Preliminary

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

MEASURE: HB 4088
CARRIER:

REVENUE:
FISCAL:

Action:
Vote:

Yeas:
Nays:
Exc.:

Prepared By: Chris Allanach, Economist
Meeting Dates: 2/8

WHAT THE BILL DOES: Converts the Oregon elderly itemized deduction for medical expenses to a subtraction limited to $1,800 per taxpayer ($3,600 for joint returns where both individuals are eligible). Increases the eligibility age from 62 to 66 by 2015 and phases out the subtraction for incomes between $125,000 and $165,000 if single and $250,000 and $330,000 if joint or head-of-household. Extends the higher Measure 66 tax rates two years, through 2013. Reduces by five percent the salaries of certain elected officials. The changes to the medical deduction first apply to tax year 2012.

ISSUES DISCUSSED:

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EFFECT OF COMMITTEE AMENDMENTS:

BACKGROUND: Taxpayers who itemize deductions may deduct medical and dental expenses that exceed 7.5 percent of their adjusted gross income. This Oregon policy expands the deduction to those qualified medical or dental expenses that total less than 7.5 percent of adjusted gross income. To be eligible for this deduction under current law, taxpayers must be at least 62 years of age and itemize their Oregon deductions (but not necessarily their federal deductions). When combined with the federal deduction, the effect is to allow these taxpayers to subtract the full amount of their medical and dental expenses from Oregon taxable income.

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REVENUE IMPACT OF PROPOSED LEGISLATION

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

Bill Number: HB 4088
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 2/7/2012

Measure Description: Converts the Oregon elderly itemized deduction for medical expenses to a subtraction limited to $1,800 per taxpayer ($3,600 for joint returns where both individuals are eligible). Increases the eligibility age from 62 to 66 by 2015 and phases out the subtraction for incomes between $125,000 and $165,000 if single and $250,000 and $330,000 if joint or head-of-household. Extends the higher M66 tax rates two years, through 2013. The changes to the medical deduction first apply to tax year 2012.

Revenue Impact (in $Millions):

	Biennium		
	2011-13	2013-2015	2015-2017
Medical Deduction/Subtraction	$19	$60	$92
Extension of M66 tax rates	$118	$56	$0
General Fund	**$137**	**$116**	**$92**

Impact Explanation:
The estimates for modifying the elderly medical deduction are based on historical tax return data and population projections for eligible taxpayers. One significant unknown is the potential impact of federal health care policy on healthcare expenses. The estimates for extending the M66 tax rates two years are based on the December 2011 Economic and Revenue forecast and include the collections experience for tax years 2009 and 2010. They also contain the assumption that the withholding tables reflect the proposed policy.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒