

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

Bill Number: HB 2060 - 1  
Revenue Area: Personal Income Tax  
Economist: Chris Allanach  
Date: June 21, 2017

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

**Measure Description:**

Limits eligibility for the pass-thru entity tax rates to business operating in one of the following seven economic sectors: agriculture, mining, manufacturing, wholesale trade, transportation and warehousing, information, or accommodation & food services. Increases the employment requirement for eligibility from one employee to ten employees. Applies to tax years 2017 and later.

**Revenue Impact (in \$Millions):**

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
General Fund	\$91	\$98	\$196	\$227	\$244

**Impact Explanation:**

The estimates are based on model simulations for personal income tax collections based on the revenue forecast and preliminary information from the first-year use of the preferential rates in 2015. A sample of tax returns was analyzed to provide the basis for estimated use by firm size and economic sector. About 13,000 taxpayers used the preferential rates in 2015 at a total cost of roughly \$70 million. Additional information suggests that use of the policy may grow substantially in the coming years with the cost eventually exceeding \$300 million per biennium. The statutory changes here would reduce the cost of the program.

**Creates, Extends, or Expands Tax Expenditure:**      Yes  No