

## **MAJOR REVENUE ISSUES 2013 SESSION**

1. Tax Credit Review Process
  - 13 tax credits are scheduled to sunset prior to the beginning of the 2015 regular session. The revenue impact of extending all the credits in their present form is \$46.8 million for the 2013-15 biennium. These credits will be reviewed by the Joint Committee on Tax Credits in the context of their effectiveness in achieving policy goals, the overall budget environment and any new credits that are proposed.
  
2. Property Tax Reform
  - Oregon's property tax system is constrained by two overarching constitutional limits (Measures 5 and 50). In combination or individually, these two limits are:
    - Straining the ability of local governments to respond to growth in demand for services over time.
    - Creating rigidities that make it difficult to respond to changing local conditions and needs.
    - Limiting and complicating voter choices in local elections.
    - Creating arbitrary inequities among taxpayers.
  - The committees will explore options to make the system less rigid and more equitable.
  
3. Connection to Federal Income Tax Code
  - Connection to the federal income tax code provides administrative and compliance advantages for the state. However, Congress just approved a complex set of changes to the personal and corporate income tax base. It is the responsibility of the revenue committees to examine in detail the implications of connecting to these changes for Oregon's revenue system.
  - More broadly, the committees will explore alternative methods of connecting to the federal income tax code. The goal is to give the state more control over its tax policy while maintaining the administrative and compliance advantages of connecting to the federal code.
  
4. Senior Property Tax Relief
  - Residential property taxes are particularly onerous for seniors because many are home owners with low current income. The committees will take two approaches in addressing this issue:
    - i. Evaluate the impact of recent legislation on the Senior and Disabled Property Tax Deferral program. This will be followed by an examination of further modifications based on this evaluation.
    - ii. Explore alternative methods of providing broader property tax relief to seniors based on Oregon's past policies and the experiences of other states.
  
5. Senior Medical Deduction Reform
  - Because of its open ended design, the senior medical deduction has grown rapidly over the past two decades. Although the tax expenditure will reduce General Fund revenue by an estimated \$187 million in the 2013-15 biennium, it provides little tax relief for low income seniors. The committees will look at ways to constrain growth in the cost of the deduction while making it more targeted to low income taxpayers.

6. Tax Compliance

- The committees will review current tax compliance policies with the Department of Revenue in search of legislative changes that will enhance the effectiveness of the department's efforts. The committees will also continue to explore methods of financing the Department of Revenue's core system replacement project.

7. Central Assessment of Communications Industry Property

- The committees will work in conjunction with a work group established by the Governor's Office to explore alternative methods of treating intangible property for centrally assessed communications companies.

8. Vehicle Miles Traveled Based Methods of Road Finance

- As the gas tax becomes increasingly outdated as a means of funding roads, Oregon has been a leader in exploring alternative user based methods of funding. The revenue committees will work in conjunction with the transportation committees and Department of Transportation to refine these proposals.

9. Corporate Income Tax Apportionment

- Over a period of two decades Oregon gradually moved to a single sales apportionment method for tangible goods. However, the state currently uses a much different method to apportion the income of service based companies. In addition the state uses rules for determining nexus in other states that are arguably inconsistent with the single sales approach. The committees will examine the implications of moving to a more consistent approach to apportioning corporate income.

10. Excise Tax Alternatives

- Oregon has traditionally used excise taxes as a source of revenue less than most other states. When used appropriately, excise taxes can be effective in modifying certain behavior and generating revenue for mitigating the negative effects of certain activities. The committees will invest time exploring proposals in this area.

11. School Distribution Formula

- It has been more than twenty years since Oregon developed a formula for distributing operating revenue among school districts. The committees will review how the formula is working and examine proposals to make modifications.

12. Tax Reform

- The revenue committees and interim task forces consisting of revenue committee members have taken the lead in identifying the problems associated with Oregon's current state and local revenue system. The committees have also considered various proposals for improving the system. To further the discussion of tax reform the revenue committees will serve as a forum for discussing alternative proposals for reforming the state's revenue system.