

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
79th Oregon Legislative Assembly  
2018 Regular Session  
Legislative Revenue Office

**Bill Number:** SB 1528 - 8  
**Revenue Area:** Income Taxes  
**Economist:** Kyle Easton  
**Date:** 2/9/2018

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

**Measure Description:**

Makes available credit against personal or corporate income/excise taxes to taxpayers that make certified Opportunity Grant contributions to the Opportunity Grant Fund. Requires Department of Revenue, in cooperation with Higher Education Coordinating Commission to conduct auction of tax credits. Limits fiscal year certifications of tax credits to no more than \$14 million. Allows unused portion of tax credit to be carried forward up to three succeeding tax years. Applies to tax years beginning on or after January 1, 2018 and before January 1, 2024.

Effective for tax years beginning on or after January 1, 2018, requires addition to taxable income for amount allowable as a deduction under section 199A(a) of the Internal Revenue Code (new federal deduction for certain pass through entities).

Applicable beginning January 1, 2018. Makes available to sole proprietorships preferential tax rates on business income. Limits preferential tax rates available to sole proprietorships and nonpassive income of partnerships or S corporations to first \$250,000 of qualified taxable income. Limits use of preferential rates to businesses not classified in certain North American Industry Classification System industries.

For tax years 2018 - 2025, increases Oregon personal exemption credit from \$90 to \$113. After adjusting for inflation per Oregon law, change in personal exemption credit reflects an approximate increase in the personal exemption credit of \$50 beginning in tax year 2018.

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

	Biennium		
	2017-19	2019-21	2021-23
<b>General Fund</b>	\$81.4	\$136.4	\$171.1

Estimates of revenue impact reflect changes in revenue as compared to current law (see impact explanation).

**Impact Explanation:**

Revenue impact figures represent current law revenue impact estimates on General Fund revenues. Current law reflects changes to federal definition of taxable income as changed in December 2017 by

Tax Cuts and Jobs Act. As such, disconnect from deduction from taxable income allowable under section 199A(a) is reflected as an increase in general fund revenue.

Multiple sources were relied upon to estimate impact of disconnection from federal deduction allowable under section 199A(a) and increase in Oregon personal exemption credit, including tax return data and estimates made by the Joint Committee on Taxation regarding the federal impact of the deduction.

Estimated impact on revenue due to changes to: Oregon's preferential tax rates applicable to S-corps and partnerships, inclusion of sole proprietorships in potentially qualifying for preferential tax rate, limitations placed on North American Industry Classification System (NAICS) industries 54 (Professional, scientific and technical services) and 62 (Health care and social assistance), were done based upon an analysis of Oregon returns and analysis of applicable NAICS codes.

Estimate of impact to general fund resulting from allowing credit for certified Opportunity Grant contributions auctioned by Department of Revenue in cooperation with Higher Education Coordinating Commission, was based upon recent performance of similar tax credit auctions. Estimated impact on revenue assumes full \$14 million worth of credits auctioned, however, it is worth noting that changes to federal tax liability resulting from the recent federal Tax Cuts and Jobs Act along with increased competition among auctioned Oregon credits, could result in less than the full \$14 million credit allowance being sold.

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

The policy purpose of the credit for certified Opportunity Grant contributions is to establish an additional funding source to be used to support the Oregon Opportunity Grant program thereby expanding support to Oregon higher education students in need of financial assistance.

The policy purpose of the personal exemption credit is to provide a minimum level of tax exempt income for nearly all Oregon personal income taxpayers.