

Oregon's 2015-17 Tax Expenditure Report

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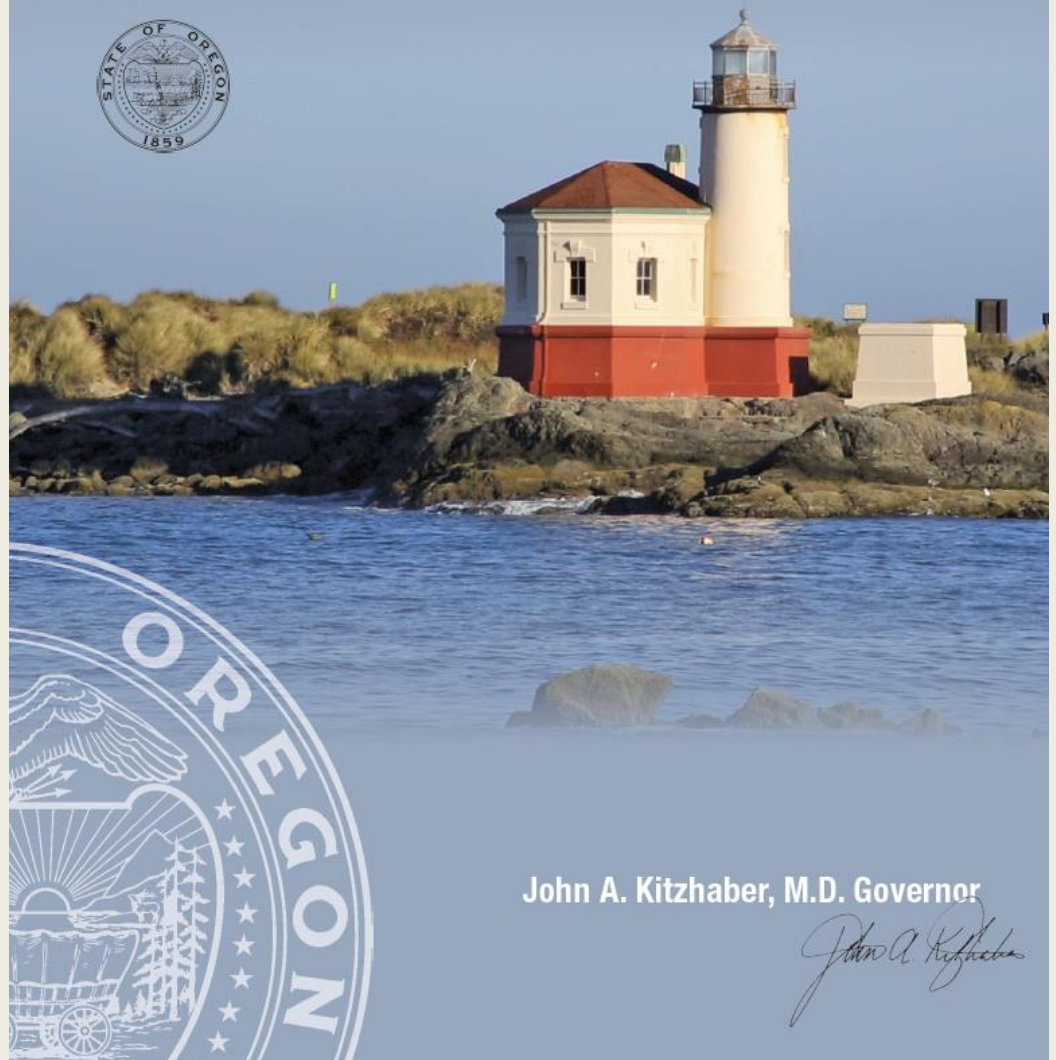
Research Section,
Oregon Department of Revenue

Senate Finance and
Revenue Committee
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2015 - 2017

TAX EXPENDITURE REPORT

STATE OF OREGON



John A. Kitzhaber, M.D. Governor

General Overview

- Budget Accountability Act (1995) requires tax expenditure report (biennial)
- “...are similar to direct expenditures” *
- “The tax expenditure report will allow tax expenditures to be debated in conjunction with online budgets...” *

* Oregon Laws 1995, Chapter 746

ORS 291.195

Tax Expenditure Defined:

“...any law of the Federal Government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.”

Oregon Laws 1995, Chapter 746 (Appendix A of the report)

**SUMMARY OF OREGON TAX PROGRAMS
WITH TAX EXPENDITURES (Dollars in Millions)**

| Tax Program | Number | Estimated Revenues | Revenue Impact | |
|---------------------------------|--------|-----------------------------|-----------------------------|-----------------------------|
| | | 2015-17 (\$ in Millions) | 2013-15 (\$ in Millions) | 2015-17 (\$ in Millions) |
| Income (Personal and Corporate) | 204 | \$16,655.5 | \$11,220.0 | \$12,815.8 |
| Federal Exclusions | 67 | | \$5,507.5 | \$6,574.8 |
| Federal Adjustments/Deductions | 46 | | \$2,302.3 | \$2,555.3 |
| Oregon Subtractions | 26 | | \$1,660.1 | \$1,797.4 |
| Oregon Credits | 60 | | \$1,710.3 | \$1,678.9 |
| Other Oregon Provisions | 5 | | \$41.8 | \$209.4 |
| Property | 132 | \$12,400.0 | \$23,599.4 | \$25,912.6 |
| Full Exemption | 95 | | \$22,646.6 | \$24,772.4 |
| Partial Exemption | 23 | | \$444.6 | \$602.7 |
| Special Assessment | 13 | | \$508.2 | \$537.5 |
| Other Assessment | 1 | | \$0.0 | \$0.0 |
| Gas and Use Fuel | 7 | \$1,060.0 | \$10.5 | \$12.1 |
| Weight-Mile | 7 | \$589.3 | \$18.6 | \$19.3 |
| Cigarette & Other Tobacco | 5 | \$465.4 | \$3.0 | \$3.0 |
| Beer and Wine | 2 | \$36.6 | \$4.0 | \$4.4 |
| Other State Taxes | 15 | \$618.0 | \$11.3 | \$11.7 |
| All Taxes | 372 | \$31,824.8 | \$34,868.8 | \$38,778.9 |

Top 10 Income Tax Expenditures

| Tax Expenditure | 2015-17 Revenue Impact (\$ Millions) | Percent of Total |
|---|---|-----------------------------|
| Employer Paid Medical Benefits | 1,345 | 10% |
| Pension Contributions and Earnings | 1,154 | 9% |
| Personal Exemption | 1,149 | 9% |
| Home Mortgage Interest | 962 | 8% |
| Federal Income Tax Subtraction | 731 | 6% |
| Social Security Benefits (Oregon) | 651 | 5% |
| Social Security Benefits (Federal) | 616 | 5% |
| Property Taxes | 425 | 3% |
| Income of Controlled Foreign Corporation: | 393 | 3% |
| Charitable Contributions: Other | 390 | 3% |
| Subtotal | 7,816 | 61% |
| All Others | 5,000 | 39% |
| Total | 12,816 | 100% |

Top 10 Property Tax Expenditures

| Tax Expenditure | 2015-17 Revenue Impact (\$ Millions) | Percent of Total |
|--|---|---------------------|
| Intangible Personal Property | 15,360 | 59% |
| State and Local Property | 2,792 | 11% |
| Federal Property | 1,971 | 8% |
| Personal Property for Personal Use | 1,315 | 5% |
| Inventory | 1,129 | 4% |
| Motor Vehicles and Trailers | 938 | 4% |
| Strategic Investment Program | 521 | 2% |
| Western Private Standing Timber | 452 | 2% |
| Farmland | 354 | 1% |
| Charitable, Literary, and Scientific Organizations | 194 | 1% |
| Subtotal | 25,024 | 97% |
| All Others | 889 | 3% |
| Total | 25,913 | 100% |

Categories of Tax Expenditures

More like direct
spending

Incentives to encourage certain activities

Financial assistance for certain taxpayers

*(These are even more like direct spending if they are refundable,
transferable, or auctioned tax credits)*

Less like direct
spending

Provisions that simplify Compliance or
Administration

Provisions prohibited by Federal Law

The report must contain:

- Statutory authority
- Purpose
- Revenue loss estimates
- Budget program or function
- Who Benefits?
- Evaluation – achieves purpose? Fiscally effective?
- Sunset recommendations - extend provision or allow to sunset

Revenue Loss Estimates

- Different than potential yield
 - Interactions between expenditures
 - Taken over time/carry forwards
- Loss and shift (property tax estimates)
- Based upon current law (both OR & Federal)

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2015-17 Tax Expenditures by Subject Area

| Subject Category | Count | Revenue Loss (\$000's) |
|----------------------------|-------|------------------------|
| Agriculture | 35 | 503,600 |
| Arts | 4 | 27,500 |
| Charitable Organizations | 14 | 915,600 |
| Economic Development | 30 | 1,389,100 |
| Education | 25 | 232,000 |
| Energy | 24 | 240,400 |
| Environment/Conservation | 25 | 35,200 |
| Family Support | 27 | 1,710,600 |
| Federal Law Prohibits | 15 | 2,212,300 |
| Financials/Insurance | 10 | 48,100 |
| Forestry | 17 | 664,700 |
| Health Care | 23 | 2,919,200 |
| Housing | 21 | 1,842,400 |
| Income Maintenance | 23 | 2,292,900 |
| Job Development | 15 | 578,400 |
| Military | 14 | 238,000 |
| Recreation | 3 | 2,200 |
| Retirement | 13 | 2,720,700 |
| State and Local Government | 20 | 3,330,000 |
| Tax Administration | 31 | 18,531,800 |
| Transportation | 27 | 1,052,300 |
| Utilities | 7 | 48,400 |

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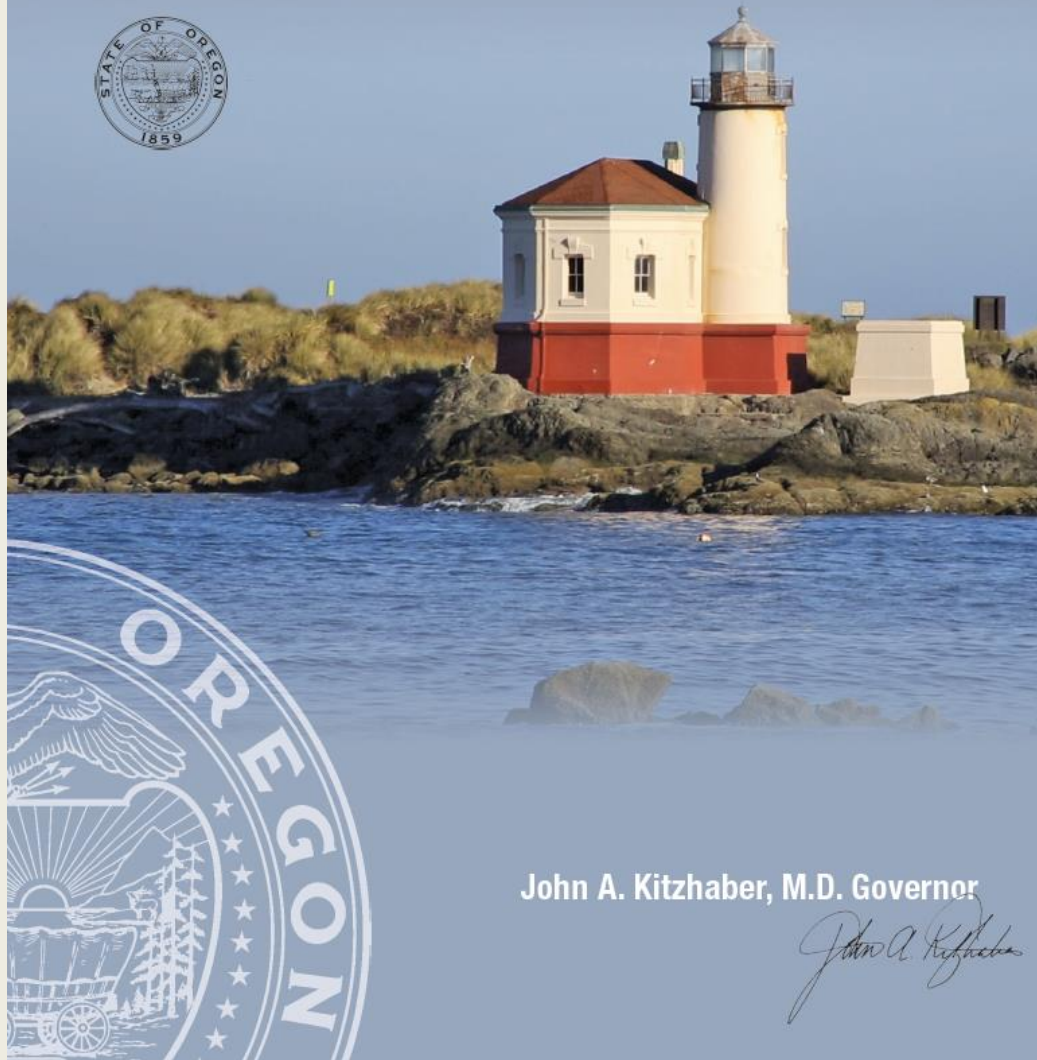
DOR's Role in Tax Expenditure Report

- Identify & describe new/modified/deleted expenditures
- Produce estimates of revenue loss
- Coordinate information flow among agencies, DAS Chief Financial Office, and the Governor's Office to facilitate evaluations

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John A. Kitzhaber, M.D. Governor

A handwritten signature of John A. Kitzhaber in black ink.