

Overview of Oregon's Revenue System

HEALTH CARE TASK FORCE

DECEMBER 10, 2020



Presentation Outline

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- ▶ Provide some contextual background on Oregon's public finance system
- ▶ Start to lay a foundation for policy discussions and decisions
- ▶ Initial Context
- ▶ Revenue System
- ▶ State Comparisons
- ▶ Tax System
- ▶ Tax Expenditures and New Taxes
- ▶ Kicker and Reserve Accounts

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- [illegible]

- ▶ Personal Income: \$224 Billion
- ▶ Gross State Product: \$254 Billion
- ▶ Employment: 1,943,337
 - ▶ Private Nonfarm: 1,644,642
 - ▶ Government: 298,696
 - ▶ Federal: 28,477
 - ▶ State: 40,823
 - ▶ Local: 229,396
- ▶ Oregon is about 1% of the U.S.

Oregon Economy Basics

2019

Source: BEA, OEA

State Revenue

GENERAL PURPOSE REVENUE

DEDICATED REVENUE

(NOT LOCAL GOVERNMENTS)

State of Oregon

LEGISLATIVE REVENUE OFFICE

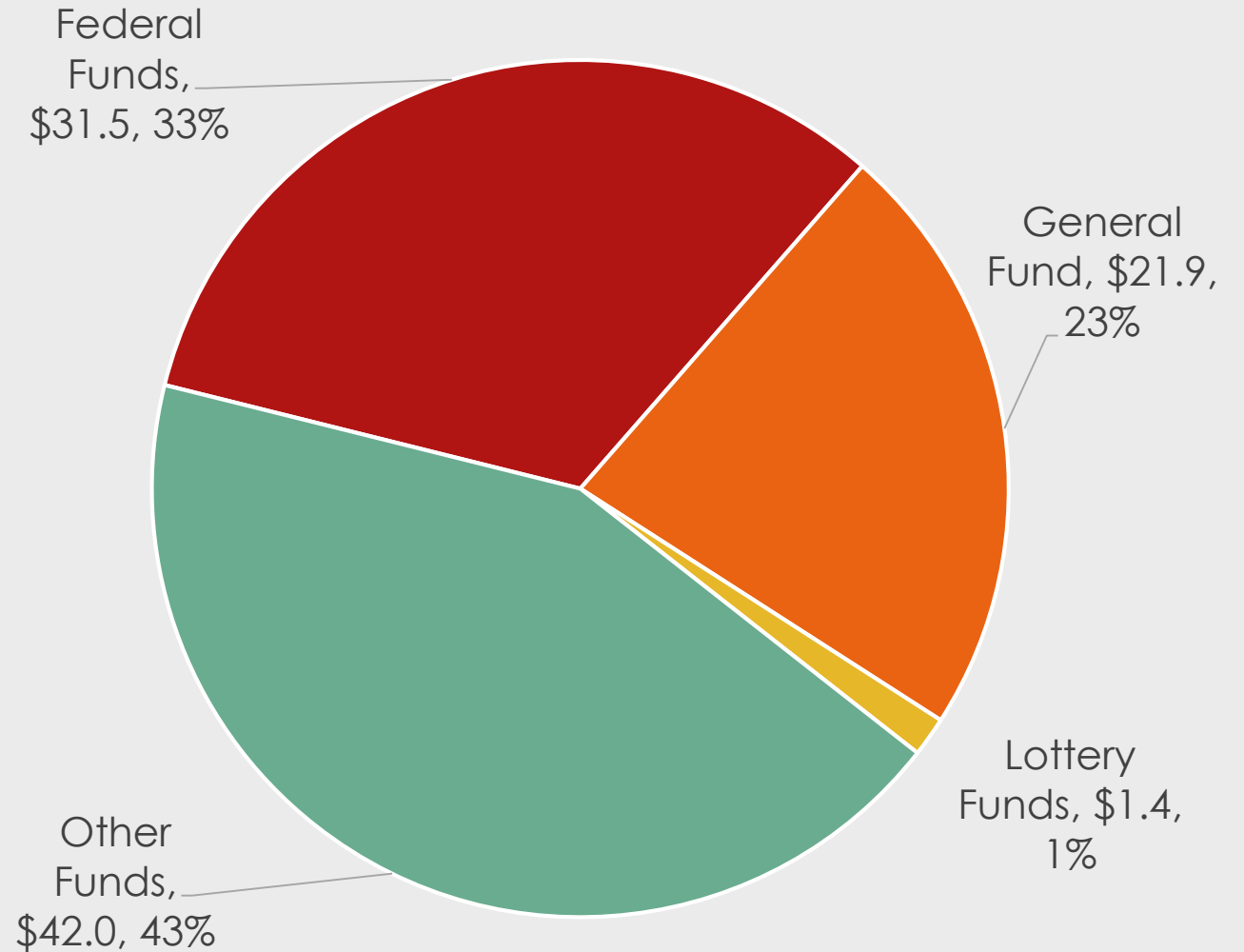


2019-21 “All Funds”

- \$96.9 Billion

- By Revenue Source

Source:
LFO, 2019-21 Budget Highlights
September 2020

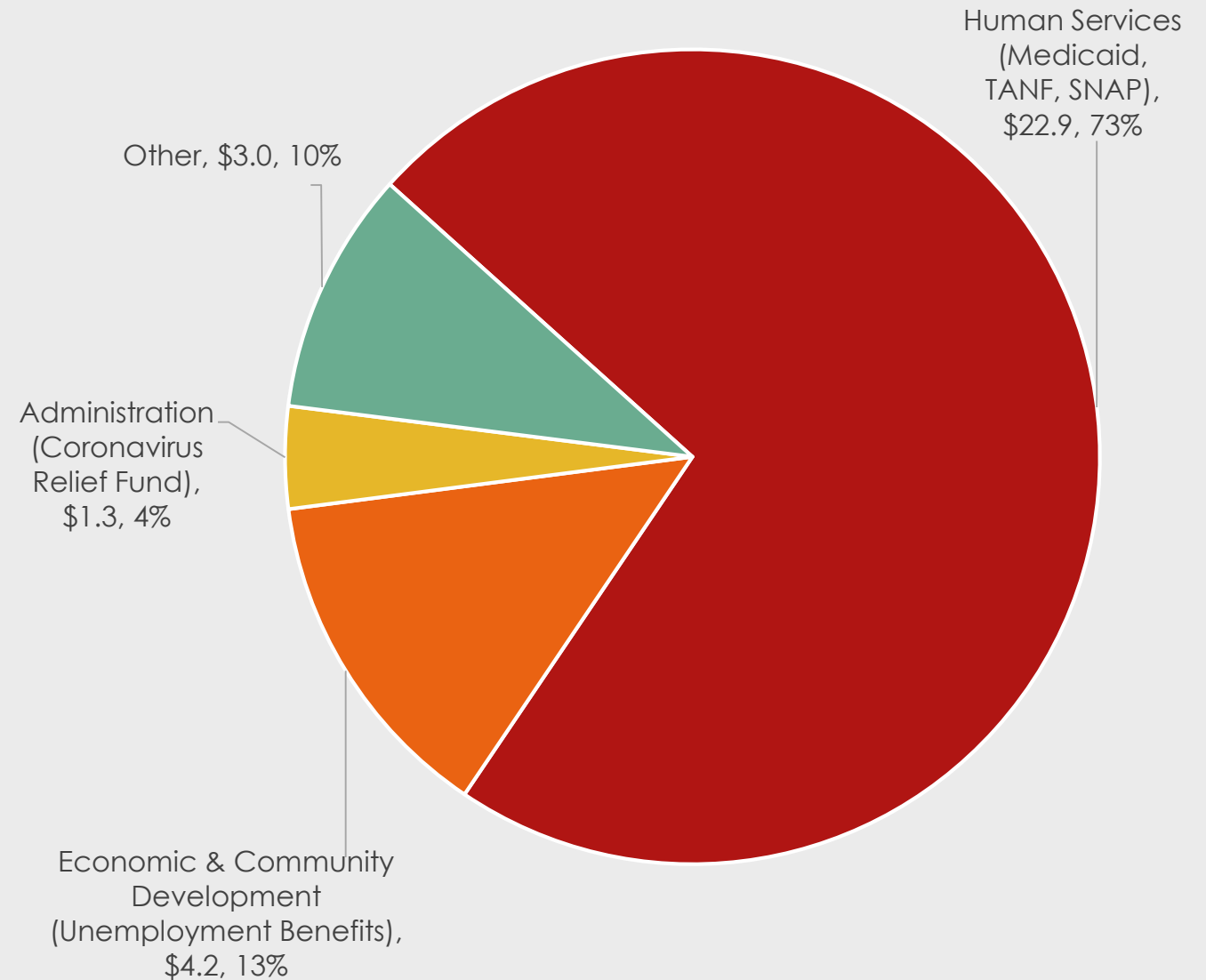


2019-21 Federal Funds

- \$31.4 Billion

- By Spending Category

Source:
LFO, 2019-21 Budget Highlights



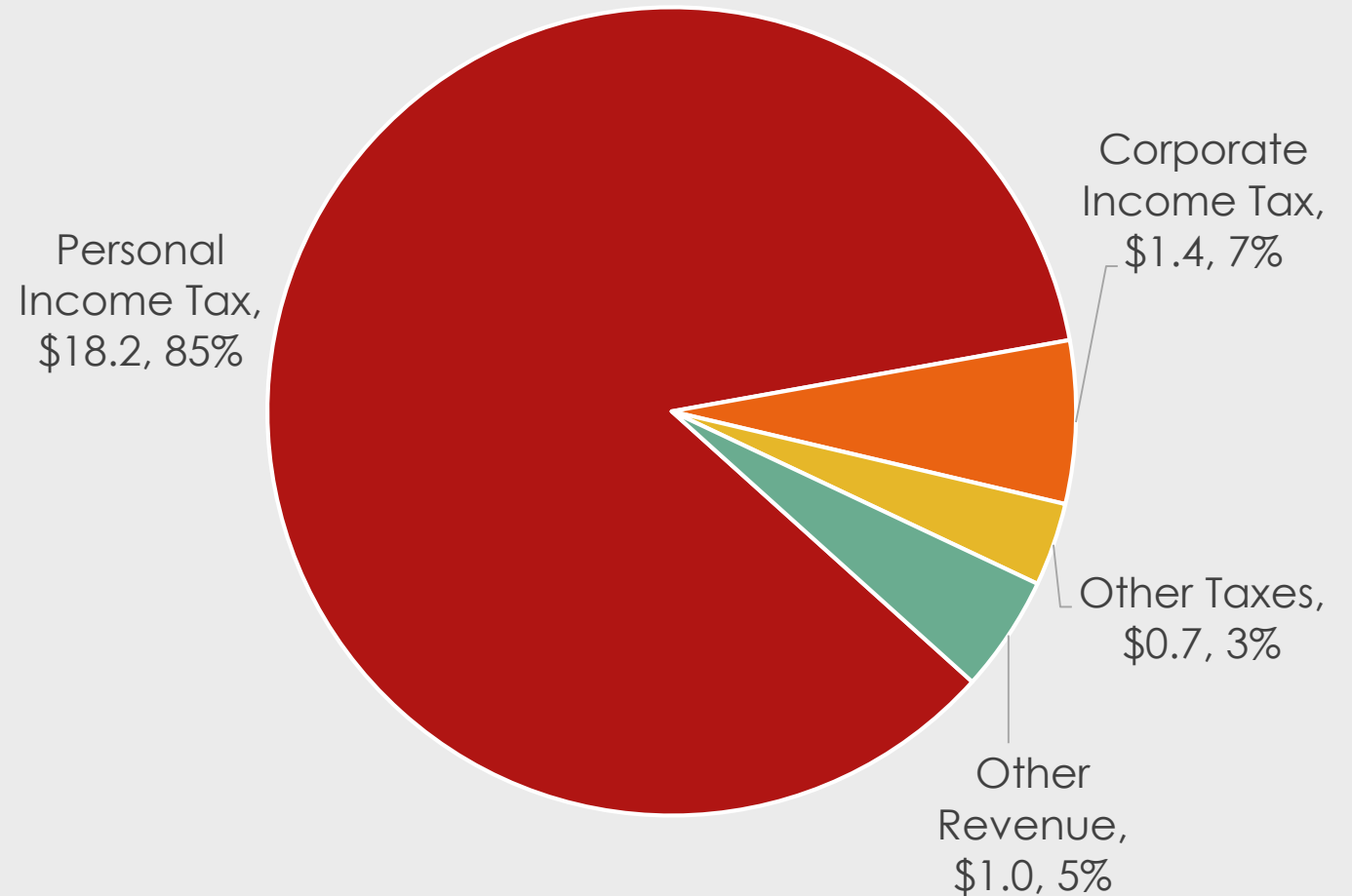
2019-21 General Fund

- \$21.3 Billion

- By Revenue Source

Source:

OEA, December 2020 Forecast

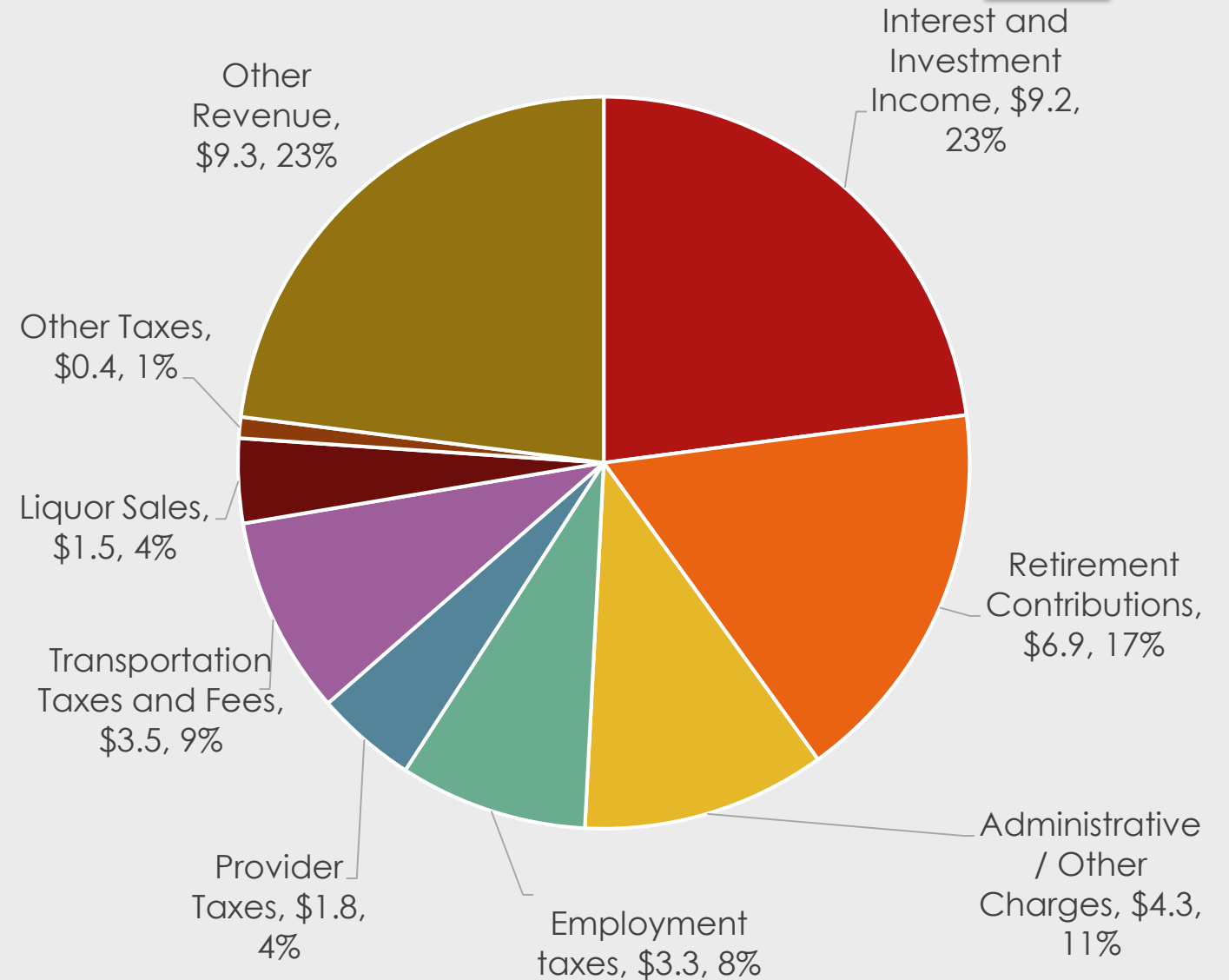


2019-21 Other Funds

- \$40.3 Billion

- By Revenue Source

Source:
OEA, November 2020



Oregon in Comparison

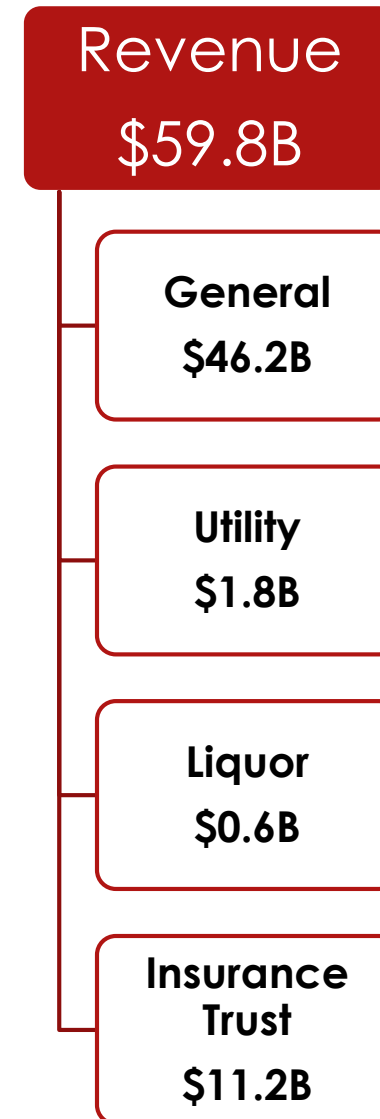
2018 CENSUS DATA
STATE AND LOCAL GOVERNMENTS

State of Oregon
LEGISLATIVE REVENUE OFFICE



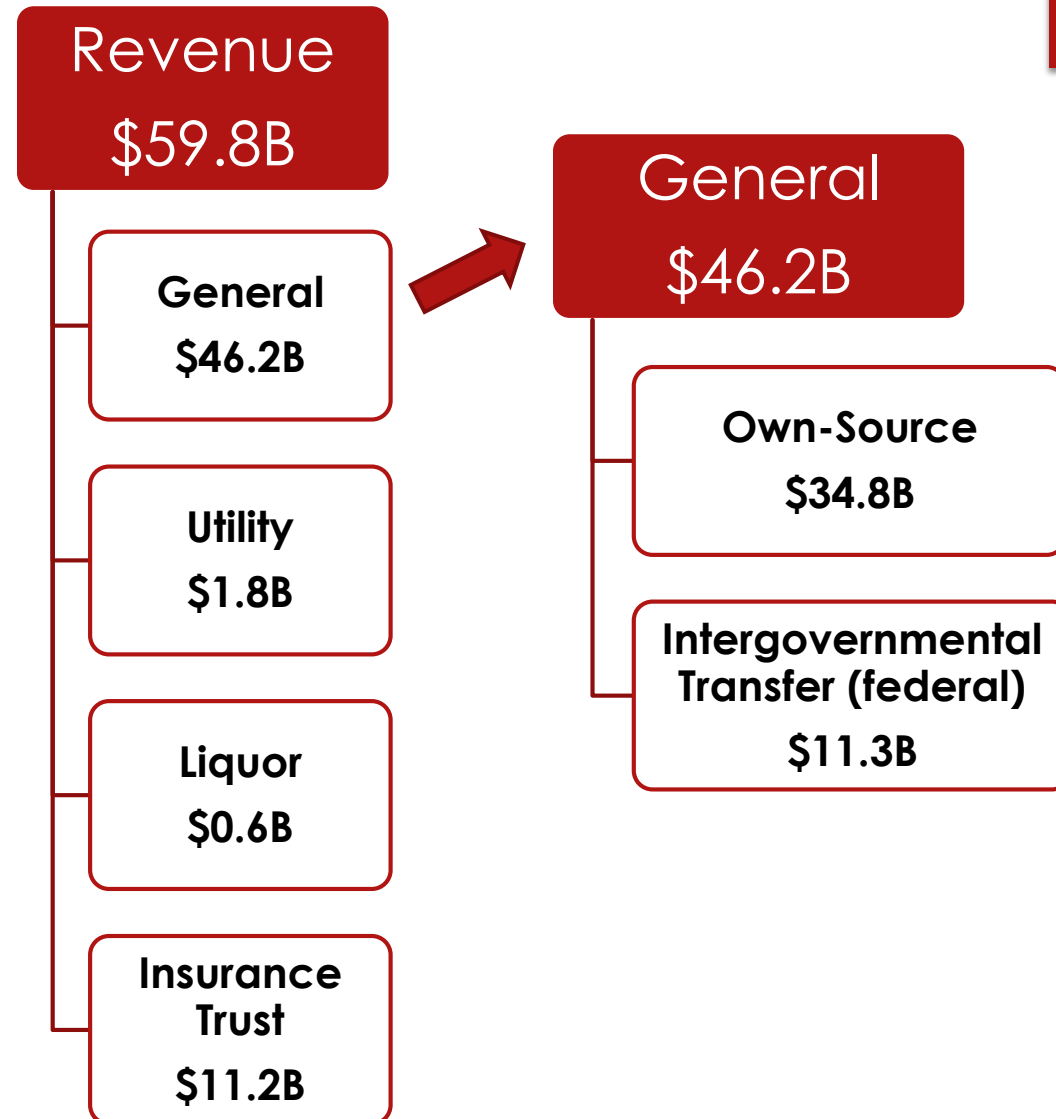
Data Overview

2018 Census of State and
Local Government
Finances



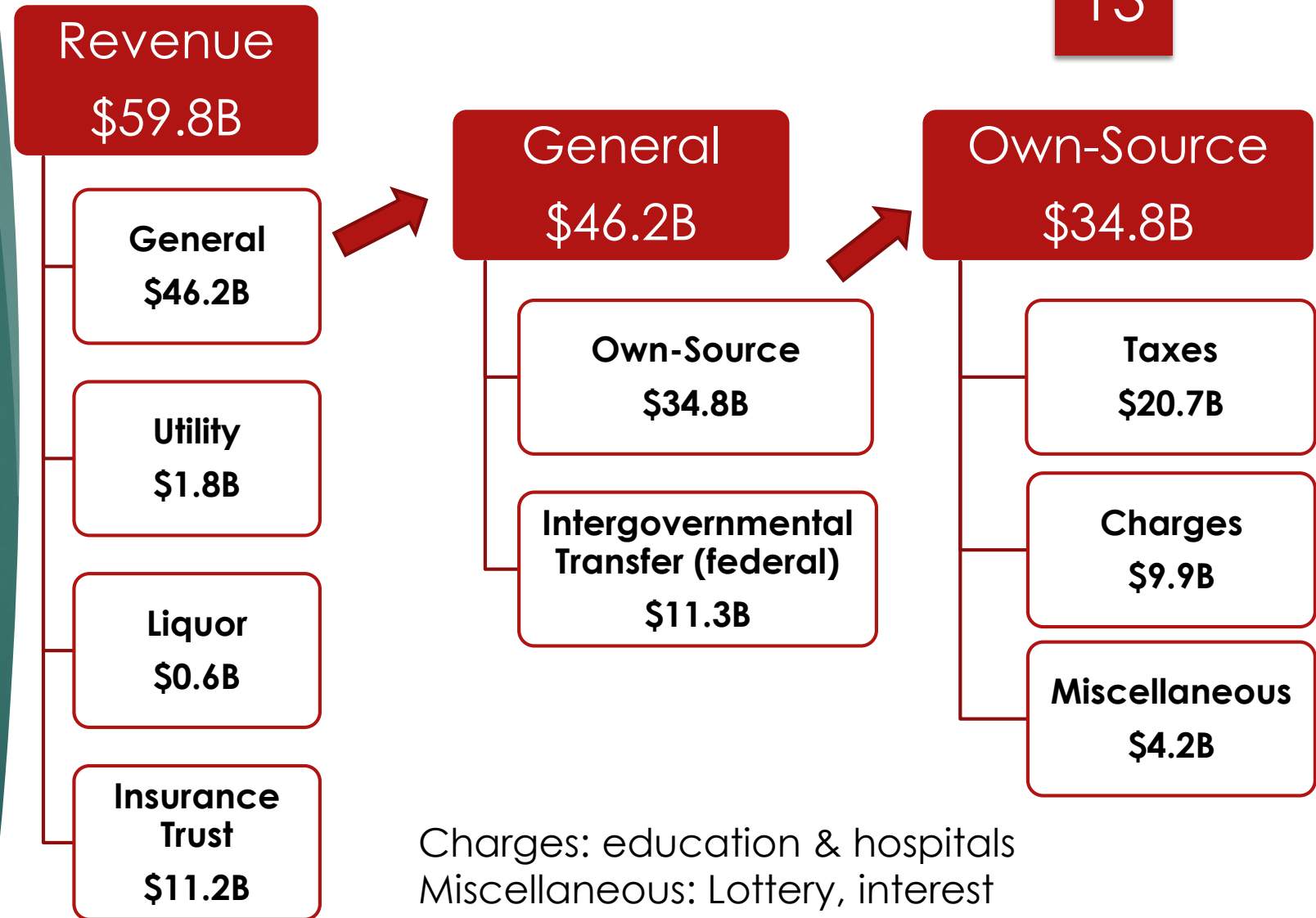
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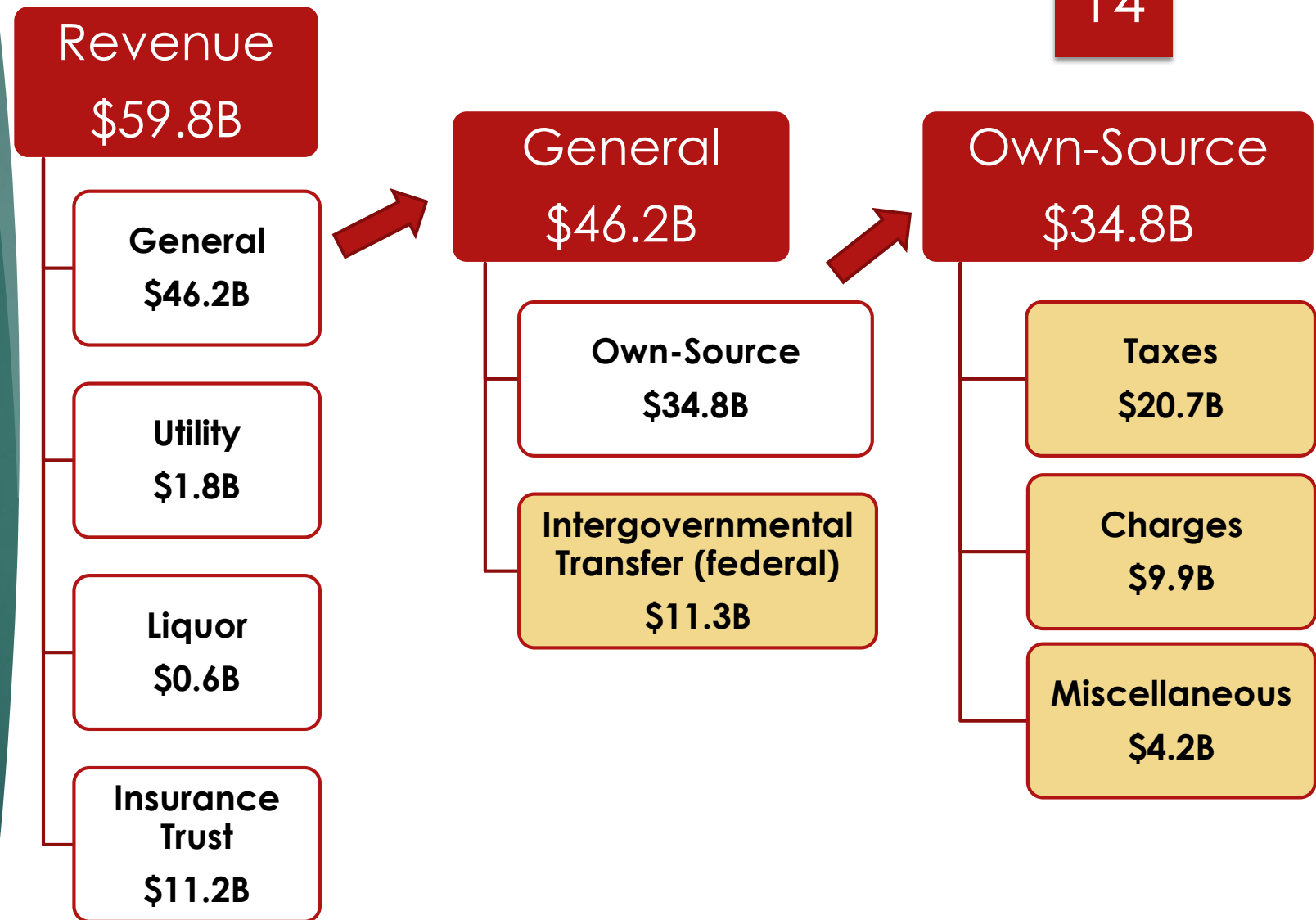
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Data Overview

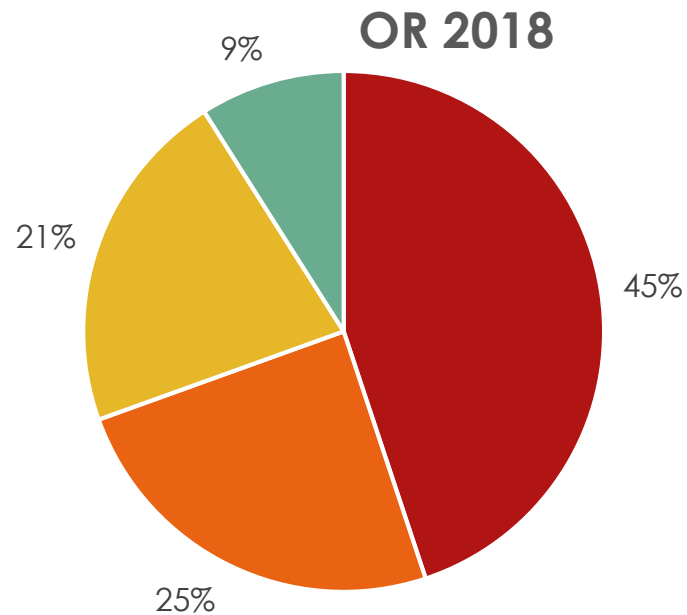
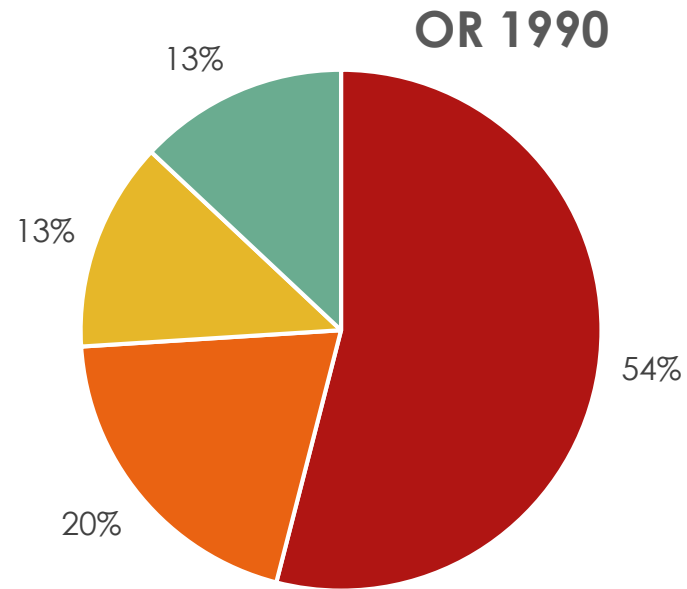
2018 Census of State and Local Government Finances



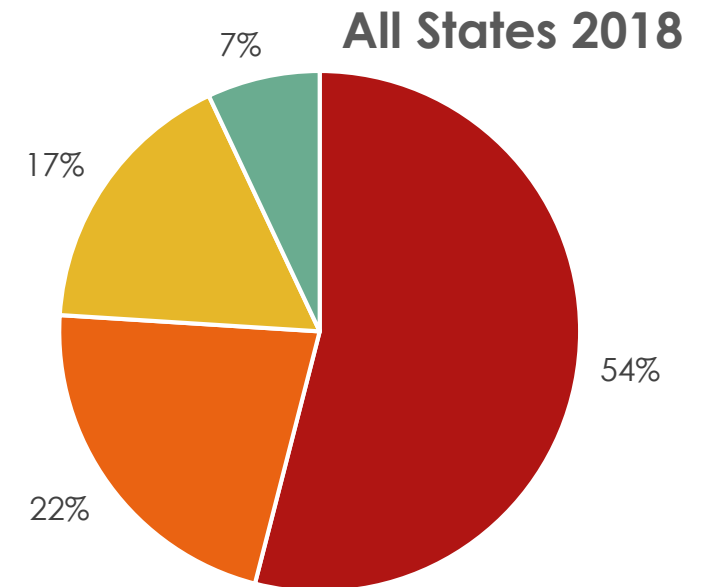
State and Local Revenue Sources

Oregon and the
“average” state

2018 Census Data

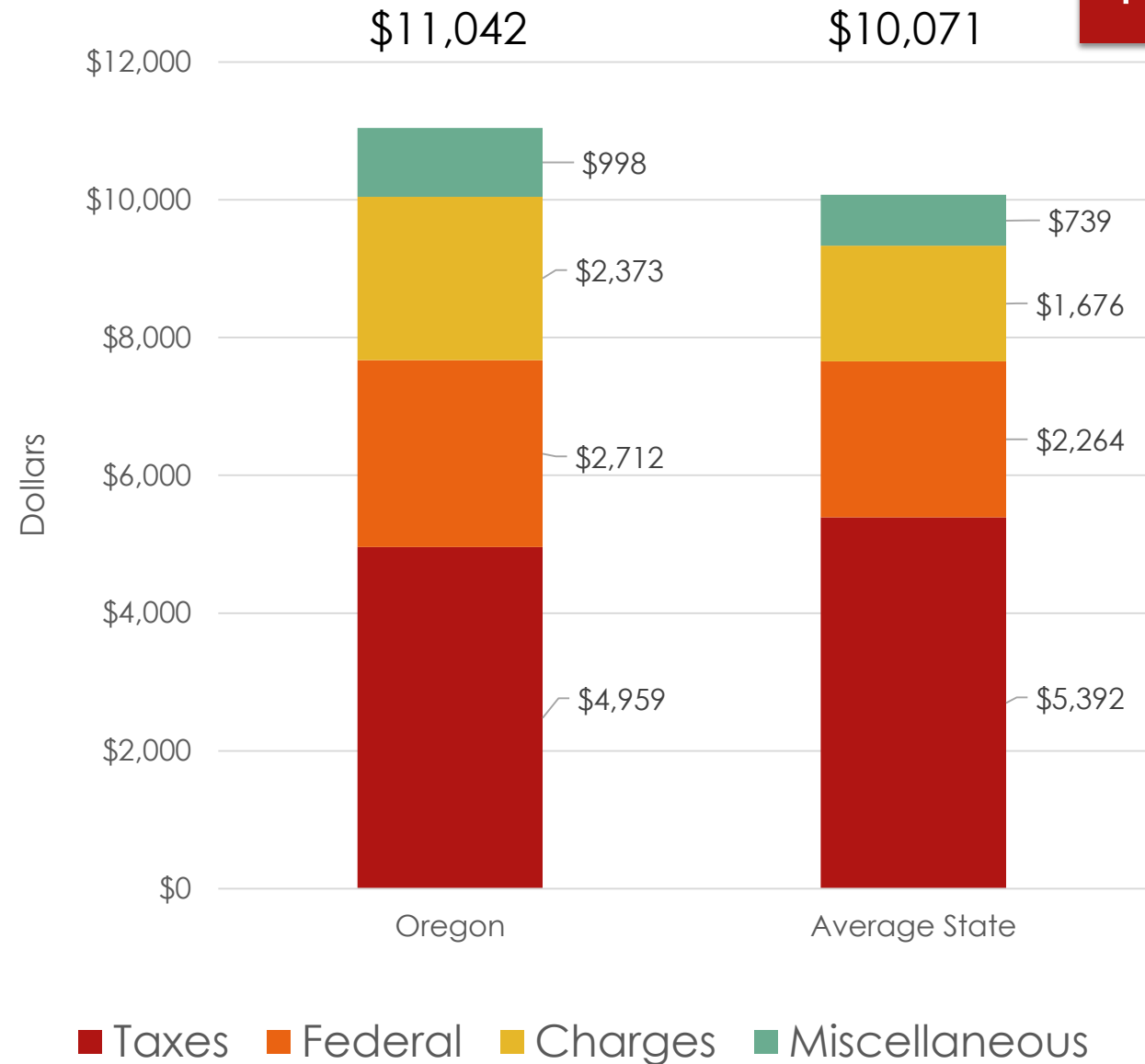


- Taxes
- Federal
- Charges
- Miscellaneous



State and Local General Revenue Sources: Per Capita

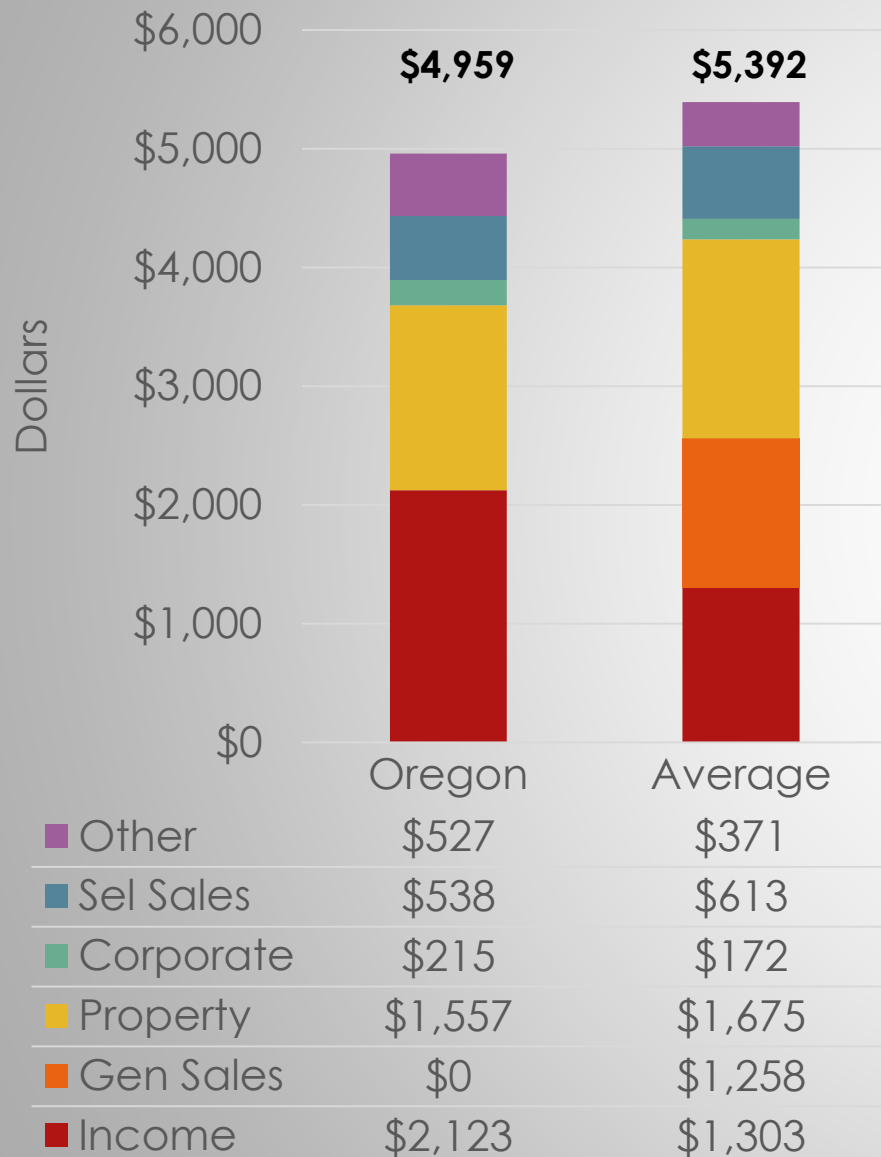
2018 Census Data



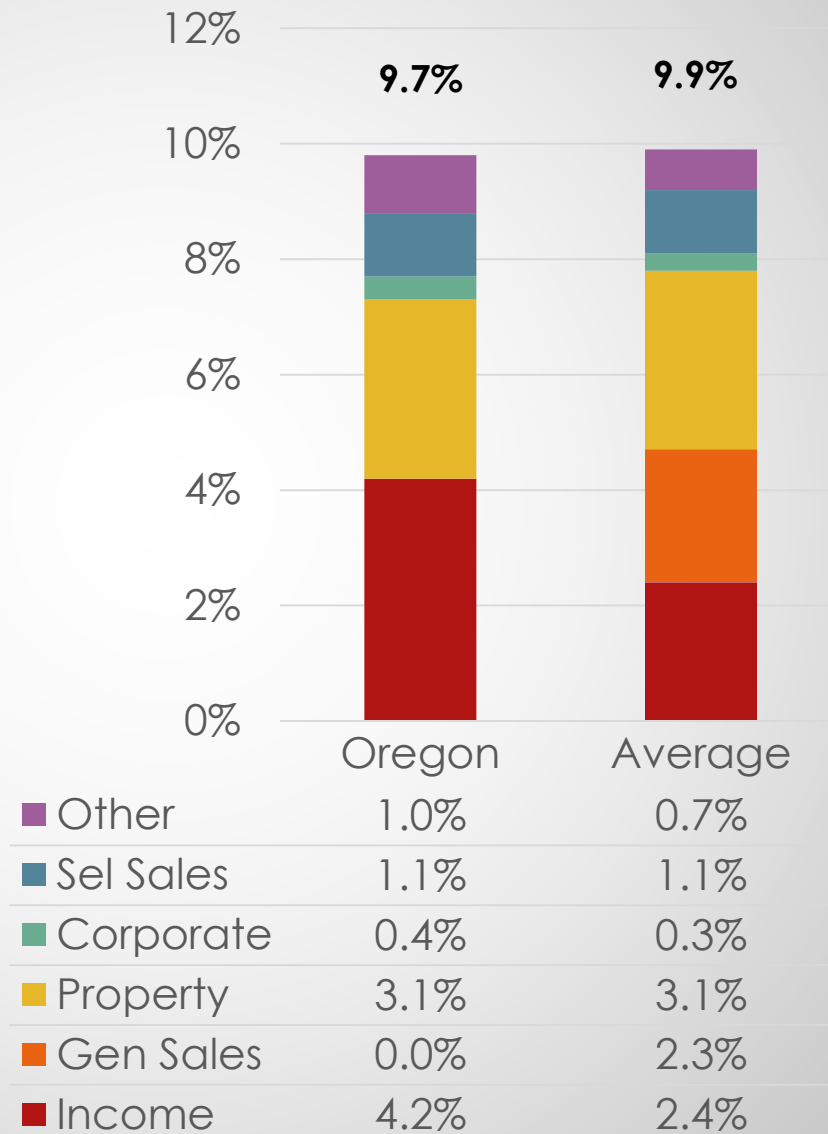
State and Local Tax Comparisons

2018 Census Data

Per Capita



% of Income

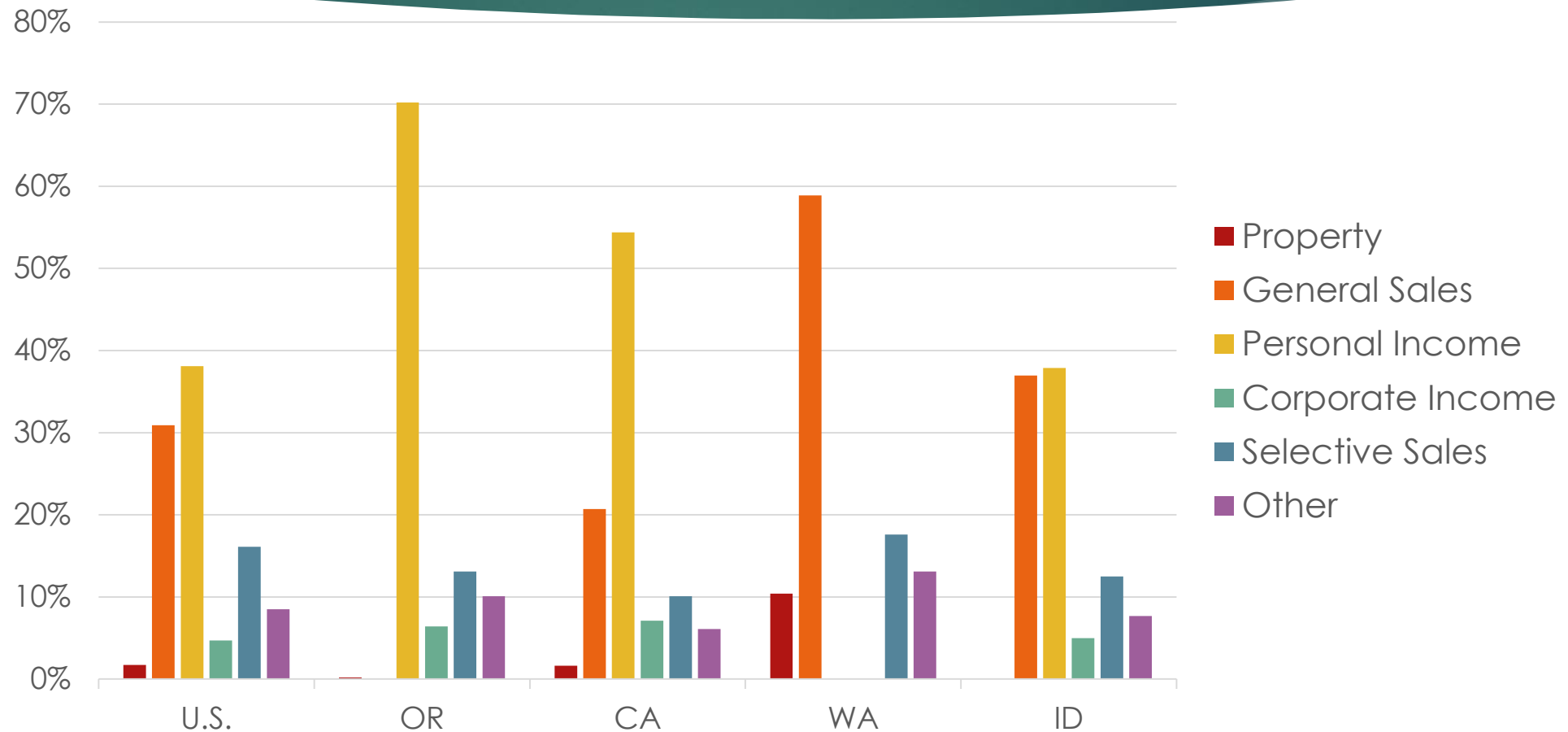


State Taxes By Source

(not local)

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2018 Census Data



Tax System Details



2019-21 Taxes

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Source:
OEA, December 2020 Forecast and Other Funds Report

Tax	Type	\$ Millions
Personal Income Taxes	General Fund	\$18,182
Employment Taxes	Other Funds	\$3,343
Transportation Taxes	Other Funds	\$2,782
Provider Taxes	Other Funds	\$1,798
Corporate Income Taxes	General Fund	\$1,384
CAT	Other Funds	\$1,224
Estate Taxes	General Fund	\$468
Cigarette and Tobacco Taxes	General & Other Funds	\$434
Marijuana	Other Funds	\$307
Insurance Taxes	General & Other Funds	\$180
Total		\$30,103

Personal Income Tax Rates

Joint Filers, 2019

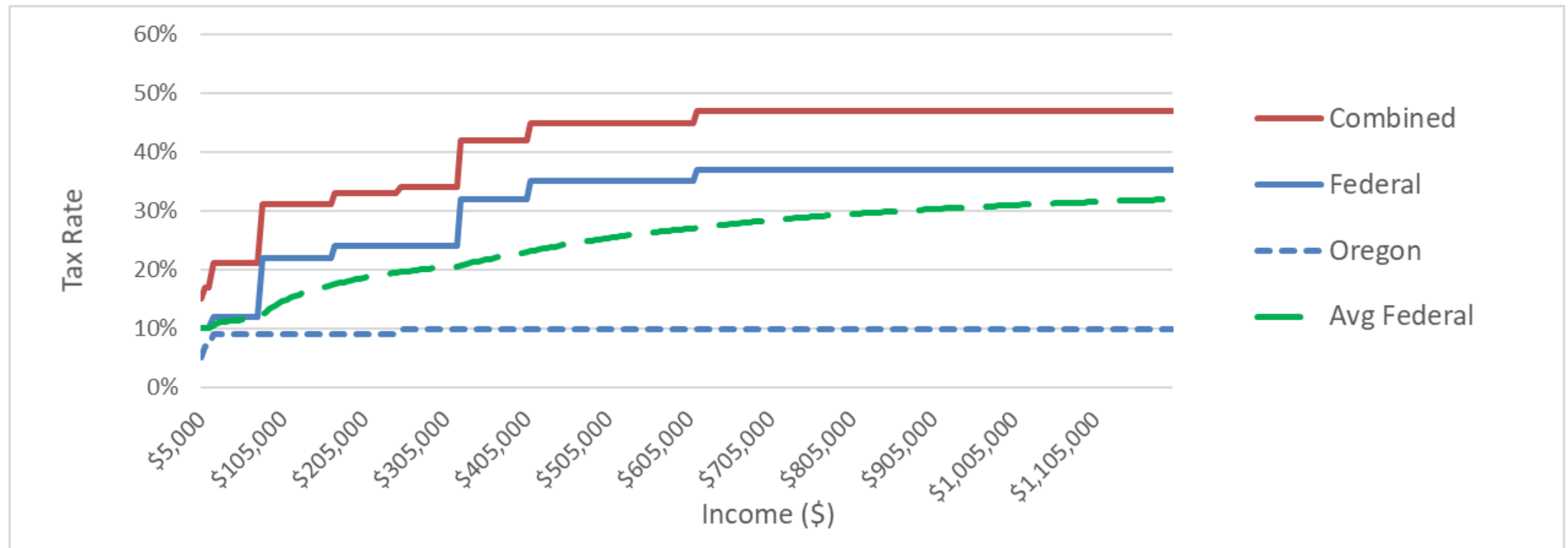
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Federal Base Rates	
Taxable Income	Tax Rate
Not over \$19,400	10.0%
\$19,400 to \$78,950	12.0%
\$78,950 to \$168,400	22.0%
\$168,400 to \$321,450	24.0%
\$321,450 to \$612,350	32.0%
Over \$612,350	35.0%

Oregon			
Base Rates		Pass-Through Entities	
Taxable Income	Tax Rate	Taxable Income	Tax Rate
Not over \$7,100	5.0%	Not over \$250,000	7.0%
\$7,100 to \$17,800	7.0%	\$250,000 to \$500,000	7.2%
\$17,800 to \$250,000	9.0%	\$500,000 to \$1,000,000	7.6%
Over \$250,000	9.9%	\$1,000,000 to \$2,500,000	8.0%
		\$2,500,000 to \$5,000,000	9.0%
		Over \$5,000,000	9.9%

Personal Income Tax Rates, 2019

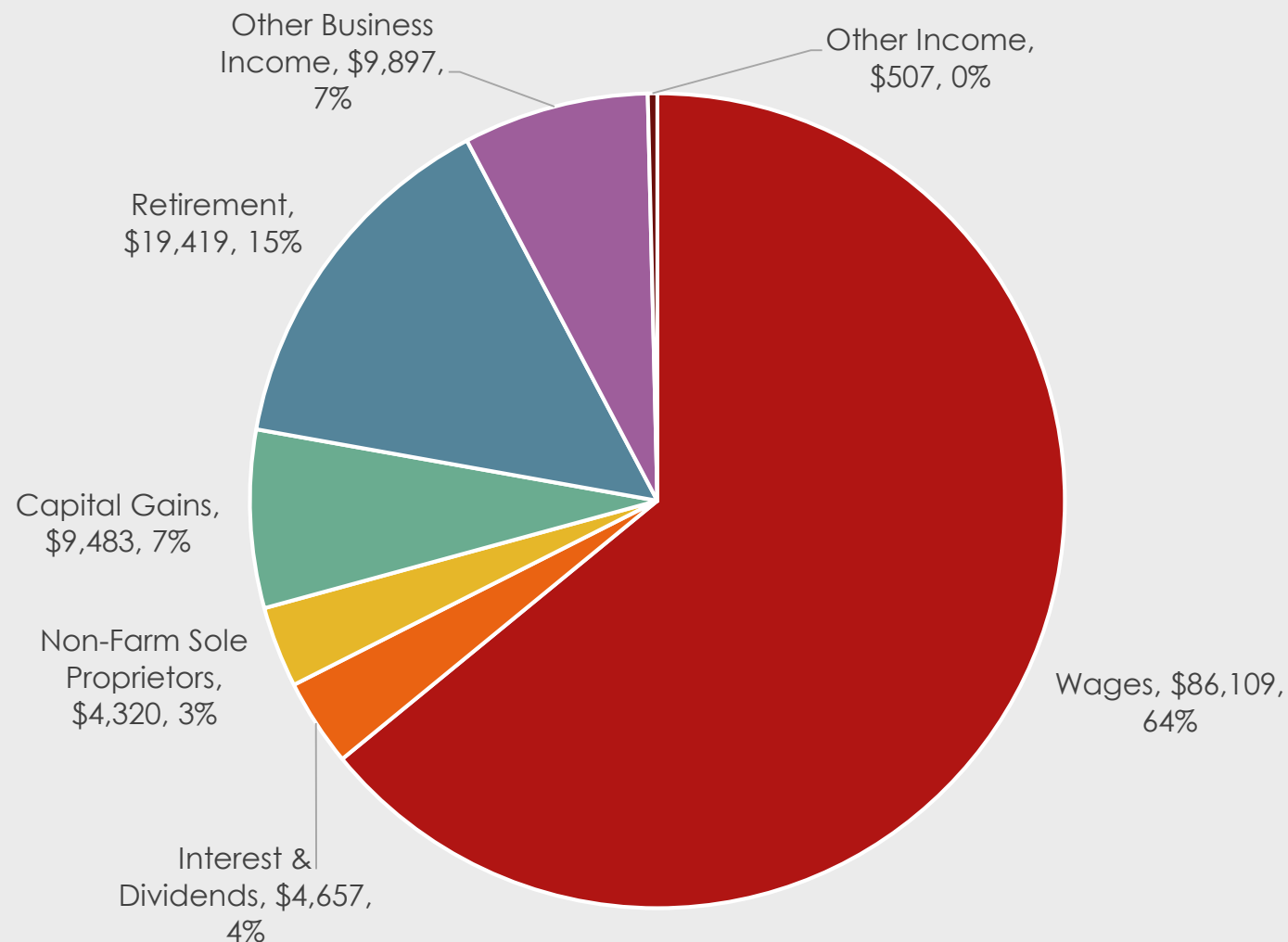
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Personal Income Tax Gross Income

Full-year filers, 2018
\$134,392M

Source: Department of
Revenue



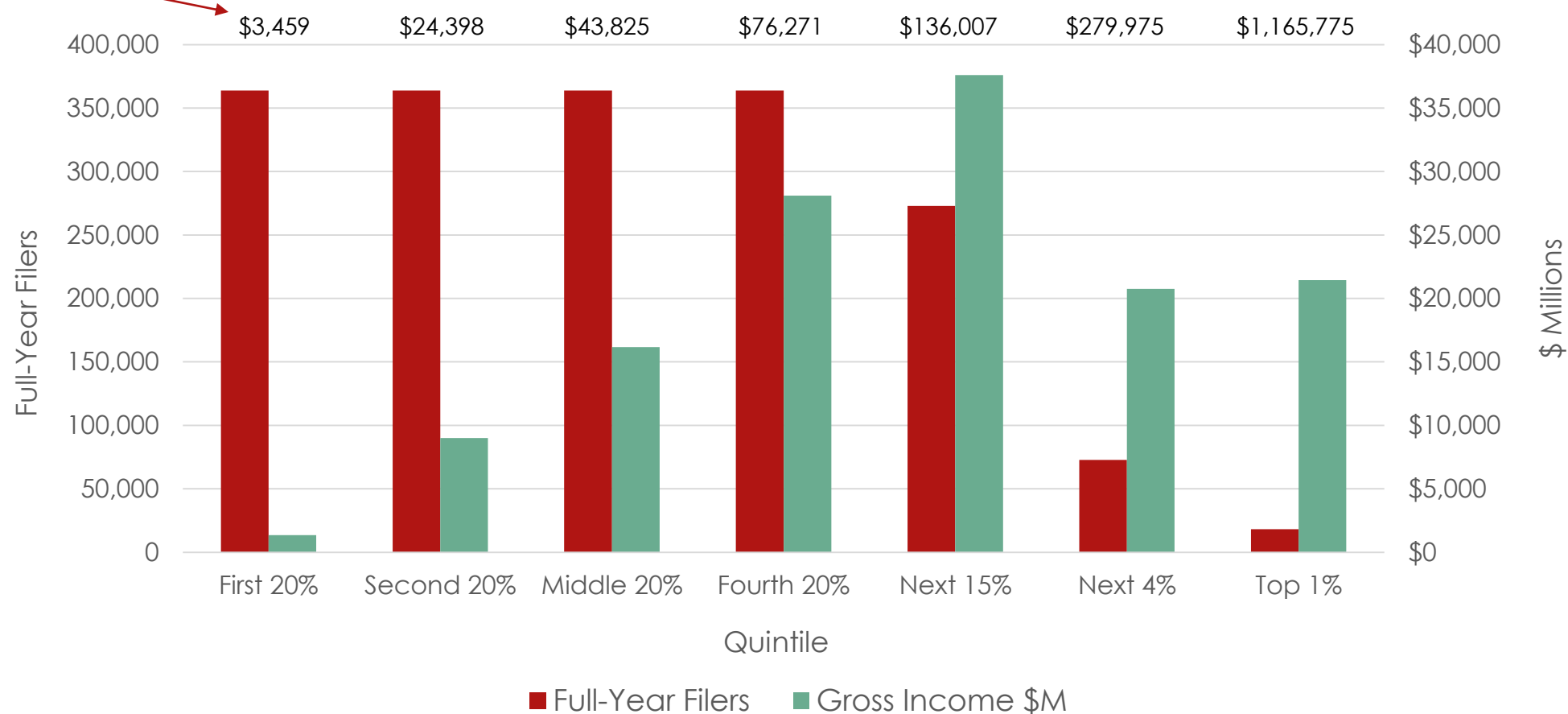
Personal Income Tax, 2018

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1,819,167 Full-Year Filers

\$134,392M of Gross Income

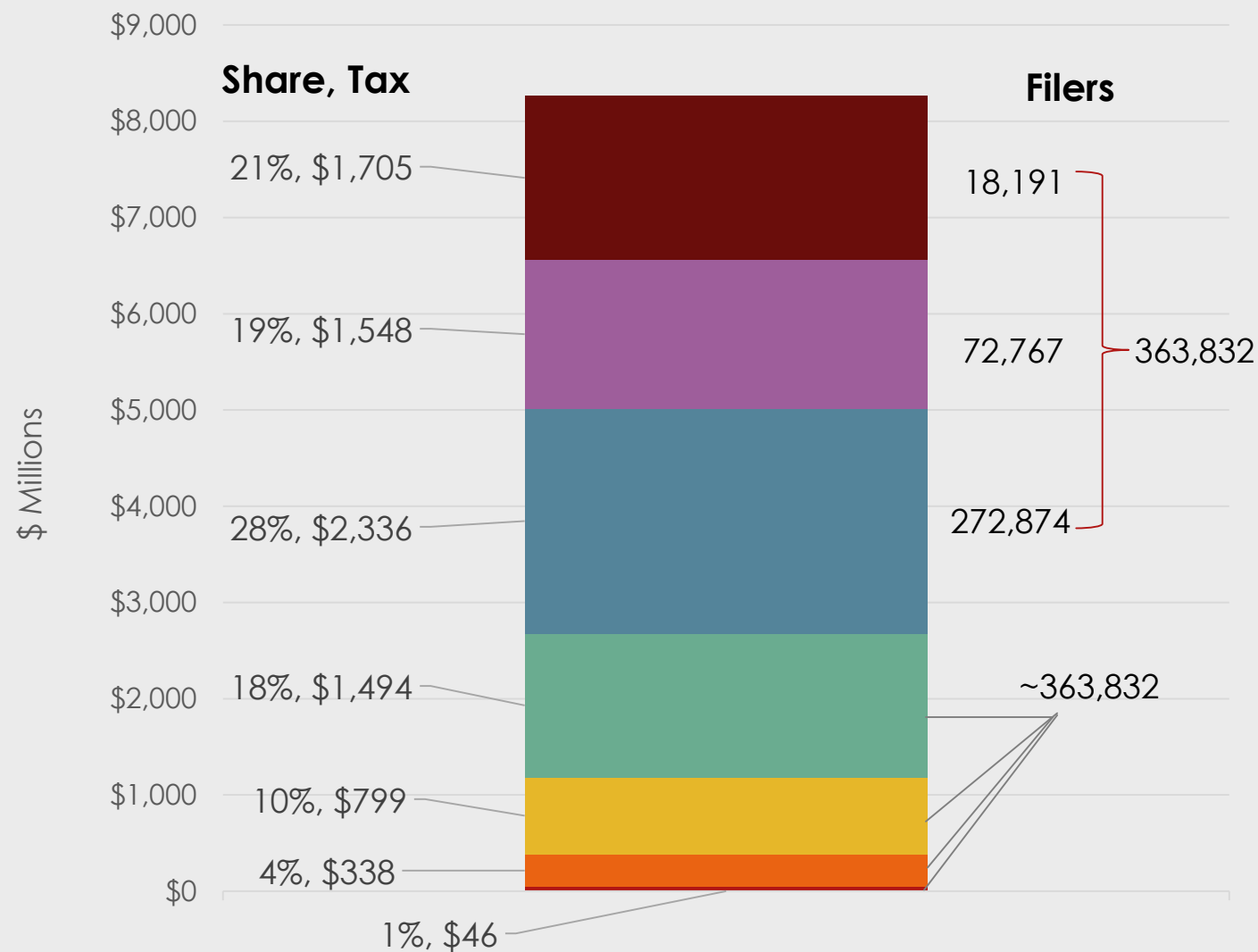
Average AGI



Personal Income Tax

Full-year filers, 2018
\$8,267M

Quintile Group	AGI Range
Top 1%	over \$458,700
Next 4%	\$202,600 - \$458,700
Next 15%	\$100,100 - \$202,600
Fourth 20%	\$57,100 - \$100,100
Middle 20%	\$32,900 - \$57,100
Second 20%	\$16,100 - \$32,900
First 20%	under \$16,100

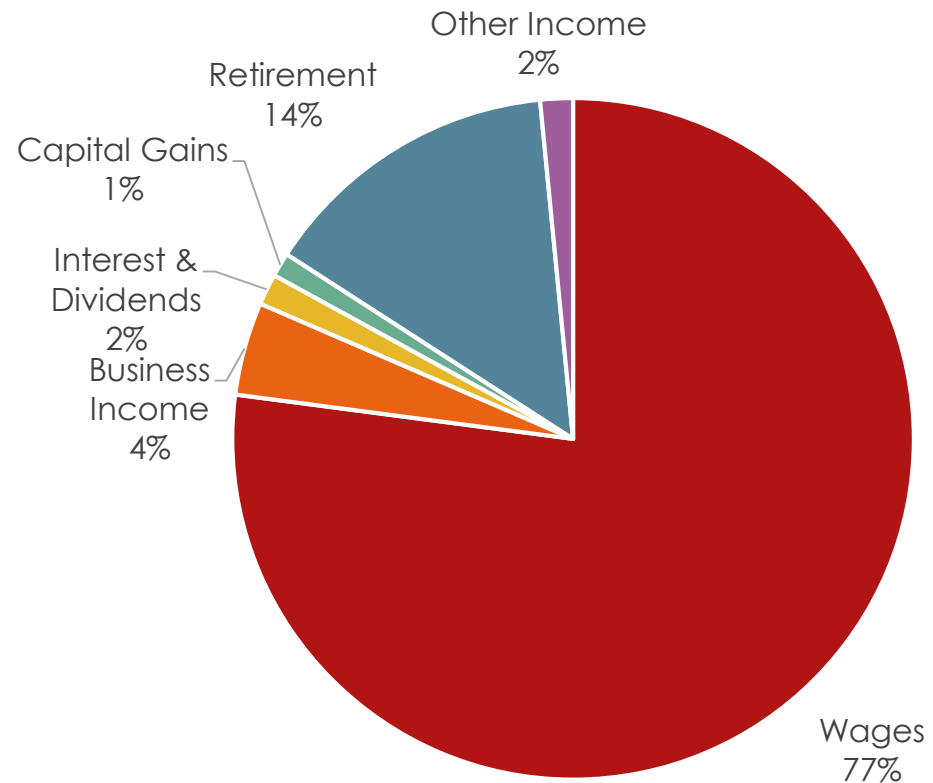


Personal Income Tax, 2018

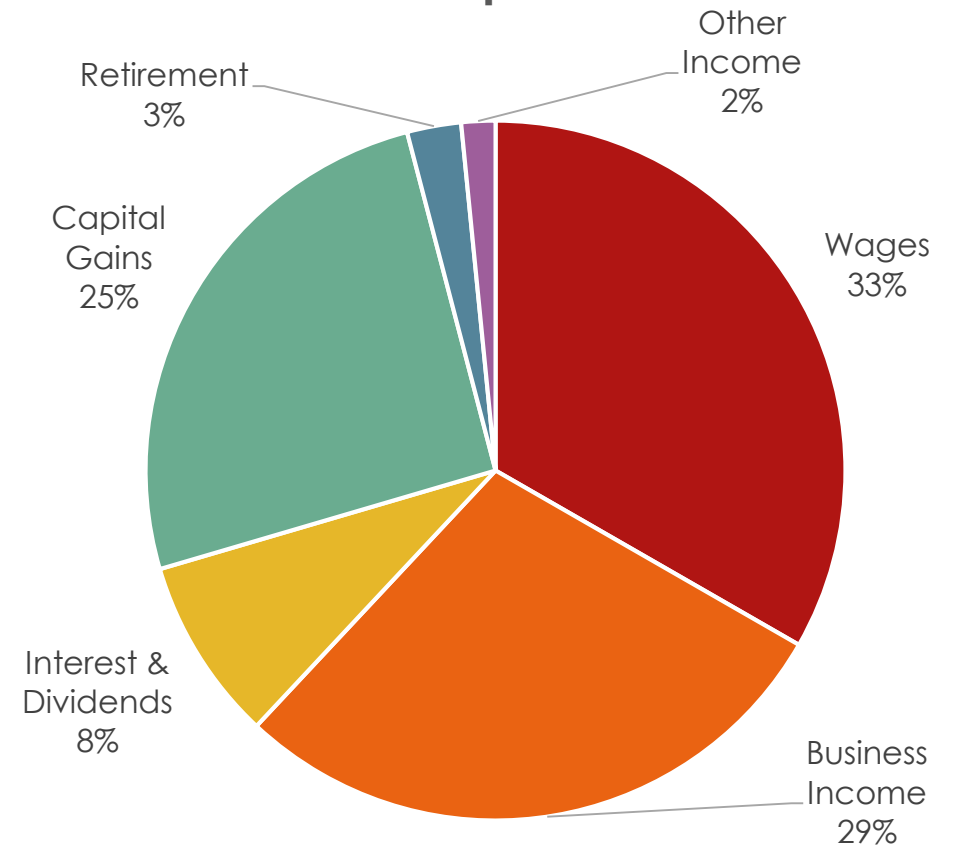
Income Components by Income Level

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Middle 20%



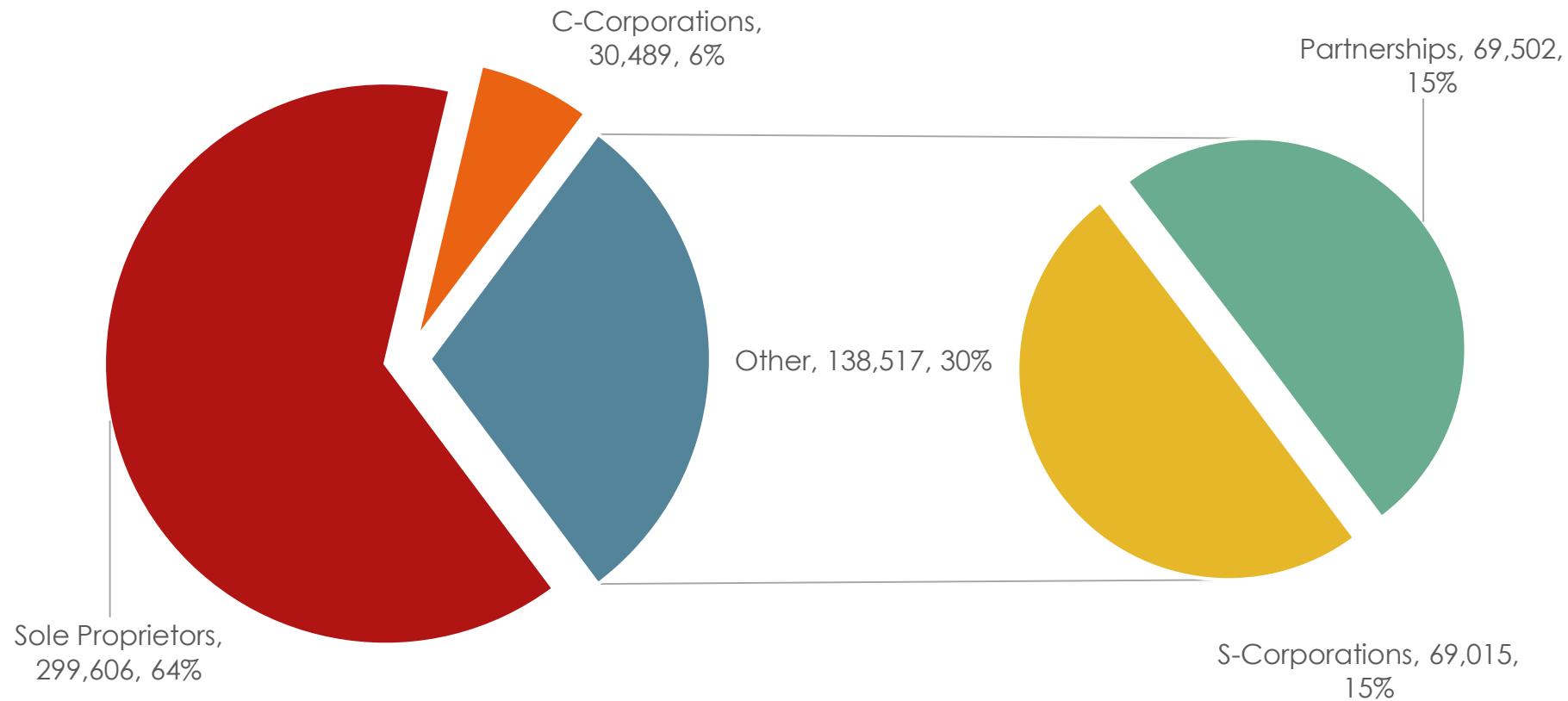
Top 1%



2017 Tax Returns with Business Income

468,612 Businesses

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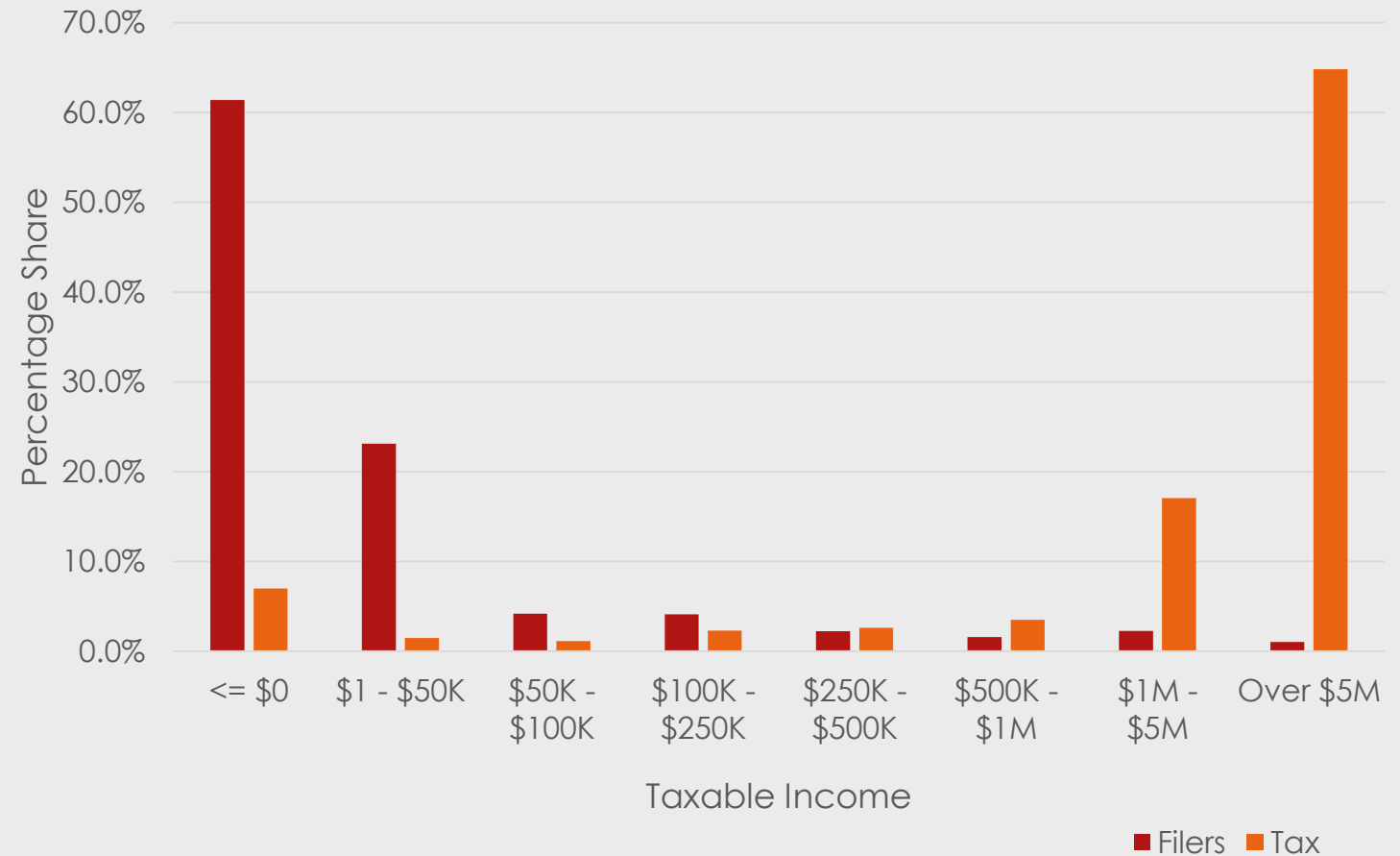
Corporate Excise & Income Taxes

Share of Total

Tax Year 2017
30,589 Filers
Tax of \$608M

Base Rates	
Taxable Income	Tax Rate
Not over \$1M	6.6%
Over \$1M	7.6%

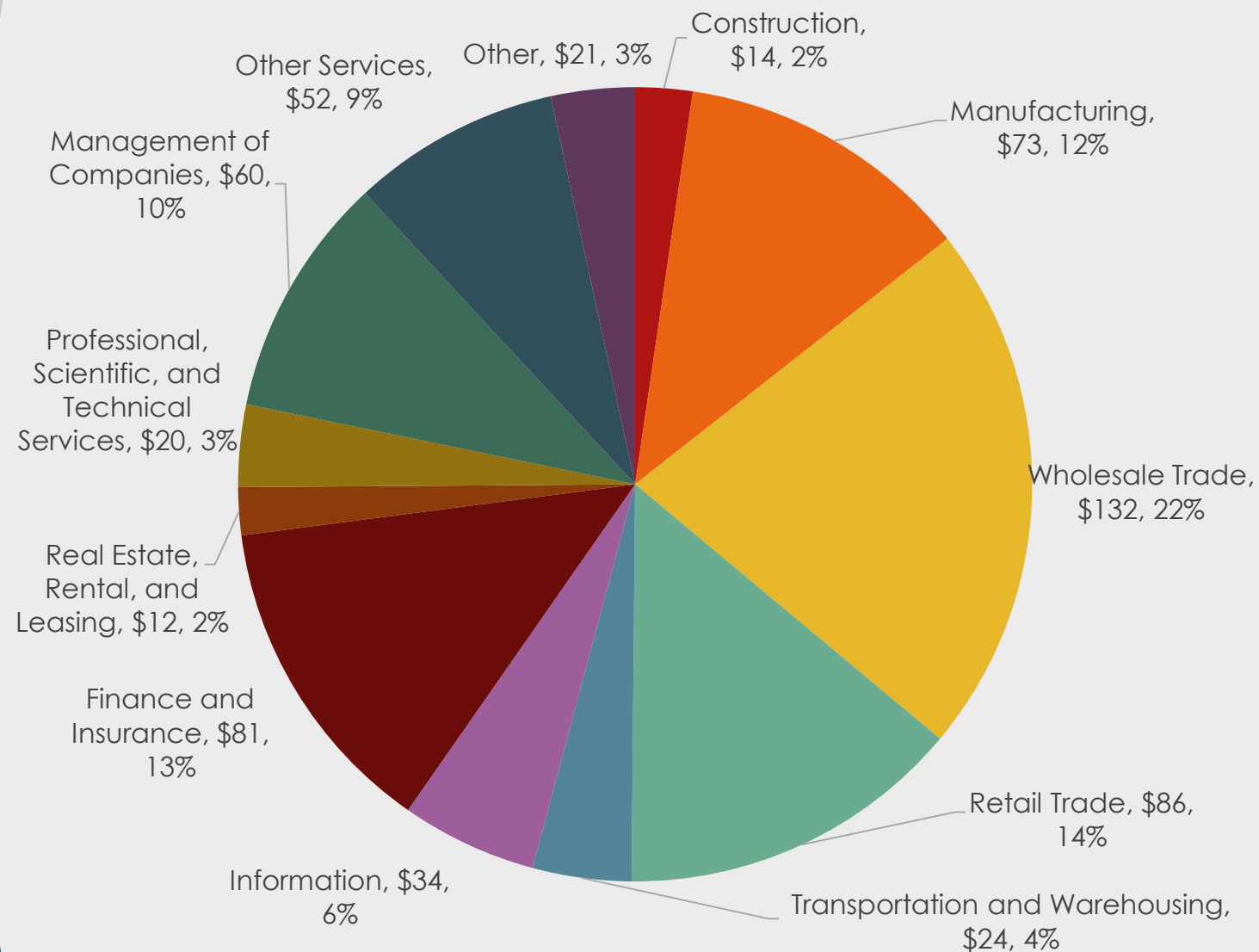
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Corporate Excise & Income Taxes

Share of Total Tax

Tax Year 2017
30,589 Filers
Tax of \$608M



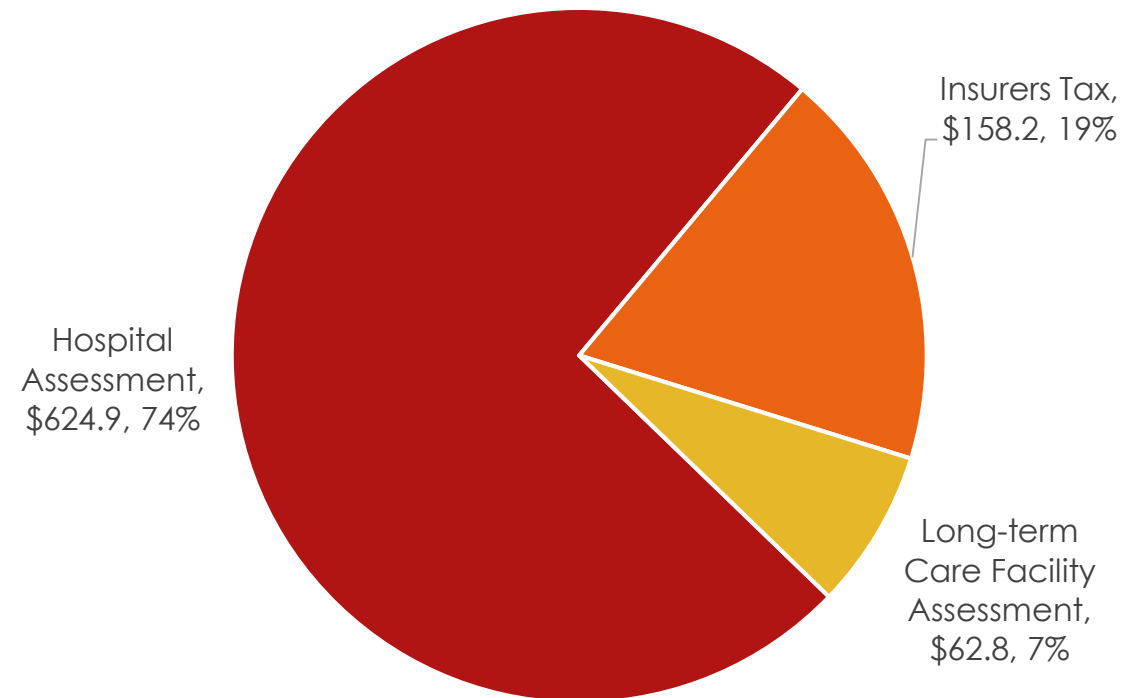
Medical Provider Taxes

\$846M

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- ▶ Hospital Assessment
 - ▶ 4% / 6% of net patient revenue
- ▶ 2% Insurance Premiums Tax
 - ▶ gross premiums derived from health benefit plans delivered or issued for delivery in Oregon.
- ▶ Long-Term Care Facility Assessment
 - ▶ About \$25 per patient per day

FY 2019 \$M



Other Considerations



Health Related Tax Expenditures

Source: 2021-23 Tax
Expenditure Report

- ▶ Employer Paid Medical Benefits \$1,681M
- ▶ Self-Employment Health Insurance \$95M
- ▶ Health Savings Accounts \$54M
- ▶ Medical and Dental Expenses \$310M
- ▶ Medical Subtraction for Elderly \$64M
- ▶ Rural Medical Credit \$14M



New Taxes Starting in 2020 or later

- ▶ Corporate Activity Tax
 - ▶ \$250 + 0.57% of commercial activity
 - ▶ Effective 1.1.20
- ▶ Paid Family Medical Leave
 - ▶ 1% of payroll (40/60 split employer/employee)
 - ▶ Effective 1.1.22
- ▶ Local Taxes
 - ▶ Portland gross receipts
 - ▶ Metro income tax for housing support

Local Taxes FY 2018-19 \$Millions

- Total is \$9.3 Billion

Source:
LRO, Basic Facts, January 2020

PROPERTY TAXES	\$7,127
TRANSIT PAYROLL & EMPLOYMENT TAXES	\$414
FRANCHISE TAXES	\$317
HOTEL-MOTEL	\$200
PORTLAND BUSINESS LICENSE TAX	\$149
MULTNOMAH COUNTY BUSINESS TAX	\$85
MOTOR VEHICLE RENTAL TAX	\$31
MOTOR FUEL TAXES	\$37
WASHINGTON COUNTY TRANSFER TAX	\$7

Oregon Kicker and Reserve Accounts



Oregon's 2% Kicker



- ▶ Based on all General Fund revenue except corporate—mostly personal income tax collections
- ▶ Comparison of regular session forecast with actual revenue
- ▶ If actual >2% above—all revenue above forecast returned to taxpayers as credit

Kicker history

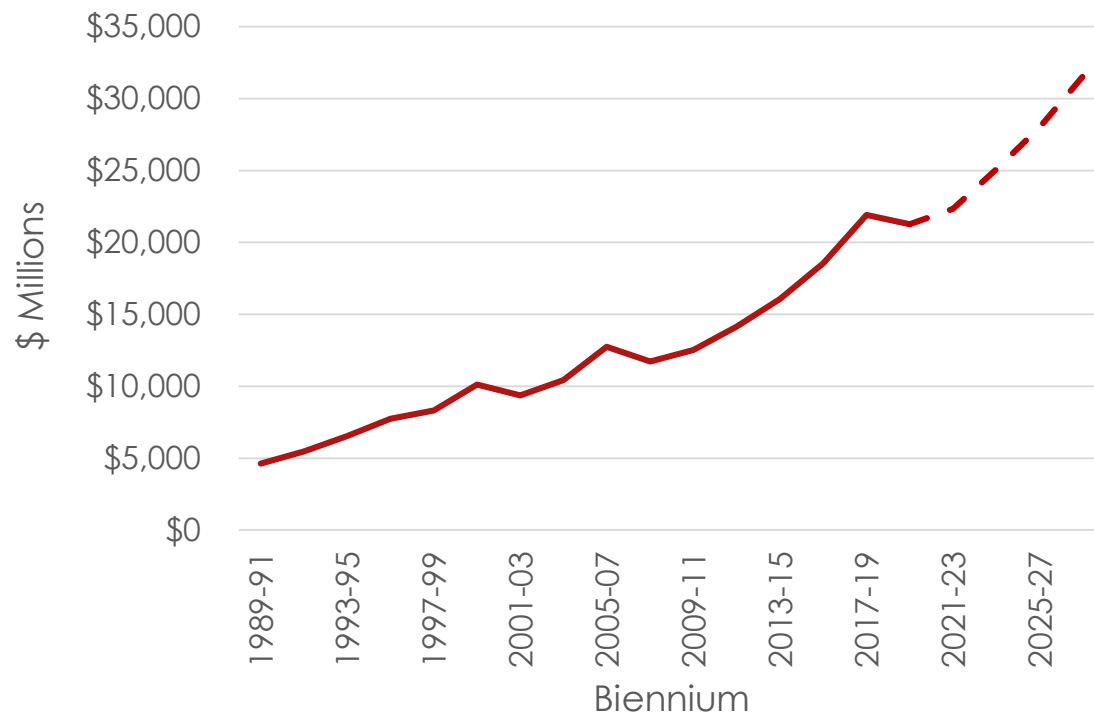
- ▶ Put in statute in 1979; constitution in 2001
- ▶ Personal kicker has been triggered 12 times (suspended once) in 20 biennia since 1979
- ▶ Personal kicker has triggered for a total of \$5.3 billion between 1979 and 2019—an average of 2.7% of General Fund revenue for that period
- ▶ Current kicker is \$1,688 million or 7.7% of 2017-19 General Fund revenue.

General Fund Revenue Volatility

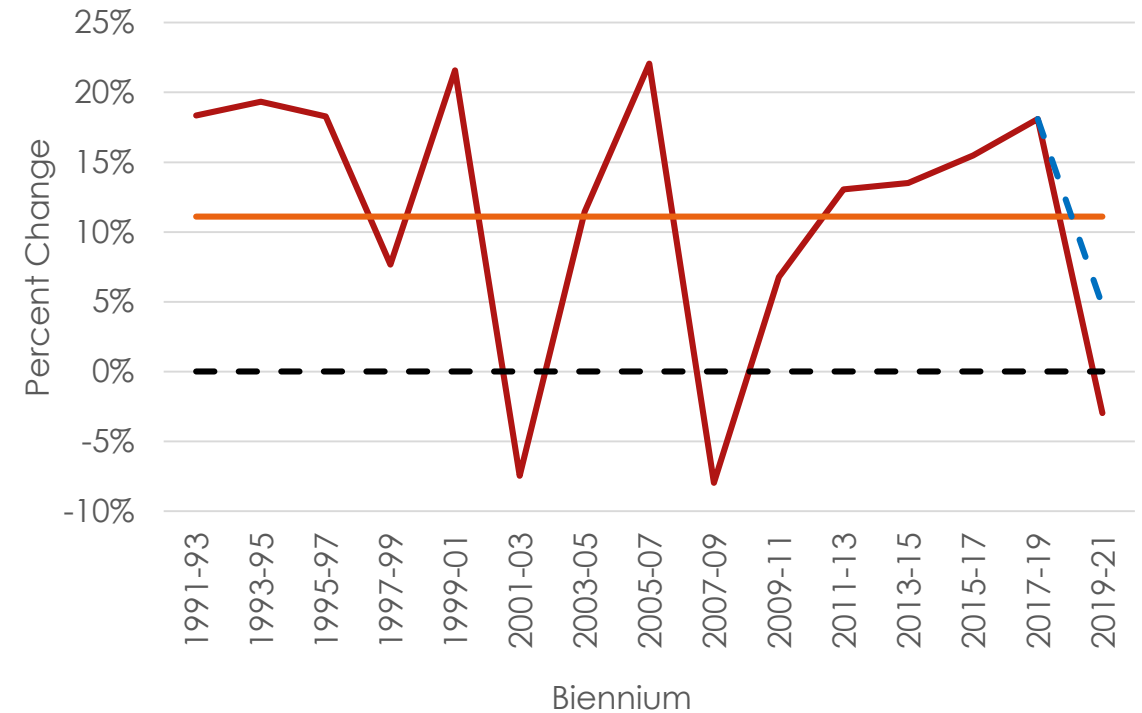
(Trend and Biennial Percentage Change)

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GF Trend



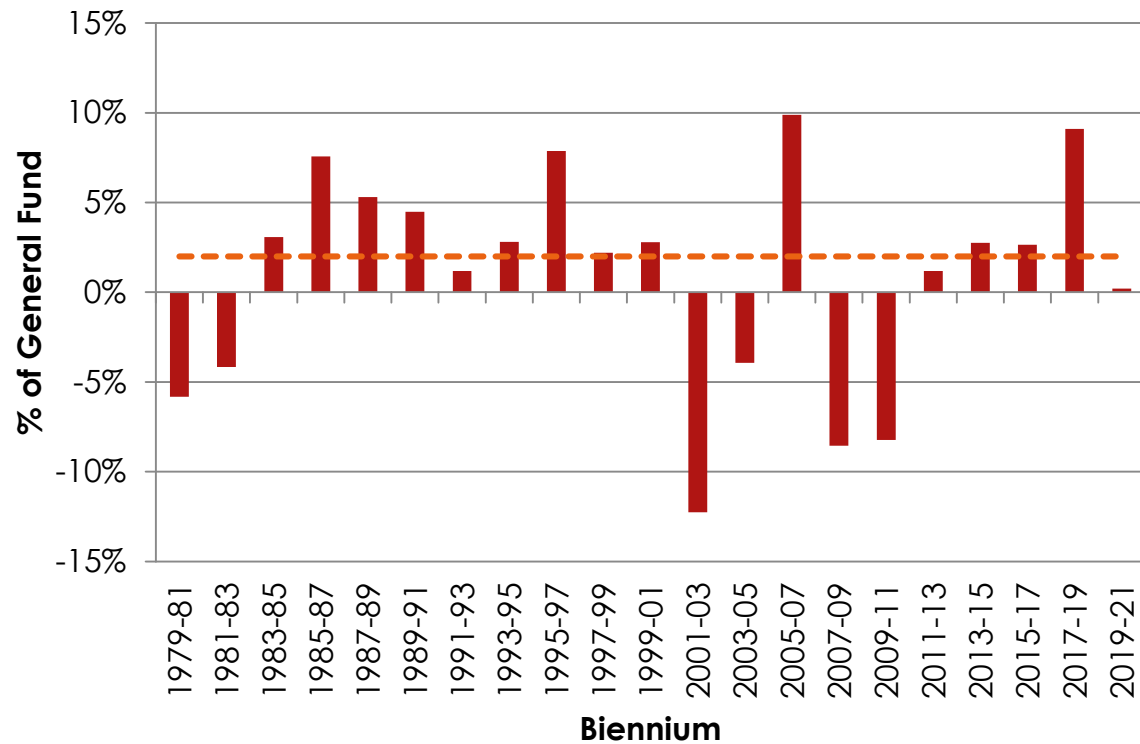
GF Biennial Change



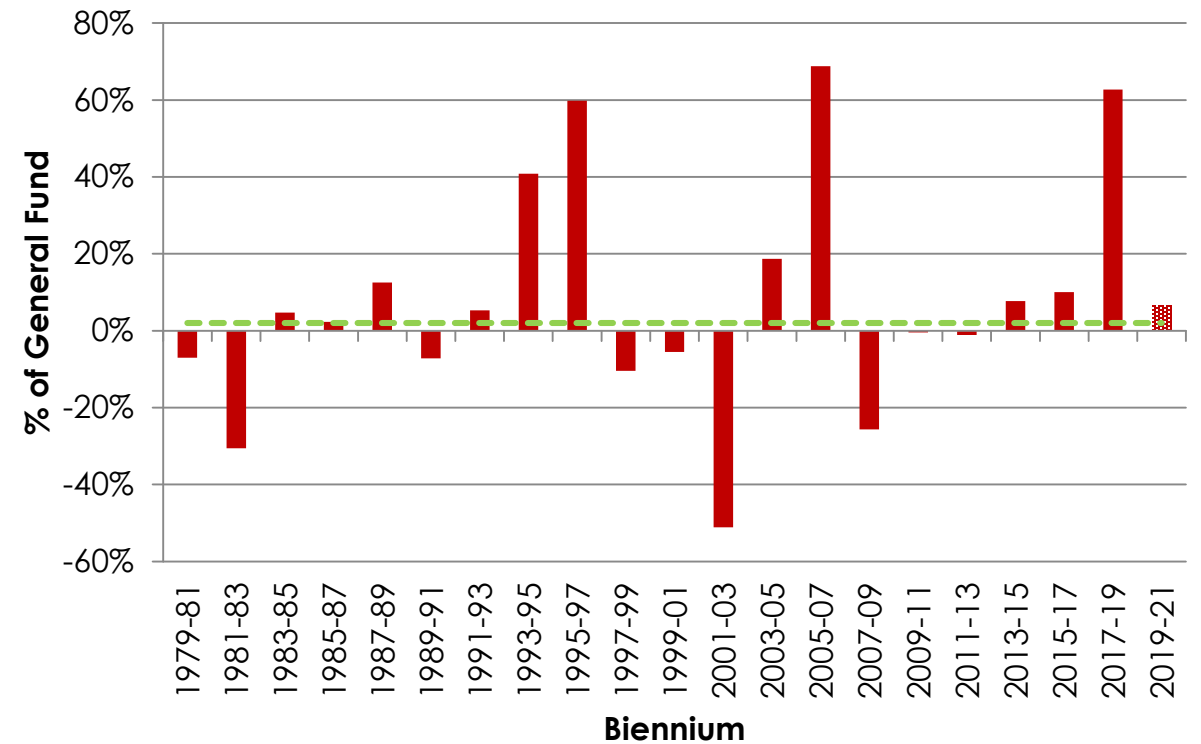
Kicker History and the 2% Threshold

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Personal Kicker



Corporate Kicker



State Reserve Position (\$ Millions)

	Education Stability Fund	Rainy Day Fund	Total Reserves
Source of Funds	Lottery	1% of Appropriations; Corporate Income Tax	
Use of Funds	Public Education	General	
Beginning Balance	\$621	\$667	\$1,288
Deposits	\$227	\$275	\$509
Withdrawals	\$420	\$0	\$419
Projected Ending Balance	\$427	\$942	\$1,377
Cap	\$1,095	\$1,643	

For More Information

- ▶ LEGISLATIVE REVENUE OFFICE
- ▶ 900 COURT ST. NE, ROOM 160
- ▶ SALEM, OR 97301
- ▶ 503-986-1266
- ▶ [HTTPS://WWW.OREGONLEGISLATURE.GOV/LRO](https://www.oregonlegislature.gov/lro)