



TAX EXPENDITURES

PART II

FOR THE HOUSE COMMITTEE ON REVENUE

FEBRUARY 18, 2019



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CONSIDERATIONS

- Determine which policies need an evaluation and when
- Information desired and how much detail
- If the tax were created today, how would these policies be handled
- Likelihood of repeal or change

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THE 2019-21 TAX EXPENDITURE REPORT

368 PROVISIONS : \$24,950M

- Personal and Corporate Income Tax (\$14,176M)
 - 190 provisions, 80 with a sunset
- Property Tax (\$10,345M)
 - 134 provisions, 28 with a sunset
- Other Taxes (\$429M)
 - 44 provisions, 8 with a sunset

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WHAT IS A TAX EXPENDITURE?

(AS PER DEPARTMENT OF REVENUE)

- Reflected on a tax filing document
- Applies to a targeted group
- Reduces tax liability
- For income taxes, if reported by the Joint Committee on Taxation
 - Oregon's connection to federal law


<https://www.oregon.gov/DOR/programs/gov-research/Documents/2018%20Identifying%20Tax%20Expenditures.pdf>



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WHAT IS *NOT* A TAX EXPENDITURE?

(AS PER DEPARTMENT OF REVENUE)

- Math calculation that applies to all taxpayers
 - Exclusion implemented when tax created
 - Represents ordinary and necessary business expenses
 - Avoids double taxation
 - Constitutes a rebate program
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6 HOW IS A TAX EXPENDITURE EXPRESSED IN STATUTE? (AS PER DEPARTMENT OF REVENUE)

- A single statute = a single tax expenditure
 - Most provisions
- Unless, a single statute = multiple tax expenditures
 - Charitable contributions (TEs 1.201, 1.202, 1,231)
- Or, when multiple statutes = a single tax expenditure
 - Special assessment of farm property (TE 2.123)

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INCOME TAX – FEDERAL

- Exclusions
 - 8 of 64 have a sunset
 - Example: Pension Contributions and Earnings (TE 1.011; \$1,980M)
- Adjustments
 - 2 of 8 have a sunset
 - Example: IRA Contributions and Earnings (TE 1.106; \$193M)
- Deductions
 - 14 of 33 have a sunset
 - Example: Home Mortgage Interest (TE 1.213; \$970M)

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INCOMETAX – OREGON

- Subtractions
 - 5 of 27 provisions have some form of a sunset
 - Example 1: Social Security Benefits (Oregon) (TE 1.307; \$924M)
 - Example 2: Federal Income Tax Subtraction (TE 1.325; \$1,037M)
- Credits
 - 49 of 50 provisions have some form of a sunset
- Other
 - 2 of 8 provisions have some form of a sunset

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INCOME TAX CREDITS

- 9 credits sunset during the 2019-21 biennium
- 16 credits sunset in the future
- 1 does not sunset
- 24 have already sunset

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Type of Tax Expenditure	2017-19 Revenue Impact (\$M)	Type of Tax Expenditure	2017-19 Revenue Impact (\$M)
Total	\$13,465		
Federal Exclusions	-\$6,557	Oregon Subtractions	
Federal Deductions		Social Security Income	-\$828
Home Mortgage Interest	-\$1,096	Federal Pension Income	-\$139
Home Property Taxes	-\$471	Military pay	-\$70
Charitable Contributions	-\$424	Medical Subtraction for Elderly	-\$63
Business Expenses	-\$306	Oregon Credits	
Medical Expenses	-\$231	Personal Exemption	-\$1,202
IRA Contributions and Earnings	-\$177	Expired Tax Credits	-\$73
Self-Employed Health Insurance	-\$80	Other	
Subtotal	\$4,124	Tax Rates for Pass-Thru Income	-\$239
		Subtotal	\$1,511
		Federal Tax Subtraction	-\$924
		Credits under review	-\$359
		Remaining provisions	\$228



PROPERTY TAX

- Full exemption
 - 15 of 93 have some form of sunset
 - Example 1: State and Local Property (TE 2.077; \$2,600M)
 - Example 2: Motor Vehicles and Trailers (TE 2.063; \$969M)
- Partial exemption
 - 12 of 27 have some form of sunset
 - Example: Strategic Investment Program (TE 2.099; \$551M)
- Other
 - 1 of 14 have some form of sunset



OTHER TAXES

- Fuel Taxes and Weight-Mile Tax
 - 5 of 17 have some form of sunset
- 14 Other Tax Programs
 - 3 of 27 have some form of sunset

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