


Income Tax Breaks
and the
Great Oregon Budget Crunch

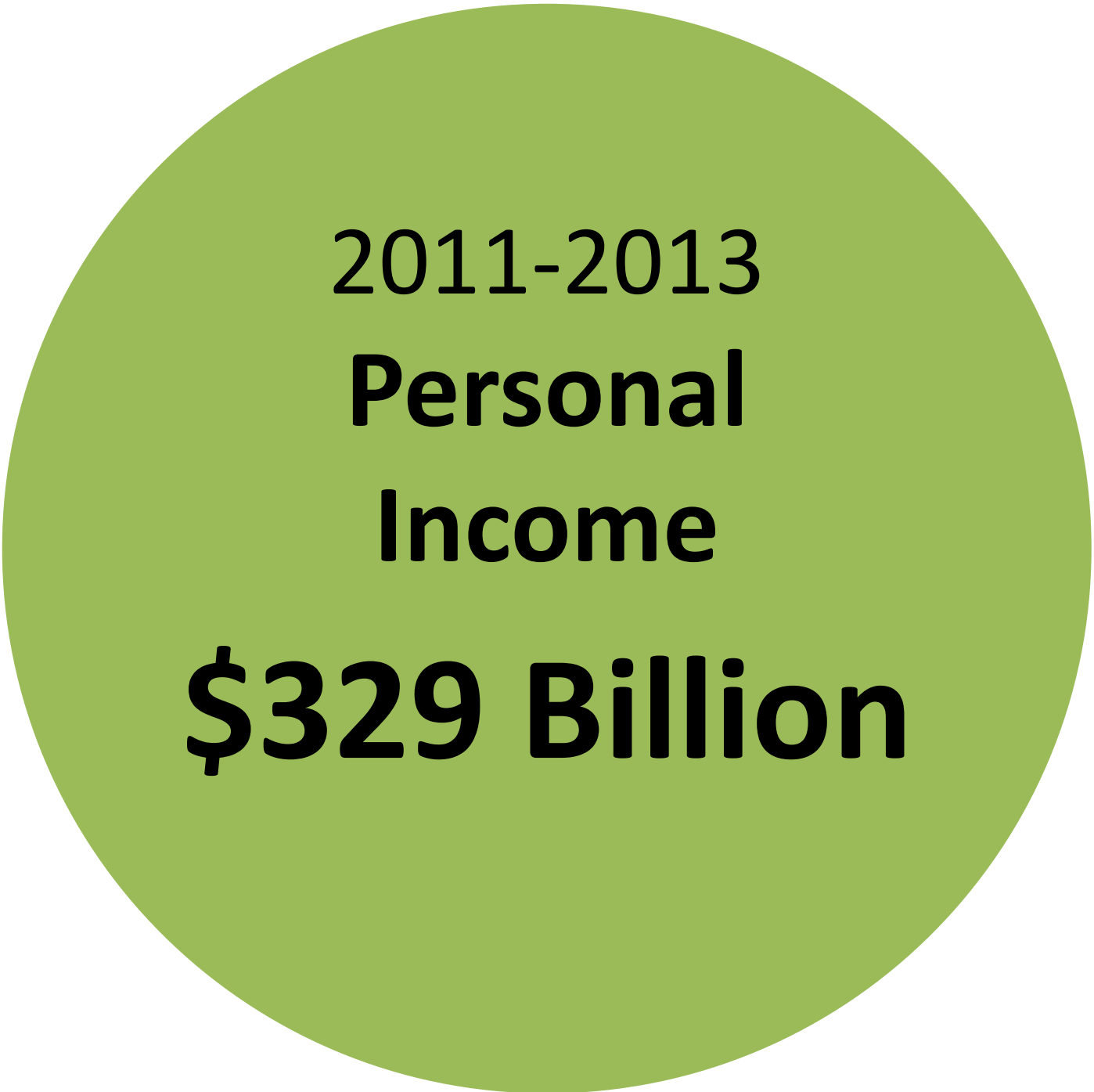
2013 Revision

Steve Robinson

Decision
Metrics 

Today's topics

- Income tax breaks vs. potential revenue
- Growth of income tax breaks since 99-01
- Regressive state and local tax system
- Prime targets to control tax breaks
- How the situation evolved
- Ideas for fixing it



2011-2013

**Personal
Income**

\$329 Billion



\$329 Billion

**Potential
revenues**

~ 8.5 %

**\$28
billion**



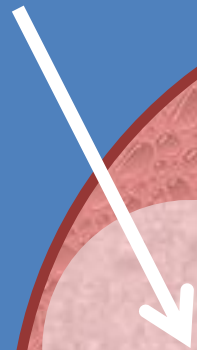
**Tax
Breaks**

**\$12.5
Billion
or 45 %**

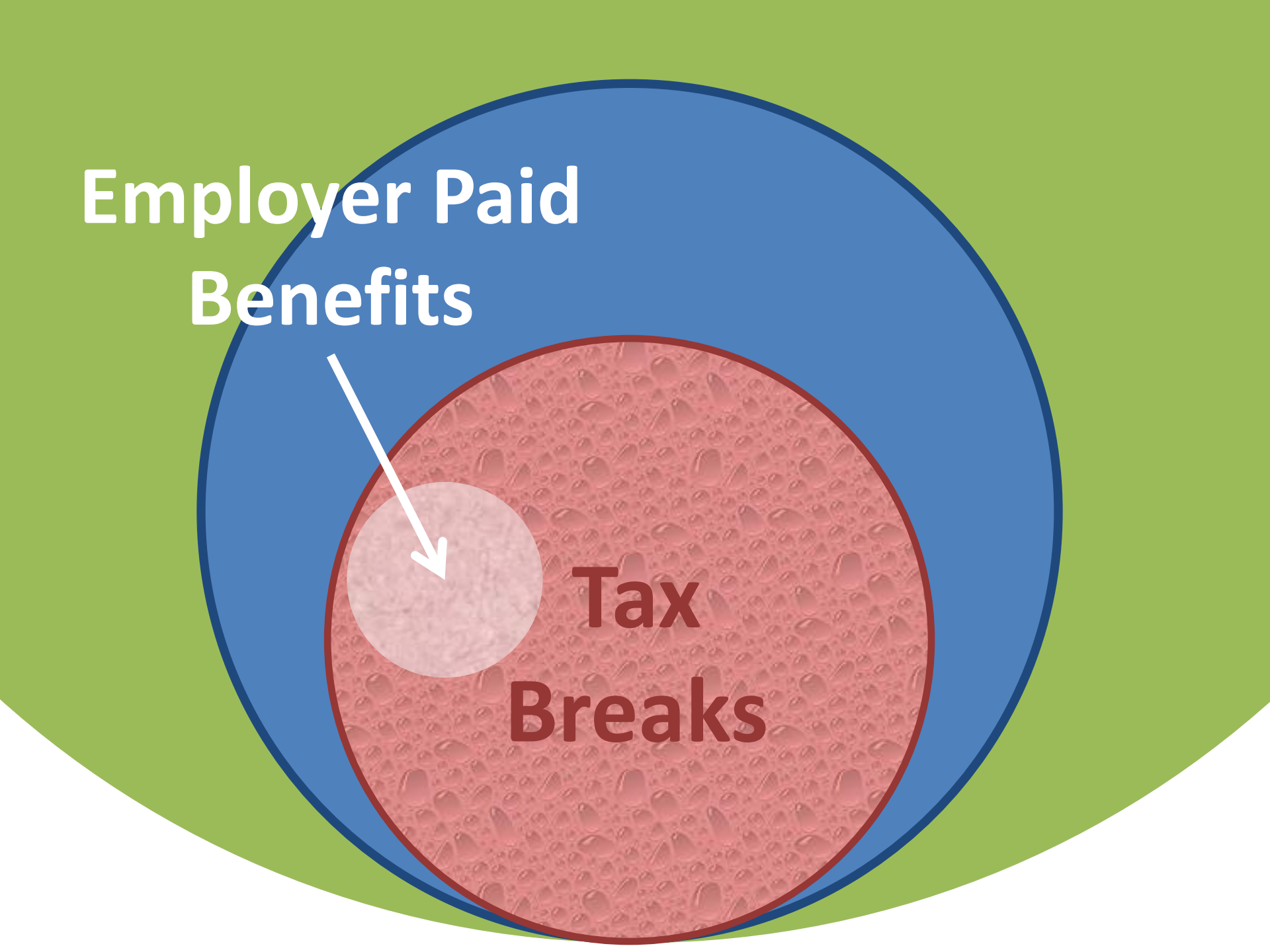


**Tax
Breaks**

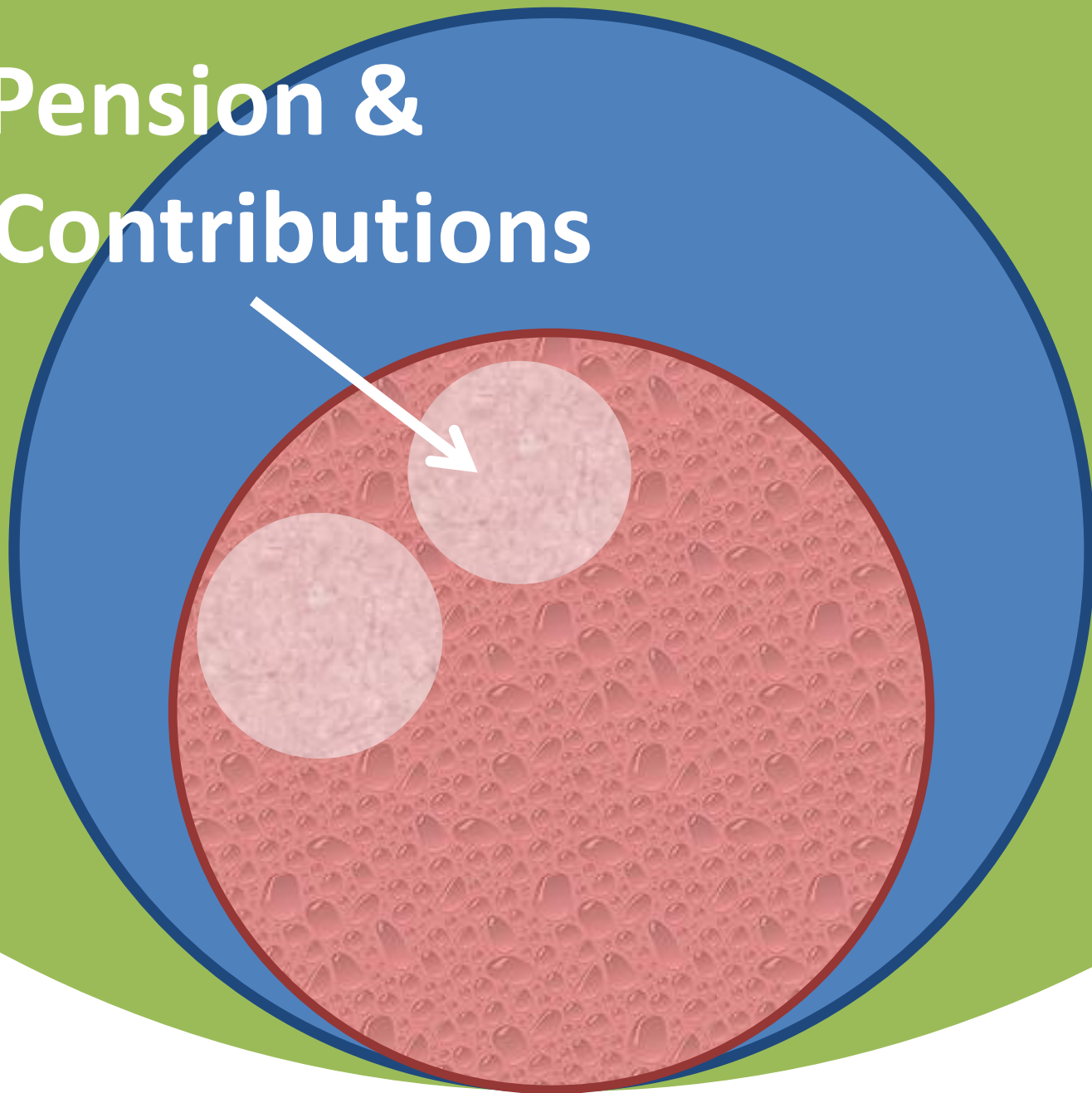
**Employer Paid
Benefits**



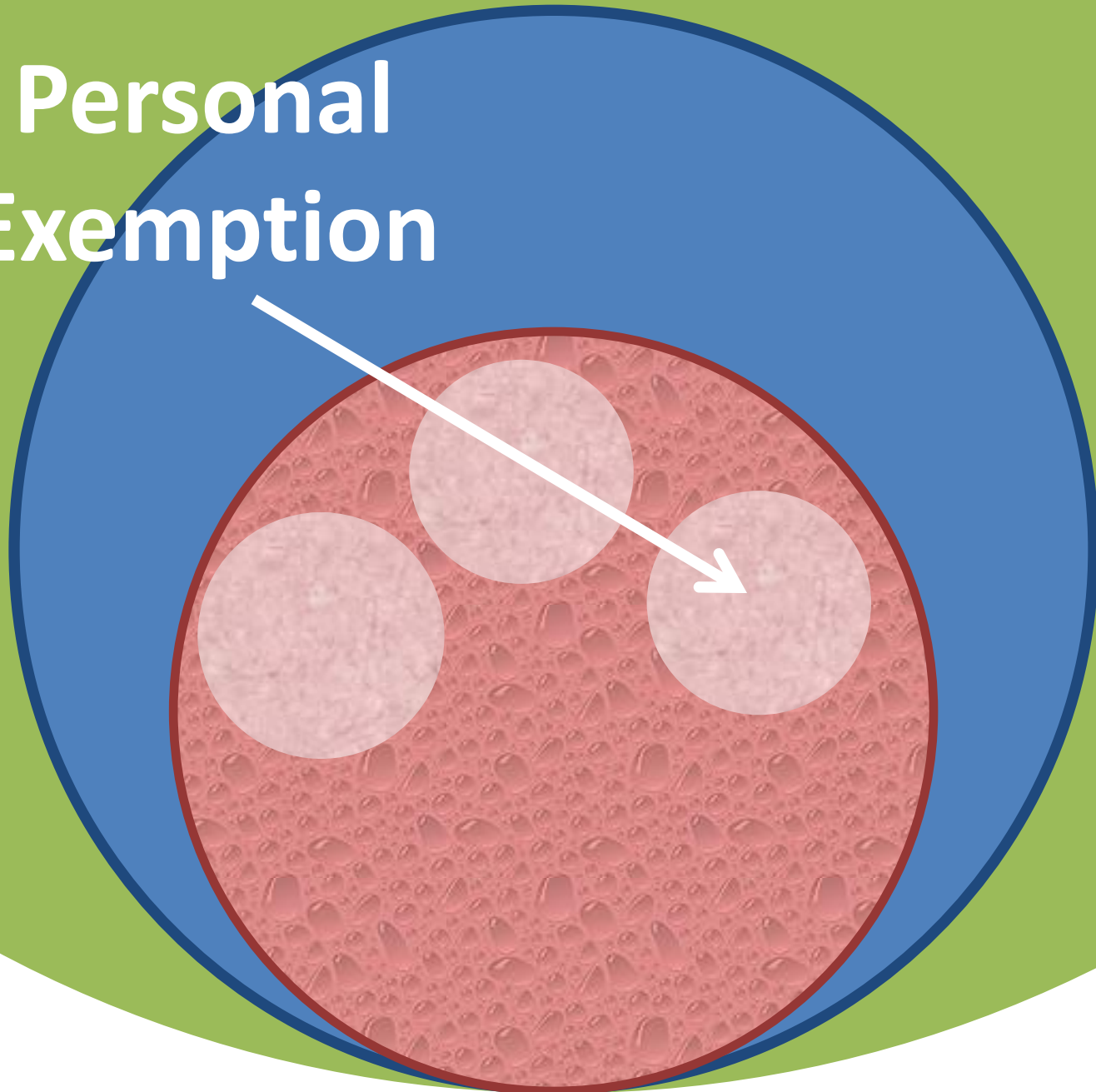
**Tax
Breaks**



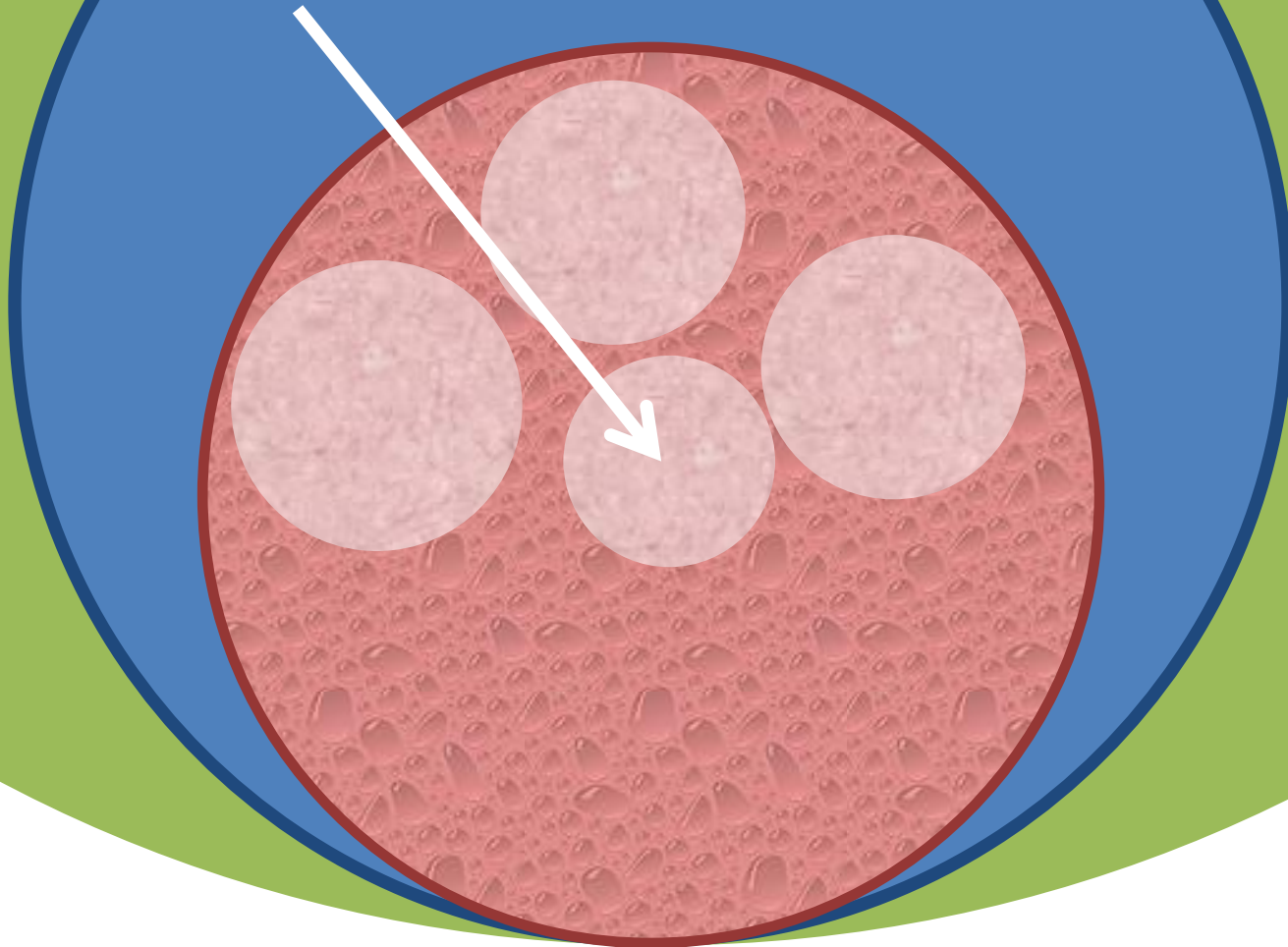
Pension & IRA Contributions



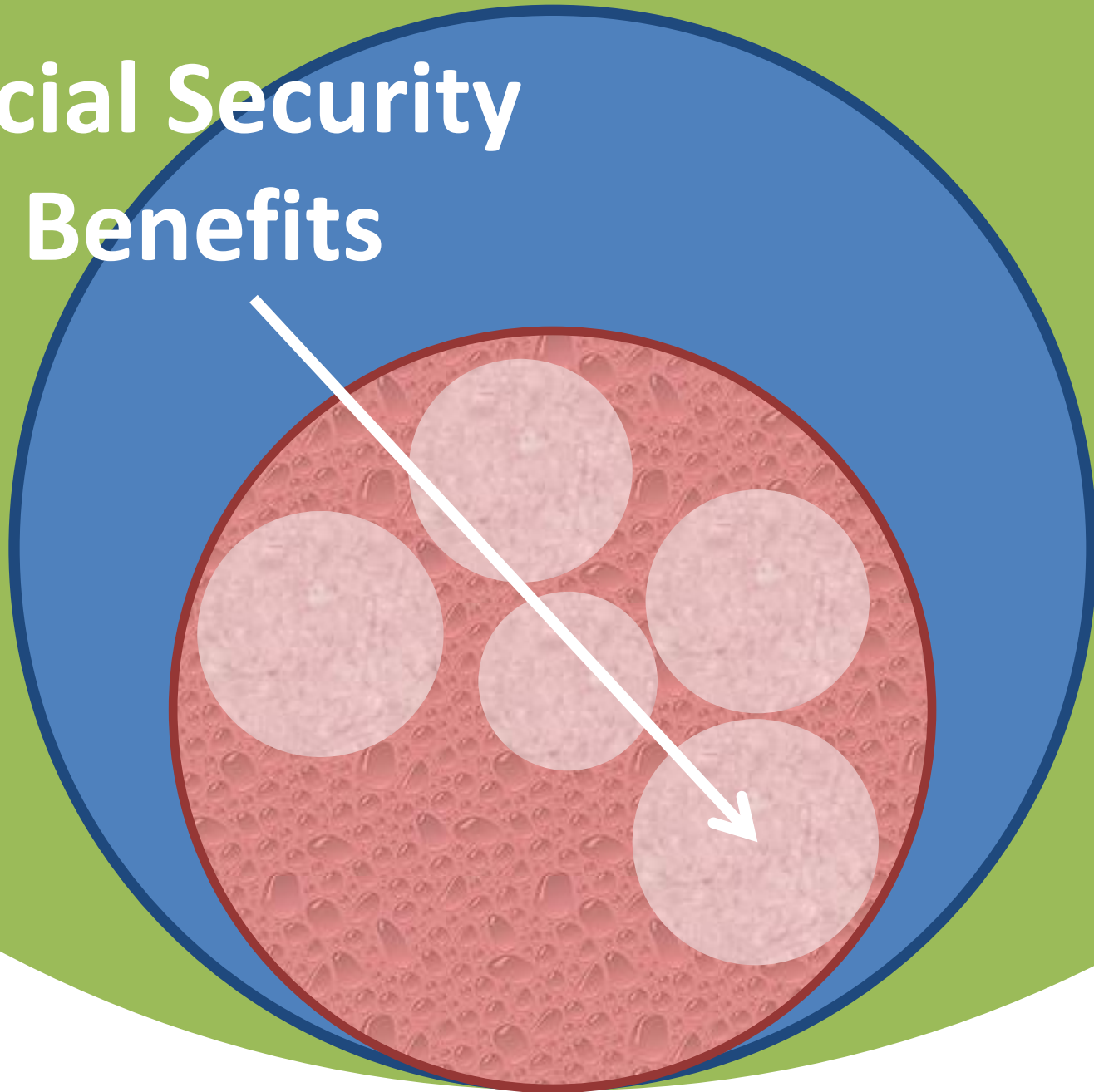
Personal Exemption



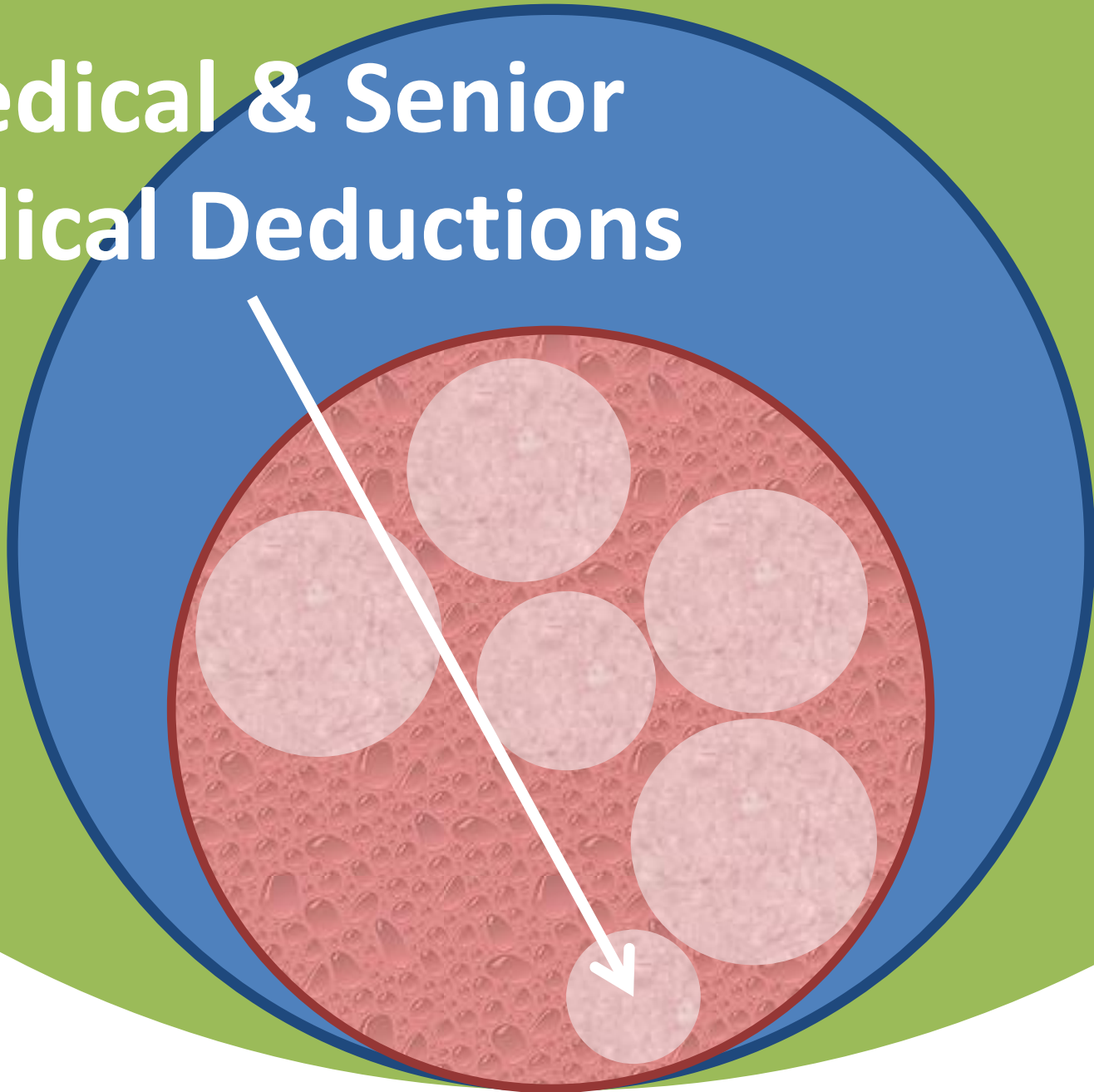
Federal Income Tax Deduction



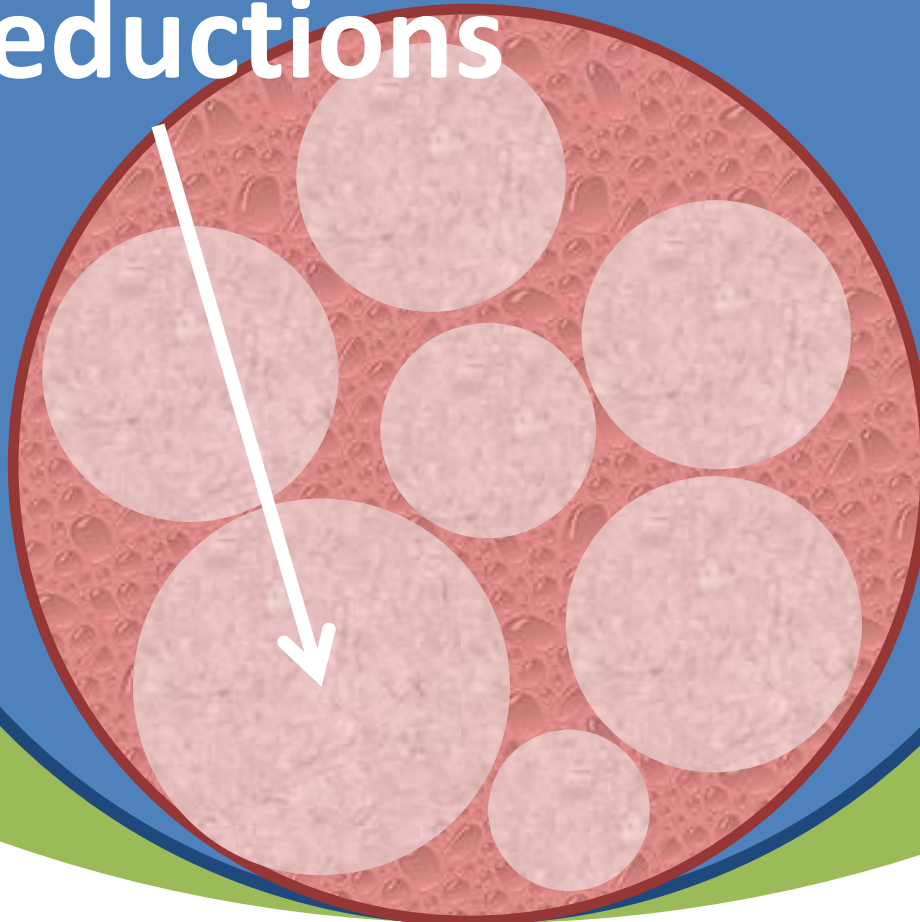
Social Security Benefits



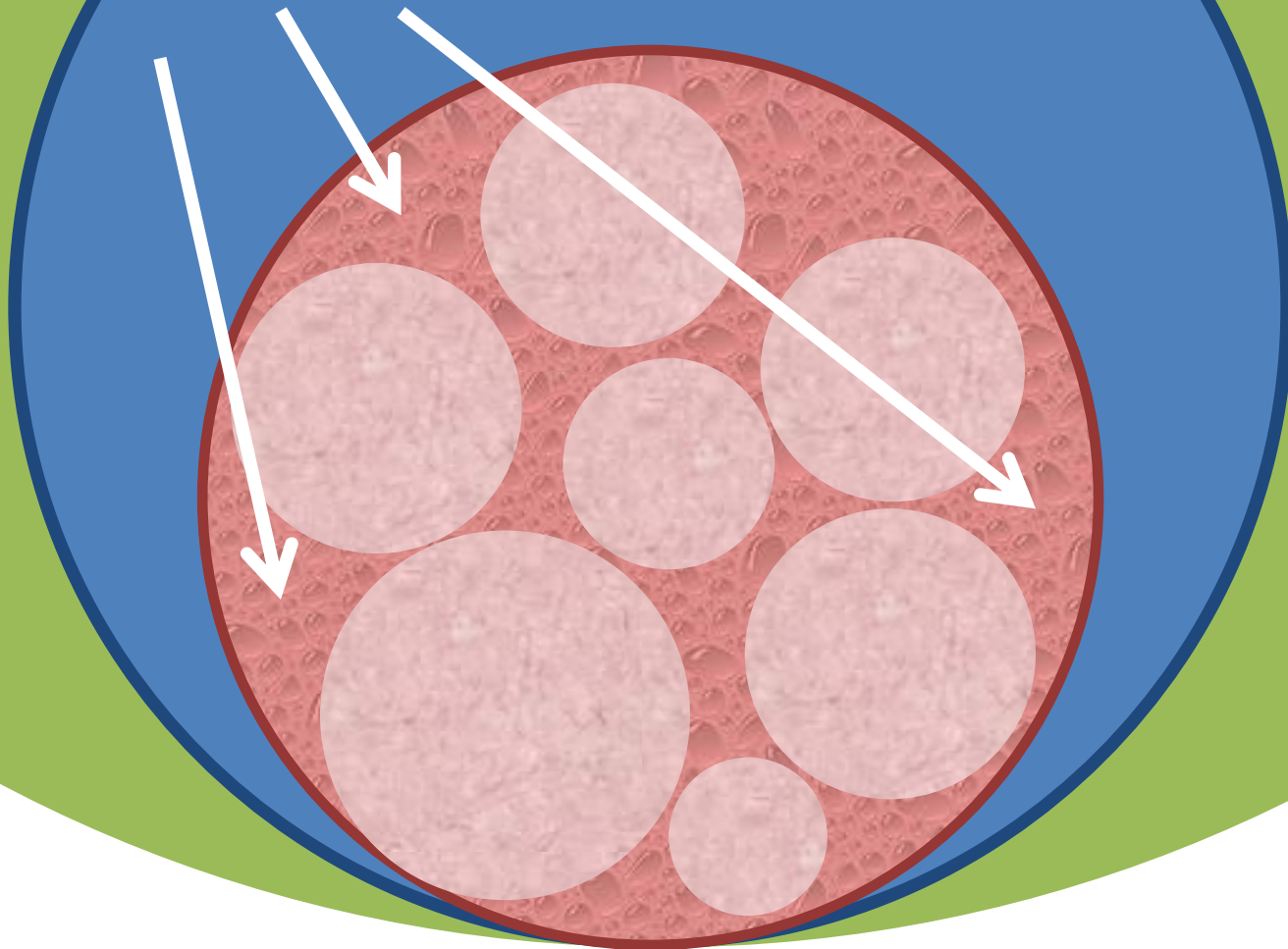
Medical & Senior Medical Deductions



Home Mortgage Interest & Property Tax Deductions



**~200 smaller state
& federal items**



Comments on 2013-15 TER

1. Distribution tables added* and improved (39 vs. 24)
2. Actual revenue impacts
3. But still not closing past biennia

* E.g. Home Mortgage Interest, page 90

...Still not closing past biennia

1.202 CHARITABLE CONTRIBUTIONS: HEALTH

Internal Revenue Code Sections: 170 and 642(c)

Oregon Statutes: 316.695 and 317.013 (Connections to federal personal and corporation deductions)

Federal Law Sunset Date: None

Year Enacted in Federal Law: 1917 (personal) and 1935 (corporation)

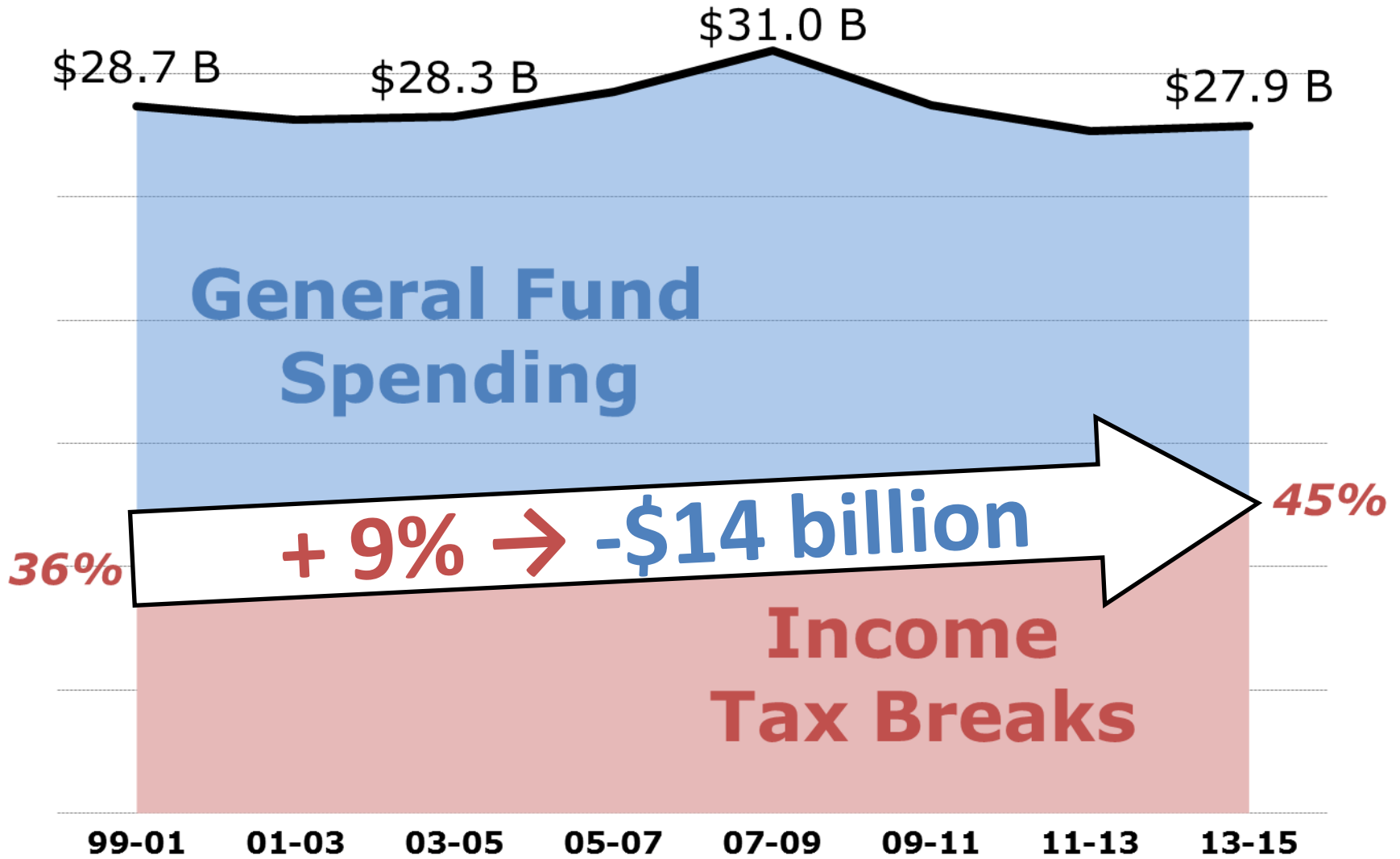
	Corporation	Personal	Total
2011-13 Revenue Impact:	\$7,600,000	\$22,400,000	\$30,000,000
2013-15 Revenue Impact:	\$8,100,000	\$25,800,000	\$33,900,000

Only half of the data from 2011-13 is available;
2009-11 is complete, but not shown

Trends in the Data: 99-01 to 13-15

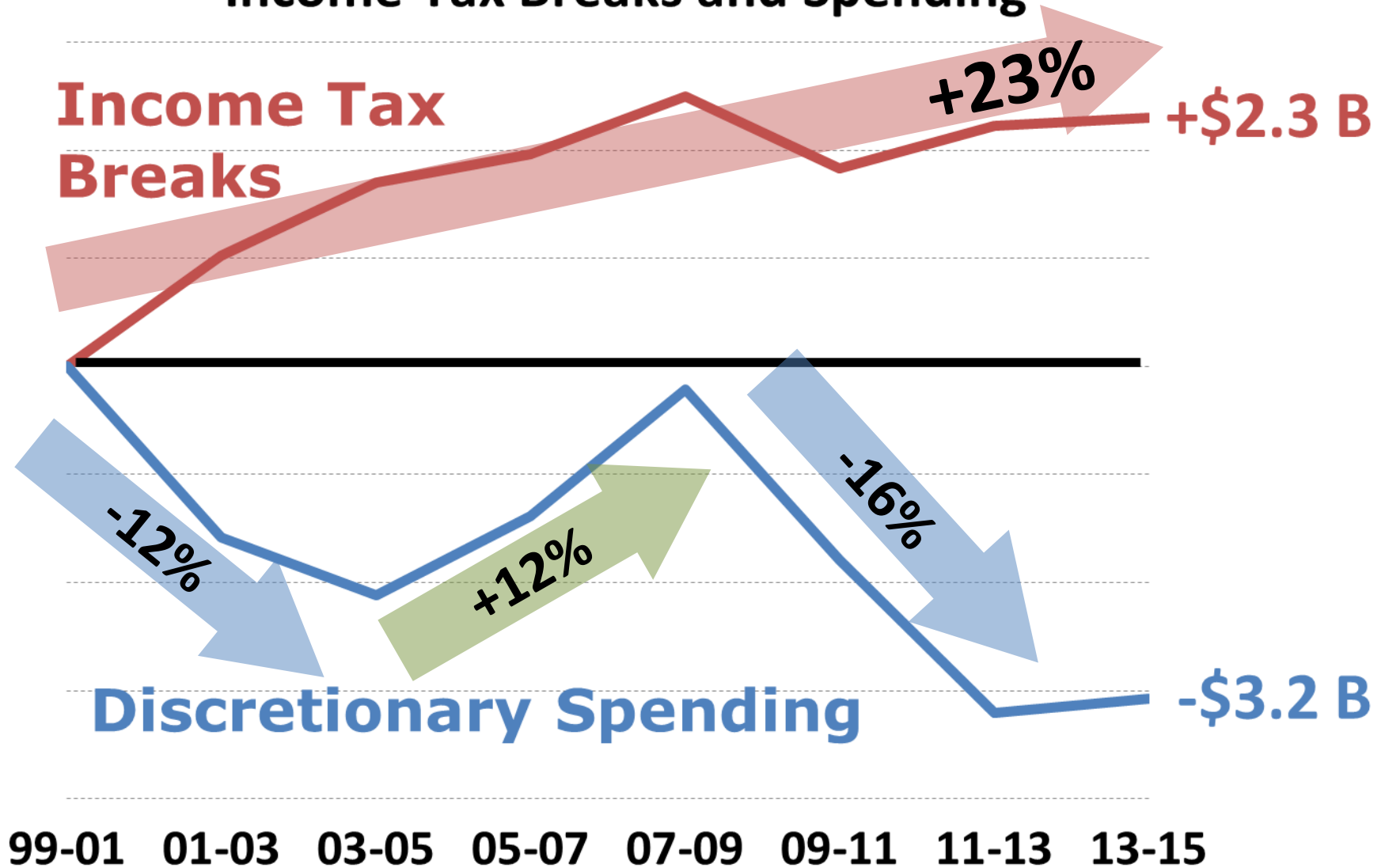
*Adjusted for **changes** in
statewide personal income*

Potential Revenues

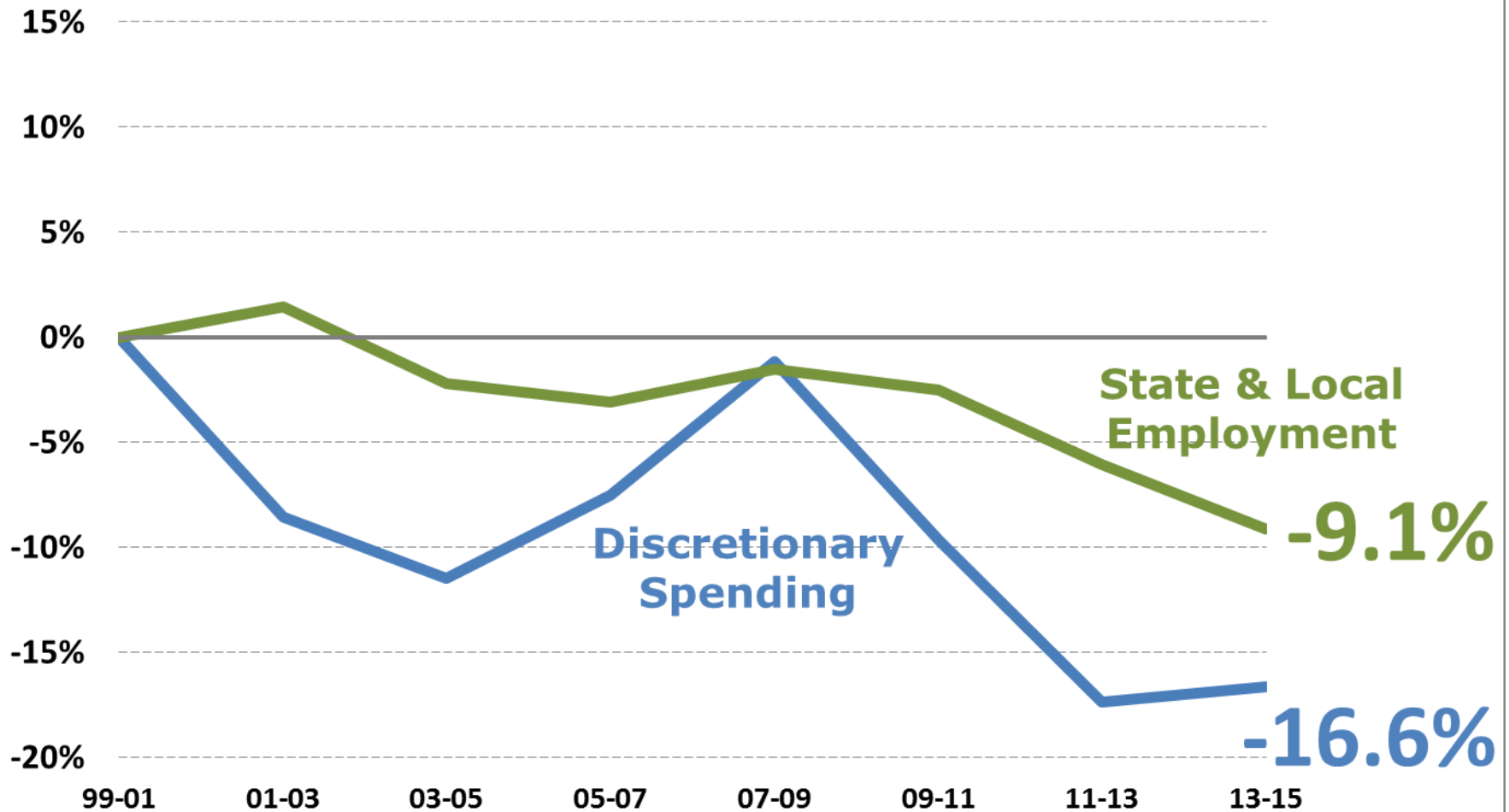


Change Since 99-01 Biennium:

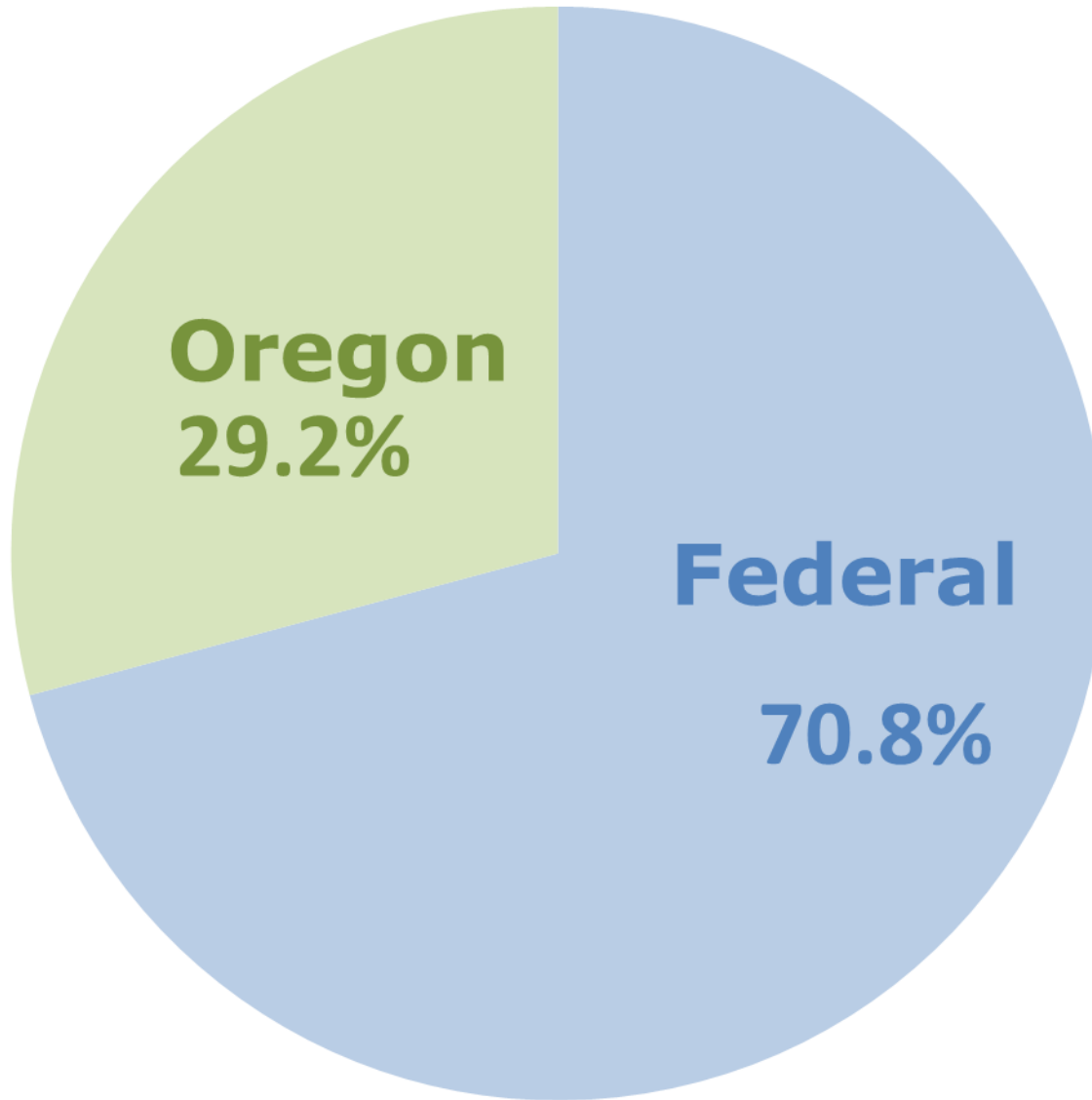
Income Tax Breaks and Spending



% Change Since 99-01 Biennium: Government Workers & Spending

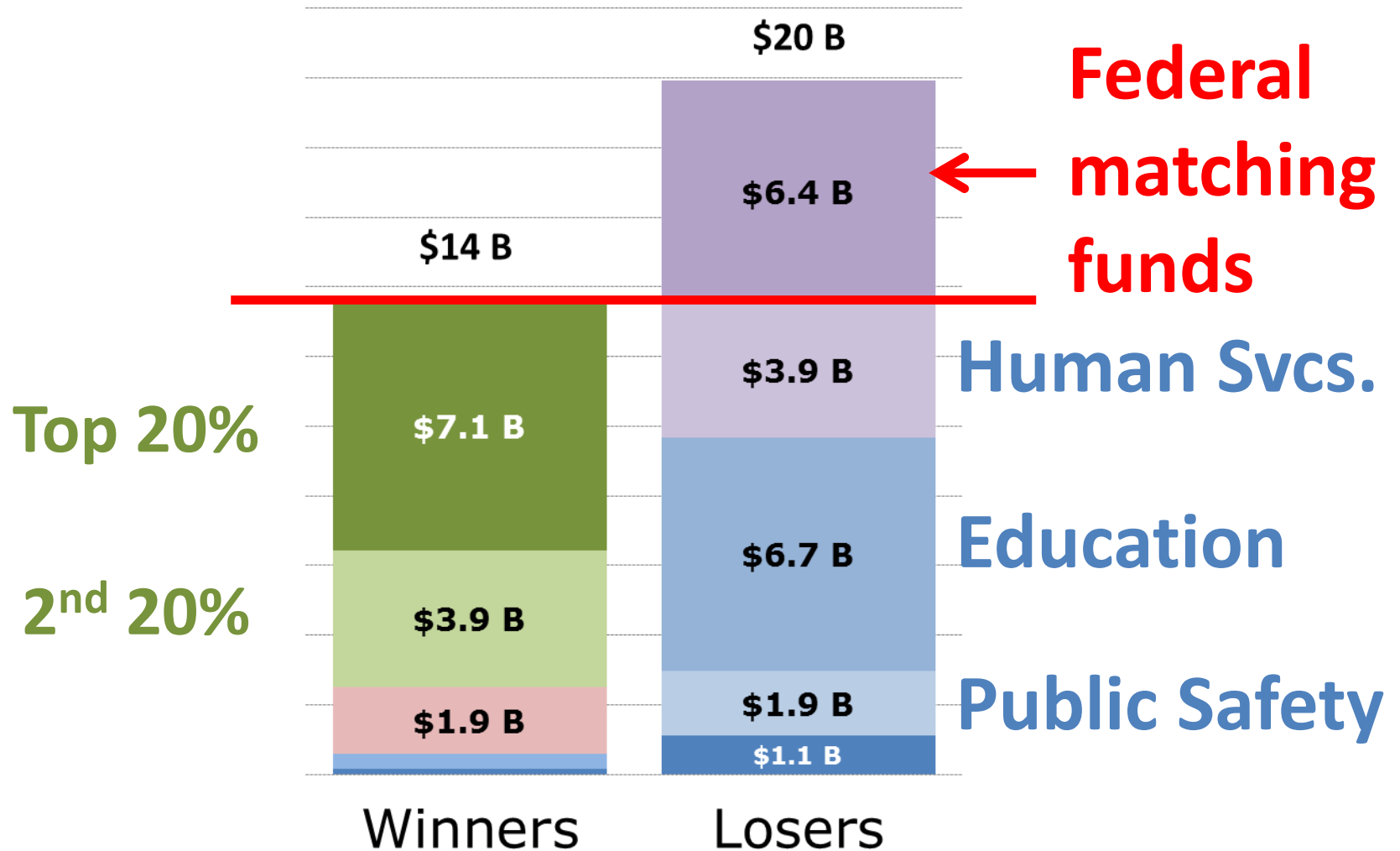


Federal and State Components of Tax Breaks, 2013



Cumulative Growth of Tax Breaks

99-01 thru 13-15



The Biggest Winner of All: The Feds

\$6.4 billion Federal matching funds left on the table (1.66:1 DHS)

\$3.8 billion More FIT from reduced SIT deductions

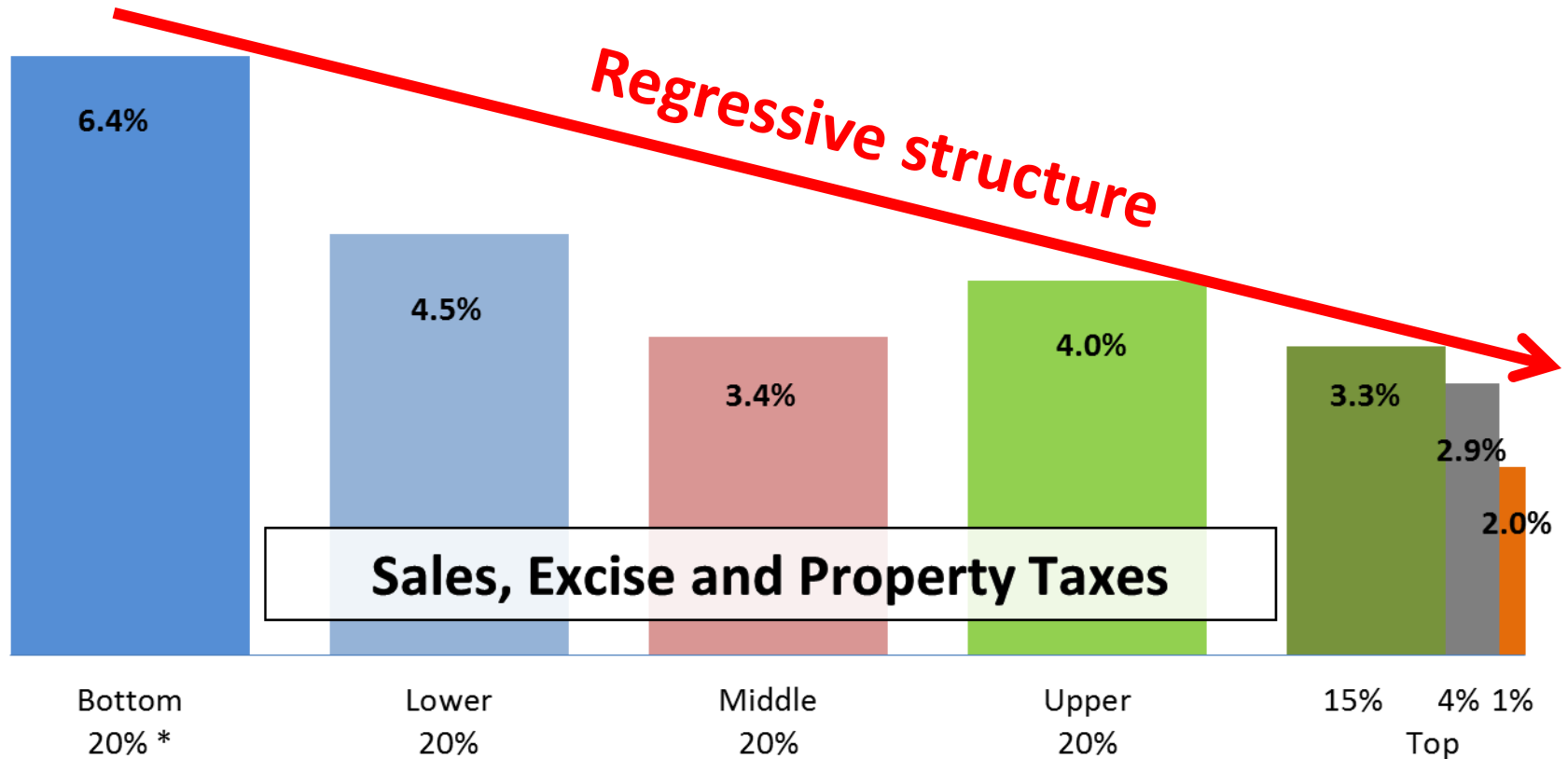
\$10.2 billion Total windfall to federal treasury, 2001-2015

→ **\$20-30 billion** lost to OR economy

Who Pays How Much State and Local Tax

2013 Tax Law, 2010 Income Levels

by Quintile of Federal Adjusted Gross Income (AGI)

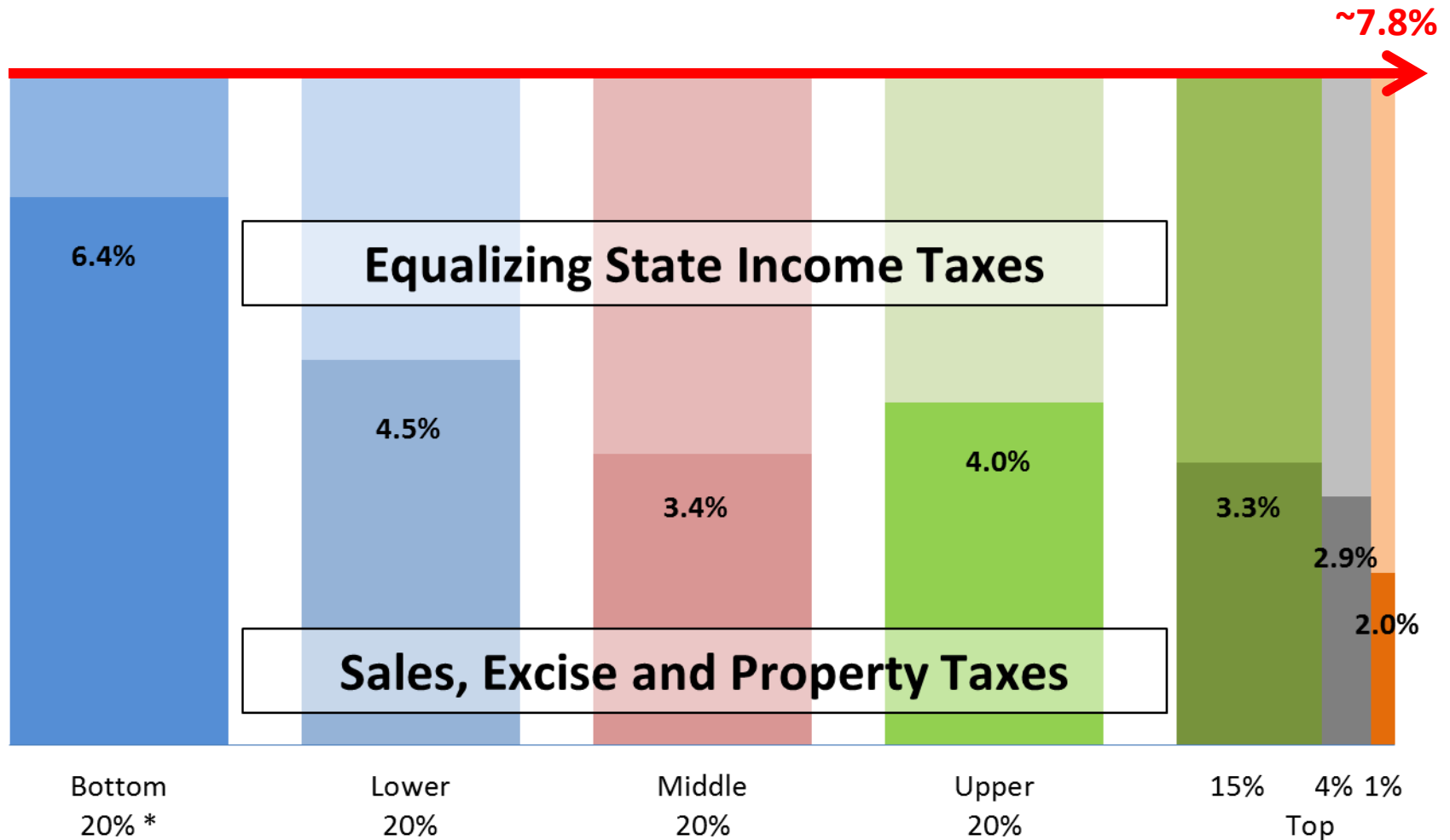


Source: Institute on Taxation & Economic Policy

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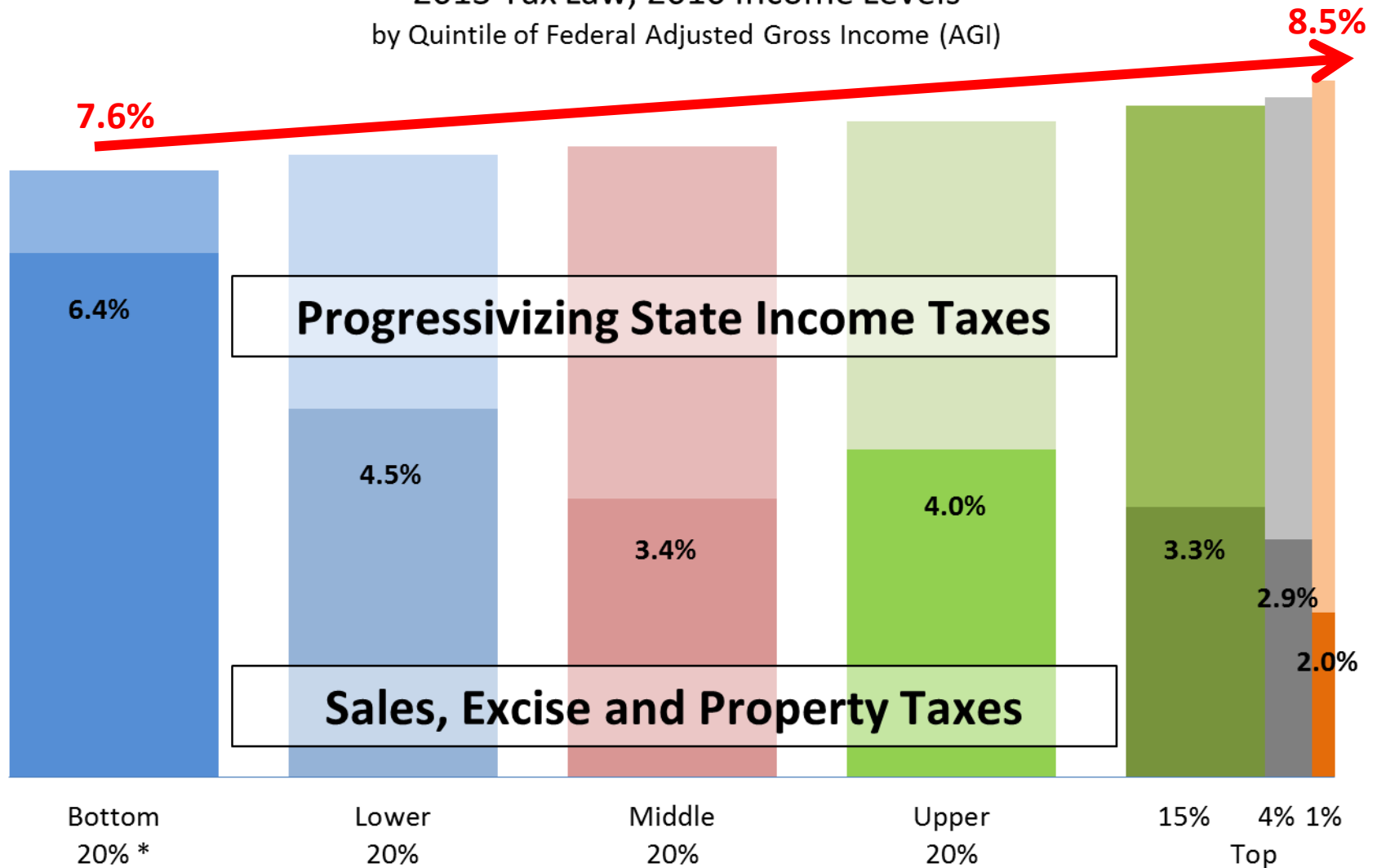
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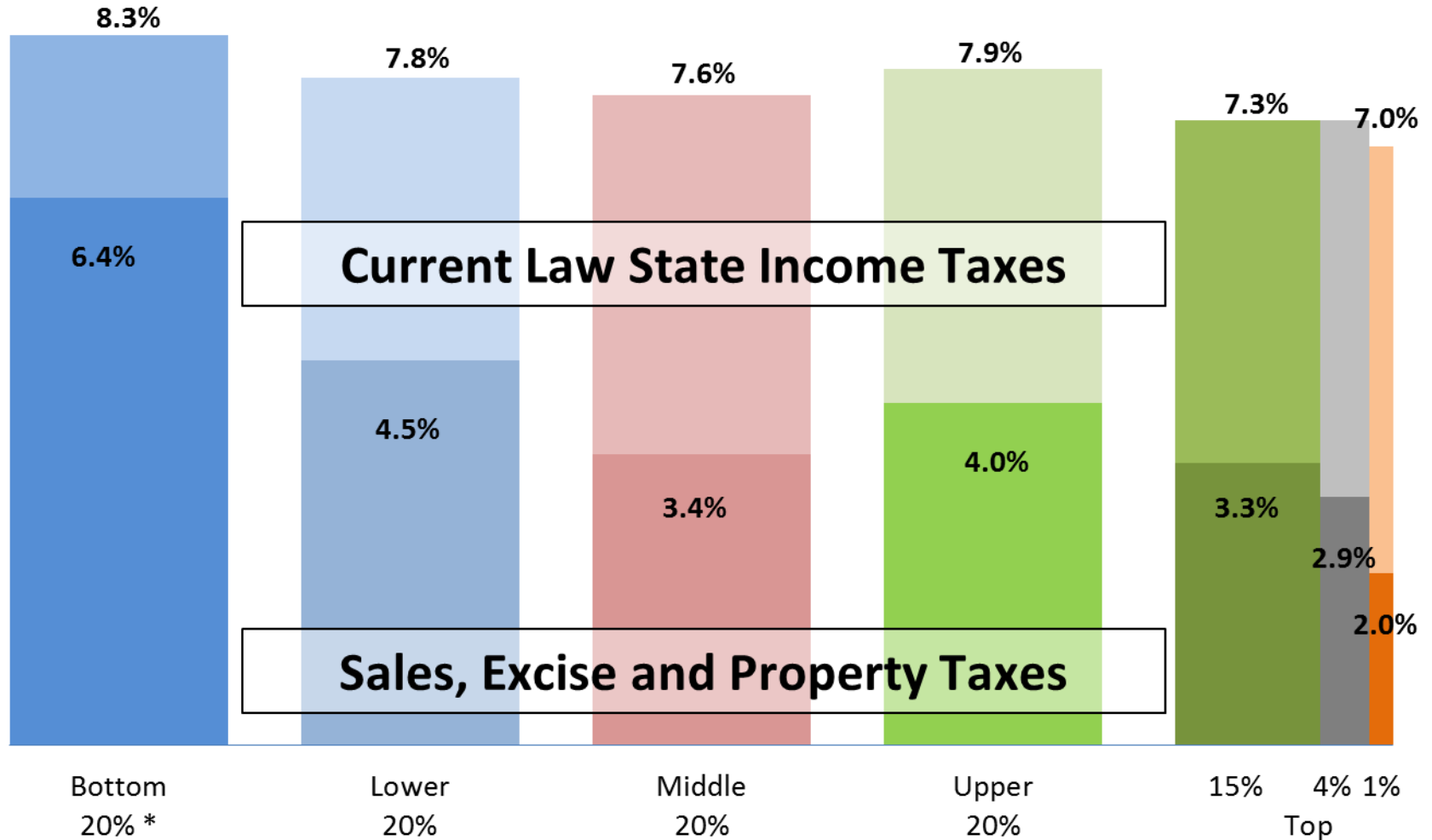


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Who Pays How Much State and Local Tax

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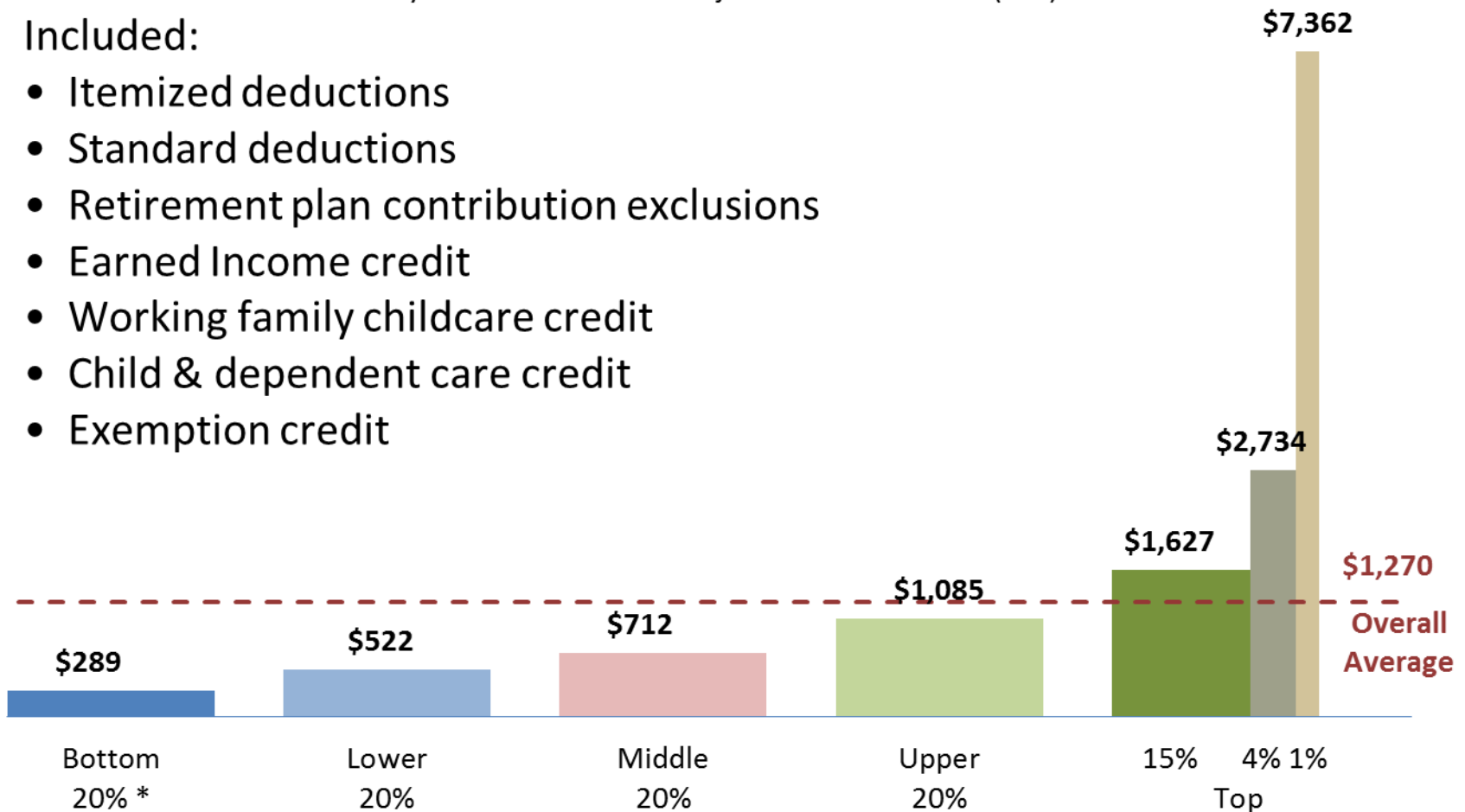
"Wealth-Building" Tax Subsidies in OR Personal Income Tax

Tax Year 2010

by Quintile of Federal Adjusted Gross Income (AGI)

Included:

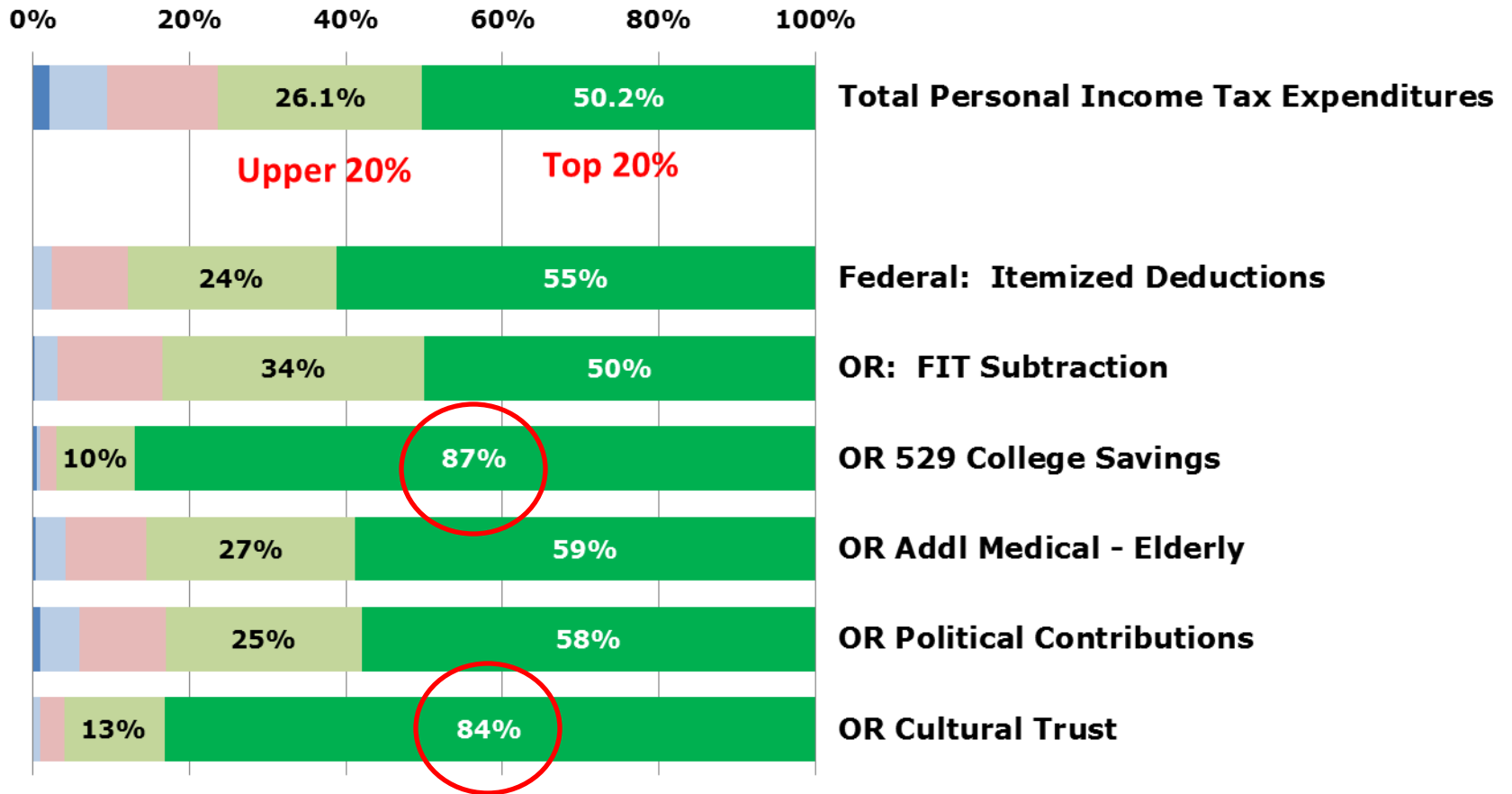
- Itemized deductions
- Standard deductions
- Retirement plan contribution exclusions
- Earned Income credit
- Working family childcare credit
- Child & dependent care credit
- Exemption credit



* Bottom tier excludes returns with AGI less than zero

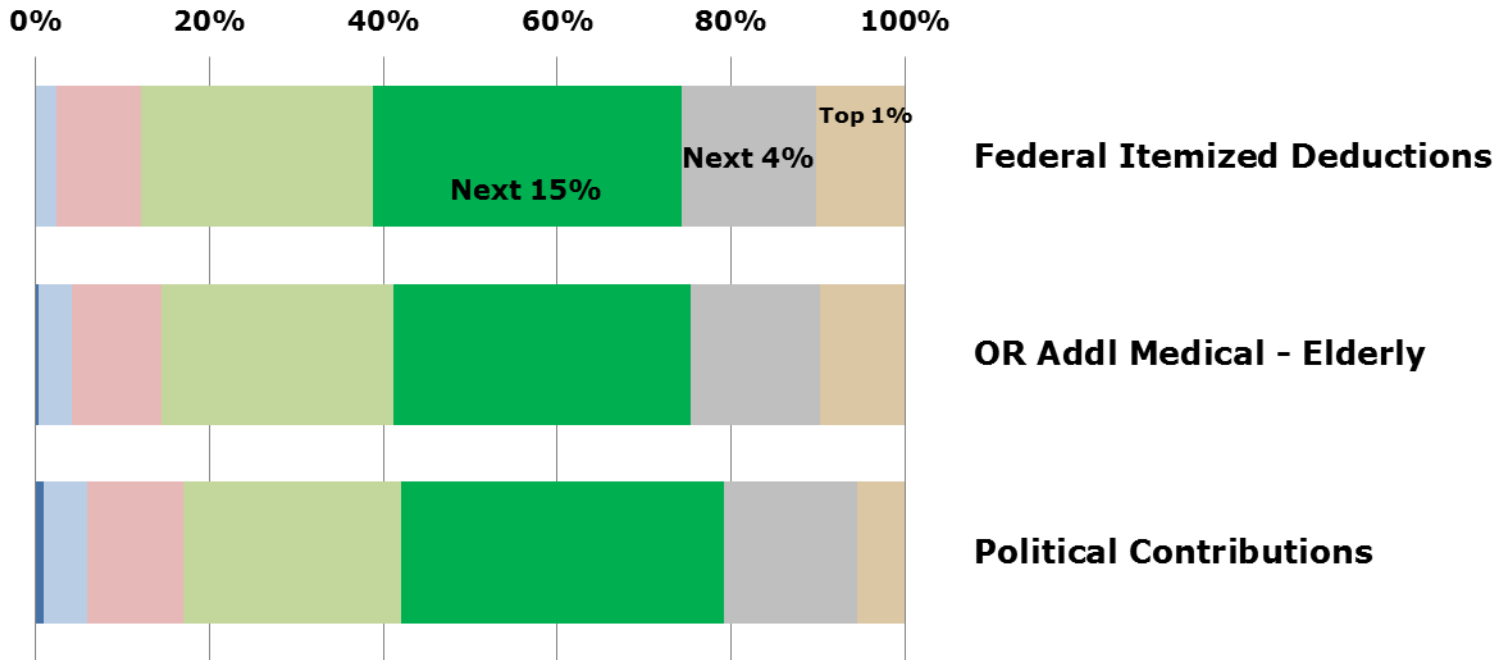
Prime Targets to Control Income Tax Expenditure Growth

Distributions by Income (AGI) Tier in 2011-13 Tax Expenditure Report



Source: Oregon Tax Expenditure Report

Distributions to top 1% - 4% - 15% (over \$300k - \$200k - \$70k)



Source: Oregon Tax Expenditure Report

How did this happen?

- 1. No sunsets of federal breaks**
- 2. Growing inequity of wealth and income**
- 3. Imbalance of advocates' power**
- 4. TE cut = tax hike (3/5 vote)**

Recommendations

- 1. Ask DOR to close the loop on past biennia**
- 2. Means-test senior medical**
- 3. Cap itemized deductions**
- 4. Fix windfalls & avoid new ones**
- 5. Test all TE for budget priorities**
- 6. Tighten criteria and accountability**

Jobs Per Million

Program	Jobs Created /Lost For every \$1 million change
General tax cut (per GAO)	6.9
Human services program cut (based on ECONW study)	87.7

decisionmetrics.org