

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office

Bill Number: HB 2830 - 5
Revenue Area: State Finance
Economist: Chris Allanach
Date: June 18, 2017

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Creates a Commercial Activities Tax (CAT) that applies to all business types with Oregon receipts of more than \$150,000, effective with tax year 2019. Establishes a minimum tax of \$250 for all filers. Establishes four tax rates, ranging from .25% to .75%, that apply to specific industry sectors (including an exemption for the natural resources sector). The rates are applied to Oregon sales above \$3 million. Establishes a tax credit against the CAT for pass-thru entities; the credit is 50% for tax year 2019 and 25% thereafter.

Increase the current corporation tax rates from 6.6% and 7.6% to 8% and 9% for tax years 2017 and 2018. Repeals the corporate income tax effective with tax year 2019.

Changes the Personal Income Tax Rate structure from the current 5% - 7% - 9% - 9.9% four-bracket system to a five-bracket system with rates of 4% - 6.75% - 8.8% - 9% - 9.9%. Increases the current 8% Earned Income tax credit to 10%. Both changes are effective with tax year 2019.

Revenue Impact (in \$Millions):

	Biennium			
	2017-19	2019-21	2021-23	2023-25
Commercial Activity Tax	\$476	\$2,340	\$2,616	\$2,863
Corporate Income Tax	\$204	-\$1,706	-\$1,122	-\$1,171
Personal Income Tax	-\$68	-\$369	-\$379	-\$390
Total Revenue	\$612	\$895	\$1,115	\$1,302
Education Fund	\$466	\$2,294	\$2,566	\$2,808
Highway Fund	\$10	\$46	\$50	\$55
General Fund	\$136	-\$1,445	-\$1,501	-\$1,561
Total Allocation	\$612	\$895	\$1,115	\$1,302

Impact Explanation:

The estimates for the CAT are largely based on the Ohio Commercial Activities Tax and the Washington Business and Occupation Tax. The estimates for the Corporation income tax are the result of model

simulations based on corporation tax returns and the May revenue forecast produced by the Office of Economic Analysis. The estimates for the changes to the personal income tax rate and earned income tax credit are based on model simulations built from tax return data.

Creates, Extends, or Expands Tax Expenditure: Yes No