

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Seventh Oregon Legislative
Assembly
2013 1st Special Session
Legislative Revenue Office**

**Bill Number: HB 3601-A
Revenue Area: State Finance
Economist: Paul Warner
Date: 10-1-13**

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

Measure Description:

Increases corporate income taxes for certain corporations. Eliminates personal exemption credit for high income taxpayers. Modifies senior medical deduction. Increases earned income tax credit. Imposes 2.5% tax on IC-DISCs, allows subtraction for dividends. Provides lower income tax rates for certain pass through income. Increases cigarette tax. Dedicates portion of cigarette tax to mental health programs. Modifies corporate income tax allocations to Rainy Day Fund.

Revenue Impact (in \$Millions):

General Fund	2013-15	2015-17	2017-19	2019-21	2021-23
Personal Income Tax	\$86	-\$59	-\$42	\$4	\$5
Corporate Income Tax	76	77	38	40	44
Cigarette Tax	6	2	0	0	0
Total General Fund	168	20	-4	36	49
Health Authority Fund—Mental Health Programs	21	30	31	29	28
Total General Fund + Other Fund	189	50	28	65	77
Rainy Day Fund-Corp Income Tax Revenue					
Current Law	43	42	43	46	49
HB 3601	10	10	54	57	61
Difference	-33	-32	+11	+11	+12

Impact Explanation: All estimates based on September 2103 revenue forecast. Personal income tax estimate consists of changes to the senior medical deduction, the personal exemption credit, the earned income tax credit, active schedule E income and the subtraction for IC-DISC dividends. Corporate income tax revenue consists of changes in the amount of net income in which the 7.6% rate applies, allocations of corporate revenue between the Rainy Day Fund and the General Fund and the tax rate applied to IC-DISCs. 23% of new cigarette tax revenue is allocated to the General Fund and 77% of new revenue is allocated to mental health programs for 2014-15 and 100% of new revenue to mental health in subsequent years.

Creates, Extends, or Expands Tax Expenditure: Yes X

Provides preferential personal income tax rates for pass-through active schedule E income and a subtraction for dividends paid by IC-DISCs. The policy purpose of the former is to encourage small business growth and investment. The policy purpose of the latter is to encourage export activity of Oregon based businesses. The earned income tax credit is expanded with the purpose of assisting low income households and encouraging labor force participation.