEE AMENDMENTS:

BACKGROUND: Unlike federal tax policy, Oregon does not generally tax capital gains at a rate different from ordinary, or earned, income. Net capital gain income, along with dividends and interest, are taxed at Oregon's regular rates of 5%, 7%, 9%, and 9.9% depending on the total income level of the taxpayer.

State Capitol Building
900 Court St NE, Room 143
Salem, OR 97301-1347

Phone: 503-986-1266
Fax: 503-986-1770
<http://www.leg.state.or.us>