

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

Bill Number: HB 2464 - A  
Revenue Area: Income Taxes  
Economist: Chris Allanach  
Date: 4/13/2013

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

**Measure Description:** Requires person engaged in a trade or business who makes a payment of at least \$600 for construction services to make reports to the payee and the Department of Revenue. Creates penalties for all businesses that fail to file informational reports. Applies to payments made in tax years beginning on or after January 1, 2013.

**Revenue Impact (in \$Millions):**

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-17	2017-19
Penalties	\$0.41	\$0.28	\$0.7	\$0.4	\$0.3
Income Taxes	\$0.05	\$0.25	\$0.3	\$0.8	\$1.0
<b>General Fund</b>	<b>\$0.46</b>	<b>\$0.53</b>	<b>\$1.0</b>	<b>\$1.2</b>	<b>\$1.3</b>

**Impact Explanation:** The estimated revenue impact on income taxes is based on the theory that increased informational return reporting will increase tax compliance. The bill is expected to increase such reporting in two ways. First, it extends existing reporting requirements to businesses that make certain payments to C-corporations. Second, it creates penalties for all such informational reporting. A 2009 Department of Revenue report on tax compliance included estimates for the rate of noncompliance for different sources of income. The misreporting percentage for wage and salary income was 1.2 percent. The policies contained in this bill are assumed to decrease that noncompliance rate by one percent. The increased compliance factor is applied to the projected tax liability from wages and salaries as per the March revenue forecast. Also, a phase-in period of two years is assumed before the full one percent decrease in noncompliance occurs. The estimated impact from penalties is assumed to be 99 percent in the first year and gradually increase to 99.5 percent, resulting in declining revenue over time. The bill also requires reports to be sent to the Employment Department, which is currently done. The impact on Employment taxes is expected to be minimal.

**Creates, Extends, or Expands Tax Expenditure:** Yes  No