REVENUE IMPACT OF PROPOSED LEGISLATION

Seventy-Seventh Oregon Legislative Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number: HB 2464 - B
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 6/13/2013

Only Impacts on Original or Engrossed Versions are Considered Official

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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. Appropriates money to the Department of Revenue for implementation purposes.

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
General Fund	**$0.46**	**$0.53**		**$1.0**	**$1.2**	**$1.3**

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 May revenue forecast. Also, a phase-in period of two years is assumed before the full one percent decrease in noncompliance occurs. The penalty provisions are assumed to result in a filing compliance rate of 98 percent in the first year that gradually increases 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 ☒

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