

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Eighth Oregon Legislative
Assembly
2015 Regular Session
Legislative Revenue Office**

Bill Number:	HB 2488 - 1
Revenue Area:	Income Tax
Economist:	Christine Broniak
Date:	2/23/2015

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

The revenue impact of this measure is indeterminate for the following reasons:

The revenue impact of this measure is affected by its addition of the indexing for inflation. The threshold numbers for the penalty were obtained by indexing the current overstatement of income amount from 1987 to present day and translating that into a net tax using the average tax rate. The measure would require increasing that amount each year with inflation. As a result, the penalty has a higher threshold. Data from the Department of Revenue suggest that 66 percent of penalties would not have been assessed if the new number had been used. Total revenues from these penalties are estimated to range between \$1 million and \$2 million per year for personal income tax, and more for corporate income tax. This change would eliminate 66 percent of that revenue through the higher, inflation indexed threshold.

On the other hand, the change of the penalty from a penalty on understatement of income to one on the overstatement of net tax means that the penalty would be more comprehensive. It would affect taxpayers who have an overstatement of tax credits or subtractions because such overstatement would affect the net tax. This increase in the comprehensiveness of the penalty would increase revenue by an indeterminate amount.

It is feasible that this increase could entirely make up for the revenue lost by indexing the penalty thresholds to inflation.