

**REVENUE: Revenue Impact Statement Issued**

**FISCAL: Fiscal Impact Statement Issued**

---

**Action:** Do Pass with Amendments to the A-Eng Bill. (Printed B-Eng.)

**Vote:** 3-2-0

**Yeas:** Hass, Rosenbaum, Burdick

**Nays:** Baertschiger, George

**Exc.:** 0

**Prepared By:** Paul Warner, Economist

**Meeting Dates:** 6/20; 6/27; 6/28

---

**WHAT THE BILL DOES:** States the intention of the Legislature is to allocate the revenue raised by the bill to the state school fund, community colleges and higher education, senior programs and mental health services. Reforms the senior medical deduction by converting the current deduction to a subtraction, restricting use of the subtraction to only those who are age eligible, phasing out the subtraction for higher incomes and gradually raising the age eligibility from 62 to 66 over a period of 8 years. Specifies that married filing separate taxpayers apply the single filer income range when phasing out the federal tax subtraction. Lowers the net income threshold for applying the 7.6% corporate income tax rate from \$10 million to \$2.5 million. Adjusts rate at which corporate collections flow to the Rainy Day Fund from revenue above 6.6% to revenue above 7.6% until 2017. Starting in 2017 establishes 7.15% as the rate at above which corporate revenue flows to the Rainy Day Fund. Phases out the personal exemption credit for adjusted gross income between \$100,000 and \$125,000 for single filers or between \$200,000 and \$250,000 for joint filers. Expands earned income tax credit from 6% to 8% for 2013 only. Increases the tax on other tobacco products from 65% of wholesale price to 70%. Imposes proportional increases in taxes on moist snuff and cigars. Increases state cigarette tax from \$1.18 per pack to \$1.28 per pack. Establishes floor tax on cigarettes held in inventory at time of implementation of higher tax. Dedicates the additional cigarette revenue to the Oregon Health Authority.

**ISSUES DISCUSSED:**

- Link to PERS reform contained in SB 857.
- Need for additional revenue to fund education, senior and metal health services.
- Impact of excise taxes on cigarette consumption.
- Growth and mechanics of senior medical deduction.
- Distribution effects of changes in senior medical deduction.

**EFFECT OF COMMITTEE AMENDMENTS:** Replaces bill.

**BACKGROUND:** HB 2456B was developed in conjunction with SB 857 as a part of an overall financial policy to increase the flow of revenue to operations for schools and other public services.