

Tax Credit (Expenditure) Review

House Interim Committee on Revenue - 6/2/2022

State of Oregon

LEGISLATIVE REVENUE OFFICE





Overview of Presentation

Tax Credits

- What is the tax credit review process?
- Looking back
 - Historical upshot of tax credit review process
 - Outcomes from the biennial review
- Looking forward
 - Future reviews
 - Policy categories of credits upcoming
- Legislative review process

Other Tax Expenditures



Tax Credits





Tax Credit Review Process

- Biennial review of personal income tax and corporate income tax credits scheduled to sunset in upcoming biennium
- LRO prepares a report accompanying biennial review process (ORS 315.051)
- Credit reviews facilitated by individual credit legislation extending sunset by 6-years (Senate & House chambers)



Looking Back





History of Tax Credit Review

- 2009: HB 2067 organized tax credits into 3 groups with distinct sunset dates (2012, 2014, 2016) to facilitate credit reviews
- 2011: Omnibus credit review legislation
- 2013: Omnibus credit review legislation, requires LRO credit report
- 2015: Omnibus review, 1st year of credit report, requires a statement of purpose from sponsor/proponent for new credits
- 2017, 2019, 2021: Omnibus credit review legislation





Original Credit Sunset Schedule

- 51 total credits organized for review
 - 2012: 21
 - 2014: 14
 - 2016: 16
- Credits were organized into policy categories with like credits being reviewed in same year
- Outcomes: Credits without sunsets received sunsets, modified sunsets to align credits with policy categories (sunset moved up, sunset extended, sunset unchanged)





What Has Changed?

Number of Credits

- 51 total credits set for review in 2009 (HB 2067)
- 26 total credits currently set for review in upcoming bienniums

Credits (PIT FY Filers & Corp.)

- Nominal dollar amount of credits down about \$33 million
- *Real* credit amount down by 52% from tax year 2011 to 2019

	Tax Year	
	2011	2019
Credits*	\$220	\$187
Per \$1,000 of Taxable Inc.	3.19	1.52

*Excludes pers. exemption credit & credit for taxes paid to another state (\$'s in millions)



Looking Forward





Tax Credits by Sunset Date

2

2024

Fish Screening
Opp. Grant Auction

13

2026

Ag. Workforce Housing
529 ABL Contributions
529 Educ. Contributions
Affordable Housing Lenders
Certified Retirement Inc.
Crop Donations
Cultural Trust
Earned Income Tax Credit
Employer Scholarships
Manuf. Park Closure
Political Contributions
Short Line Railroad
Volunteer EMTs

9

2028

Disabled Child
IDA Contributions
OLHIGA
Reservation Enterprise Zone
Rural Medical Providers
Severe Disability
Univ. Venture Development
Vet's Home Physicians
Working Family Dep. Care

1

2029

Ag. Worker Overtime

1

2030

Film/Video





Tax Credits by Sunset Date

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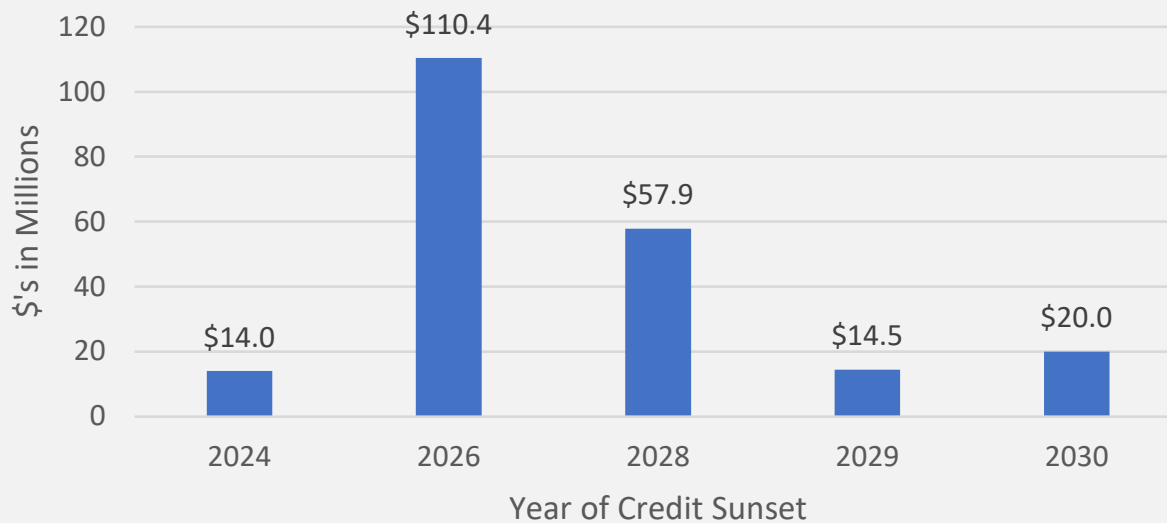
Film/Video



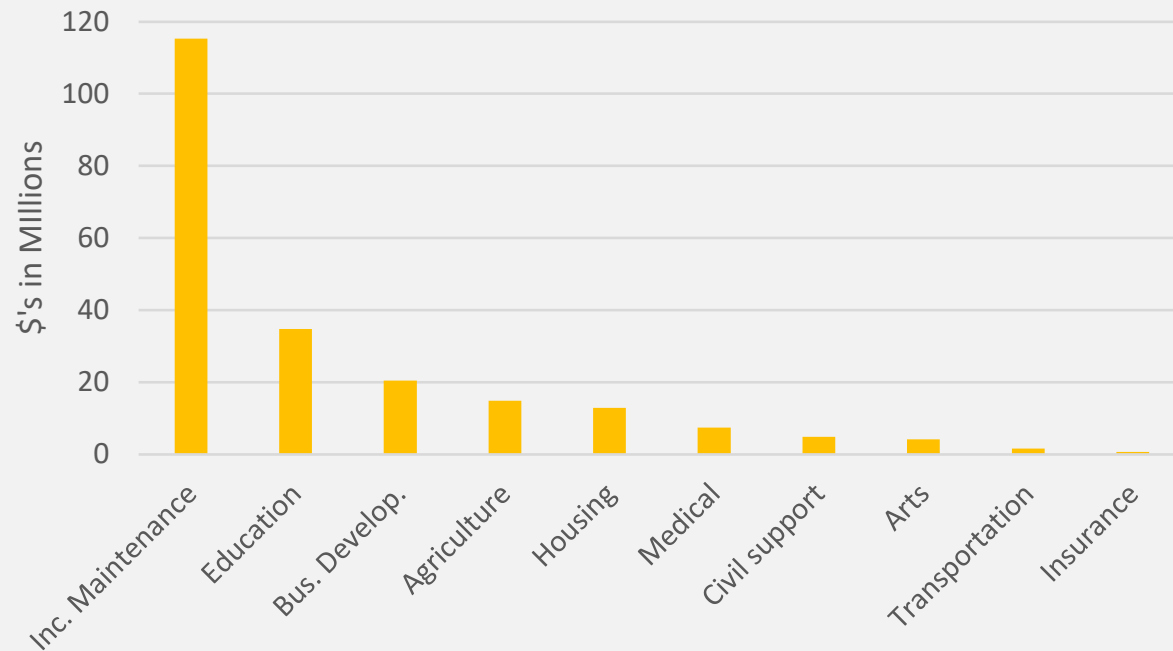


Tax Credit Cost Estimates (TY 2023) by Sunset Year & Policy Category

Estimated Cost of Credits - TY 2023
by Year of Sunset



Estimated Cost of Credits - TY 2023
by Policy Category





Credit 2023 Cost Estimate by Policy and Sunset Date

Tax Credits by Policy Category and Year of Sunset						TY 2023 Est.
	2024	2026	2028	2029	2030	(\$M's)
Agriculture	Fish Screening	Crop Donations		Ag. Worker Overtime		\$14.8
Arts		Cultural Trust				\$4.1
Business Development			Reservation Enterprise Zone Univ. Venture Development		Film/Video	\$20.4
Civil support		Political Contributions				\$4.8
Education	Opportunity Grant	Employer Scholarships 529 Educ. Contributions				\$34.8
Housing		Ag. Workforce Housing Affordable Housing Lenders Manuf. Park Closure				\$12.9
Income Maintenance		Earned Income Tax Credit ABLE Contributions Certified Retirement Income	Disabled Child Severe Disability Working Family Dep. Care IDA Contributions			\$115.3
Insurance			OLHIGA			\$0.6
Medical		Volunteer EMTs	Rural Medical Providers Vet's Home Physicians			\$7.4
Transportation		Short Line Railroad				\$1.6
TY 2023 Est.	\$14.0	\$110.4	\$57.9	\$14.5	\$20.0	\$216.7



Estimated Cost of Extending Tax Credits

\$ Millions, Updated 5/18/2022

Tax Expenditure Report Number and Credit name	ORS	Sunset Date	-----Biennium-----		
			2023-25	2025-27	2027-29
<i>Scheduled for Review by the 2023 Legislature</i>					
1.403 Opportunity Grant Contributions	315.643	2024	\$13.3	\$27.3	\$28.0
1.440 Fish Screening Devices	315.138	2024	< 50K	< 50K	< 50K
SUBTOTAL			\$13.3	\$27.3	\$28.0
<i>Scheduled for Review by the 2025 Legislature</i>					
1.401 Employer Provided Scholarships	315.237	2026	\$0.0	< 50K	< 50K
1.405 Contributions to 529 Education Account	315.650	2026	\$0.0	\$25.9	\$56.0
1.406 Earned Income	315.266	2026	\$0.0	\$67.5	\$137.7
1.409 Volunteer Rural Emergency Medical Services Providers	315.622	2026	\$0.0	\$0.1	\$0.2
1.411 Contributions to 529 ABLÉ Account	315.650	2026	\$0.0	\$0.2	\$0.4
1.413 Agriculture Workforce Housing Construction	315.163-172	2026	\$0.0	\$0.6	\$2.7
1.428 Oregon Affordable Housing Lender's Credit	317.097	2026	\$0.0	\$1.2	\$5.4
1.429 Manufactured Dwelling Park Closure	Note following 316.116	2026	\$0.0	< 50K	< 50K
1.431 Crop Donations	315.154-156 (318.031)	2026	\$0.0	\$0.4	\$1.0
1.444 Short Line Railroad Rehabilitation	315.593	2026	\$0.0	\$1.1	\$2.8
1.446 Political Contributions	316.102	2026	\$0.0	\$5.6	\$11.4
1.447 Oregon Cultural Trust	315.675	2026	\$0.0	\$4.3	\$8.9
1.450 Certain Retirement Income	316.157-158	2026	\$0.0	\$0.8	\$1.5
SUBTOTAL			\$0.0	\$107.6	\$228.1

Estimated Cost of Extending Tax Credits

\$ Millions, Updated 5/18/2022

Tax Expenditure Report Number and Credit name	ORS	Sunset Date	-----Biennium-----		
			2023-25	2025-27	2027-29
<i>Scheduled for Review by the 2027 Legislature</i>					
1.407 Child with a Disability	316.099	2028	\$0.0	\$0.0	\$5.8
1.408 Rural Medical Providers	315.613-619	2028	\$0.0	\$0.0	\$0.8
1.410 Severe Disability	316.752-771	2028	\$0.0	\$0.0	\$4.9
1.420 Reservation Enterprise Zone	285C.309 (318.031)	2028	\$0.0	\$0.0	\$0.1
1.422 Public University Venture Development Fund	315.640	2028	\$0.0	\$0.0	\$0.3
1.425 Working Family Household and Dependent Care	315.264	2028	\$0.0	\$0.0	\$32.7
1.427 Individual Development Account Contributions	315.271	2028	\$0.0	\$0.0	\$6.4
1.445 Oregon Life and Health IGA Assessments	734.835	2028	\$0.0	\$0.0	\$0.1
1.449 Oregon Veterans' Home Physician	315.624	2028	\$0.0	\$0.0	< 50K
1.New Agricultural Worker Overtime	OR Laws 2022, Ch. 115	2029	\$0.0	\$0.0	\$0.0
SUBTOTAL			\$0.0	\$0.0	\$51.0
<i>Scheduled for Review by the 2029 Legislature</i>					
1.414 Film Production Development Contributions	315.514-516	2030	\$0.0	\$0.0	\$0.0
TOTAL			\$13.3	\$134.9	\$307.1



Credits w/out a Sunset or Otherwise not Part of Formal Tax Credit Review

Credits without sunsets

- Personal exemption credit
- Taxes paid to another state
- Mutually taxed gain on sale of residential property
- Claim of right income
- Riparian Timber Harvest Restrictions for Small Forestland Owners
- Kicker

Business Alternative Income Tax (SALT cap workaround)

- Offsetting personal income tax credit





Future Tax Credit Reviews

- Most credits have been through review process at least once
 - Development of future tax credit reports
 - Focus on modifications made to credits
 - Contextual changes
 - Continue to expand existing analysis
- Committee review process
 - Existing credits being reviewed, proposed new credits
 - Omnibus and individual approach



Other Tax Expenditures





Other Tax Expenditures*

- Income Tax
 - 27 Subtractions (e.g., First Time Home Buyer Savings – TER 1.314)
 - 8 Other (e.g., Nonresident Armed Forces – TER 1.507)
- Property Tax
 - 94 Full Exemptions (e.g., New Industrial Property in Rural Areas – TER 2.017)
 - 28 Partial Exemptions (e.g., Cap on Central Assessment – TER 2.101)
 - 14 Special Assessments (e.g., Historic Property – TER 2.127)
- Other Taxes
 - 17 tax programs with 56 tax expenditures



Legislative Revenue Office

<https://www.oregonlegislature.gov/lro>

503-986-1266

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