

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
79th Oregon Legislative Assembly  
2018 1st Special Session  
Legislative Revenue Office

Bill Number: HB 4301  
Revenue Area: Income Taxes  
Economist: Chris Allanach  
Date: 5-21-2018

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

**Measure Description:**

Expands availability of elective reduced personal income tax rate for certain pass-through income to taxpayers doing business as sole proprietors.

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

	Biennium		
	2017-19	2019-21	2021-23
General Fund	-\$14.8	-\$24.7	-\$27.2

**Impact Explanation:**

Estimates were based on an analysis of sole proprietor data for tax years 2015 and 2016 and then projected forward to tax years 2018 and later. The analysis incorporated information on factors such as business income, total income, and labor costs. For tax year 2018, roughly 12,000 sole proprietors are projected to be eligible to participate in the program. Model simulations indicate roughly 50 percent are likely to opt-in. Consequently, roughly 6,000 taxpayers with income from a sole proprietor are projected to take advantage of the preferential rates. Their average tax reduction is estimated to be roughly \$1,900 in 2018. The estimated revenue impact is assumed to grow at an average annual rate of five percent, based on recent history and the most recent economic forecast.

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

The purpose of this policy change is to expand the allowed use of the preferential tax rates to include sole proprietors.