

Fiscal: Fiscal impact issued
Revenue: Revenue impact issued

Action Date: 06/29/15

Action: Do Pass As Amended And Be Printed Engrossed.

Meeting Dates: 06/29

Vote:

Yeas: 9 - Barnhart, Bentz, Davis, Johnson, Lininger, Read, Smith Warner, Vega Pederson, Whitsett

Prepared By: Paul Warner, Legislative Revenue Officer

WHAT THE MEASURE DOES:

Directs Department of Revenue to retain un-receipted income tax revenue from capital gains income. Defines method of calculating excess capital gains revenue as the deference between the average revenue over the most recent two tax years compared to average revenue in the three previous years. If the most recent revenue exceeds the previous period, the excess is deposited in the Education Stability Fund. Deposit occurs prior to June 30 of odd numbered years. No deposits can be made prior to June of 2019.

ISSUES DISCUSSED:

- History and volatility of income tax revenue from capital gains.
- Recommendations of PEW Research Center for states to capture portion of most volatile revenue source and commit portion to reserves.
- Legislative Counsel opinion that deposited capital gains personal income tax revenue in reserve fund does not affect calculation of 2% surplus kicker credit.

EFFECT OF COMMITTEE AMENDMENT:

- Sets base period for calculation at three years instead of two.
- Clarifies that estimate is based on tax liability, not collections.
- States that no deposit is be made under the bill prior to June of 2019.

BACKGROUND:

Oregon currently has two state reserve funds: the Education Stability Fund and the Oregon Rainy Day Fund. The Education Stability Fund is in the constitution while the Oregon Rainy Day Fund is statutory. Income from capital gains has been identified as the most cyclically sensitive component of taxable personal income.