REVENUE IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office

Bill Number:	**SB 565**
Revenue Area:	**Income Taxes**
Economist:	**Chris Allanach**
Date:	**3/28/2017**

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Creates a personal income tax credit for interest paid on qualified education loans. Defines terms. The amount of the tax credit is equal to the interest paid, reduced by any amount allowed as a deduction on the federal tax return. Under current law, single filers with income up to $80,000 and Joint filers with income up to $160,000 can deduct up to $2,500 of interest paid.

Revenue Impact (in $Millions):

Impact Explanation:

Ideally, an estimate would be based on the amount of student loan interest paid by Oregon individual taxpayers each year. In lieu of such data, a preliminary estimate is based on high level data and various assumptions. According to the Federal Reserve, roughly $1 trillion in student loan debt is owed by Americans. Sharing that total to Oregonians based on their share of the U.S. deduction claimed (1.3%) and assuming an average interest rate of four percent, Oregonians are paying an estimated $575 million in interest annually. Based on projections from tax returns, roughly $230 million will be deducted when 2017 tax returns are filed. The difference of $345 million is the amount of potential tax credits. This amount is likely limited by Oregon tax liability. Assuming these taxpayers, collectively, have tax liability that is half that amount, the annual tax credits used would be roughly $170 million.

This estimate is preliminary. It may change as additional and more refined data become available. Further analysis will be done when the bill is in the Joint Committee on Tax Credits.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is

Further Analysis Required

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