

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
Seventy-Seventh Oregon Legislative
Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number: SB 325 - A
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 4/23/2013

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description: Extends the sunset date for the rural medical tax credit from January 1, 2014 to January 1, 2020. Imposes income restrictions beginning with tax year 2014. To be eligible for the tax credit, single and head-of-household filers must have income of no more than \$250,000; and joint and surviving spouse filers must have income of no more than \$500,000. Continues the current policy of allowing individuals who are eligible for the credit in the year prior to the sunset to continue taking the tax credit for ten years beyond the sunset (a ten-year grandfather clause).

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-2017	2017-2019
General Fund	\$0	-\$0.7	-\$0.7	-\$2.2	-\$4.0

Impact Explanation: The estimated impact is based on the assumption that if the credit were to sunset, the annual cost of the credit would slowly decrease over time through attrition. This is the assumed impact under current law. The revenue loss shown here reflects the impact of two factors that would result from extending the credit. The first is the elimination of the assumed attrition under current law; the second is a continuation of the recent, gradual growth in the tax credit. Between tax years 2007 and 2010, the number of claimants increased from 1,724 to 1,834 and credits used increased from \$7.8 million to \$8.5 million.

The income requirements of the -7 amendments are effective beginning with tax year 2014 and would be applicable to new claimants. Taxpayers who exceed these income limits but were eligible for the credit in tax year 2013, would maintain their tax credit eligibility for ten years.

The -7 amendment changes the requirement regarding the share of the practice that is rural from 60 percent to at least 20 hours per week and adds requirements regarding Medicare and medical assistance patients. At this point, it is unclear if these changes will reduce or increase the cost of the credit.

Further analysis will be done when the bill is in the Joint Committee on Tax Credits.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is