

**REVENUE IMPACT OF  
PROPOSED LEGISLATION  
80th Oregon Legislative Assembly  
2019 Regular Session  
Legislative Revenue Office**

**Bill Number: SB 212 - 1  
Revenue Area: Income Taxes  
Economist: Kyle Easton  
Date: 2/14/2019**

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

**Measure Description:**

Allows personal income tax subtraction from federal taxable income, an amount equal to the deduction as computed in tax year 2017 under section 222 of the Internal Revenue Code for qualified tuition and related expenses. Requires subtraction to be reduced by any amount deducted by taxpayer for same expense for the tax year. Applies to expenses paid in tax years beginning on or after January 1, 2019 and before January 1, 2025.

Specifies deduction for losses from wagering transactions, as described in section 165(d) of the Internal Revenue Code, is not allowed for Oregon personal income or corporate excise tax purposes. Requires addition to federal taxable income in instances where wagering losses are deducted on taxpayer's federal return. Applies to tax years beginning on or after January 1, 2019.

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

	Fiscal Year		Biennium		
	2019-20	2020-21	2019-21	2021-23	2023-25
Tuition and Fees Deduction	-27.3	-27.2	-54.5	-54.1	-53.7
Gambling Loss Deduction	5.7	5.8	11.5	11.8	12.2
<b>Total General Fund</b>	<b>-21.6</b>	<b>-21.4</b>	<b>-43.0</b>	<b>-42.3</b>	<b>-41.5</b>

**Impact Explanation:**

***Tuition and Fees***

A federal deduction to income was allowed for qualified higher education expenses paid by the taxpayer (commonly referred to as the tuition and fees deduction). Qualified expenses include tuition and fees paid as a condition of enrollment or attendance at a post secondary education institution. The federal deduction is applicable to Oregon through Oregon's connection to federal taxable income.

The federal deduction was last available for tax year 2017. Measure as amended allows an Oregon subtraction equal to amount of federal deduction for Oregon tax purposes, if federal deduction had not expired. If federal deduction is reinstated with no policy changes, then measure as amended would have no impact on Oregon revenues for years in which federal deduction is available. If federal deduction is reinstated, the tuition and fees deduction's impact on Oregon revenues would be caused by Oregon's connection to the definition of federal taxable income and related statutes.

Estimate was made through an analysis of historical taxpayer use of federal tuition and fees deduction in Oregon. Estimate of declining revenue loss reflects qualifying income parameters that are not indexed to inflation.

***Gambling Loss Deduction***

The wagering transactions loss deduction is a federal deduction that Oregon is connected to through Oregon's connection to federal taxable income. An increase in revenue results as measure disconnects from the federal deduction by disallowing deduction in Oregon or by requiring an addition to Oregon taxable income equal to losses deducted on taxpayer's federal return.

Eliminating the gambling loss deduction for Oregon income tax filers is expected to increase revenue to the general fund by \$11.5 million in the 2019-21 biennium. The expected increase in revenue is a result of reducing the amount of other miscellaneous itemized deductions, of which, gambling losses are one of several possible other miscellaneous itemized deductions. Tax filers using the standard deduction are unaffected as the gambling loss deduction is an itemized deduction. Professional gamblers may deduct gambling losses, up to gambling winnings, without itemizing by deducting losses through their gambling trade or business. Nearly all the expected increase in revenue originates from about 10,000 non-professional gambler personal income tax returns that will no longer be able to deduct gambling losses.

The estimate was made through an analysis of various tax forms and schedules where affected gambling winnings and losses, through deductions or expenses, were reported as required.

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

**Tuition and Fees Subtraction**

The policy purpose of this measure is to help families who are unlikely to qualify for much need-based student aid, to pay for higher education.