Tax Credit (Expenditure) Review

Senate Interim Committee on Finance and 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)

Tax Credits: 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)

Tax Credits: Looking Forward

Tax Credits by Sunset Date

2	13	9	1	1
2024	**2026**	**2028**	**2029**	**2030**
Fish Screening	Ag. Workforce Housing	Disabled Child	Ag. Worker Overtime	Film/Video
Opp. Grant Auction	529 ABLE Contributions	IDA Contributions		
	529 Educ. Contributions	OLHIGA		
	Affordable Housing Lenders	Reservation Enterprise Zone		
	Certified Retirement Inc.	Rural Medical Providers		
	Crop Donations	Severe Disability		
	Cultural Trust	Univ. Venture Development		
	Earned Income Tax Credit	Vet's Home Physicians		
	Employer Scholarships	Working Family Dep. Care		
	Manuf. Park Closure			
	Political Contributions			
	Short Line Railroad			
	Volunteer EMTs			

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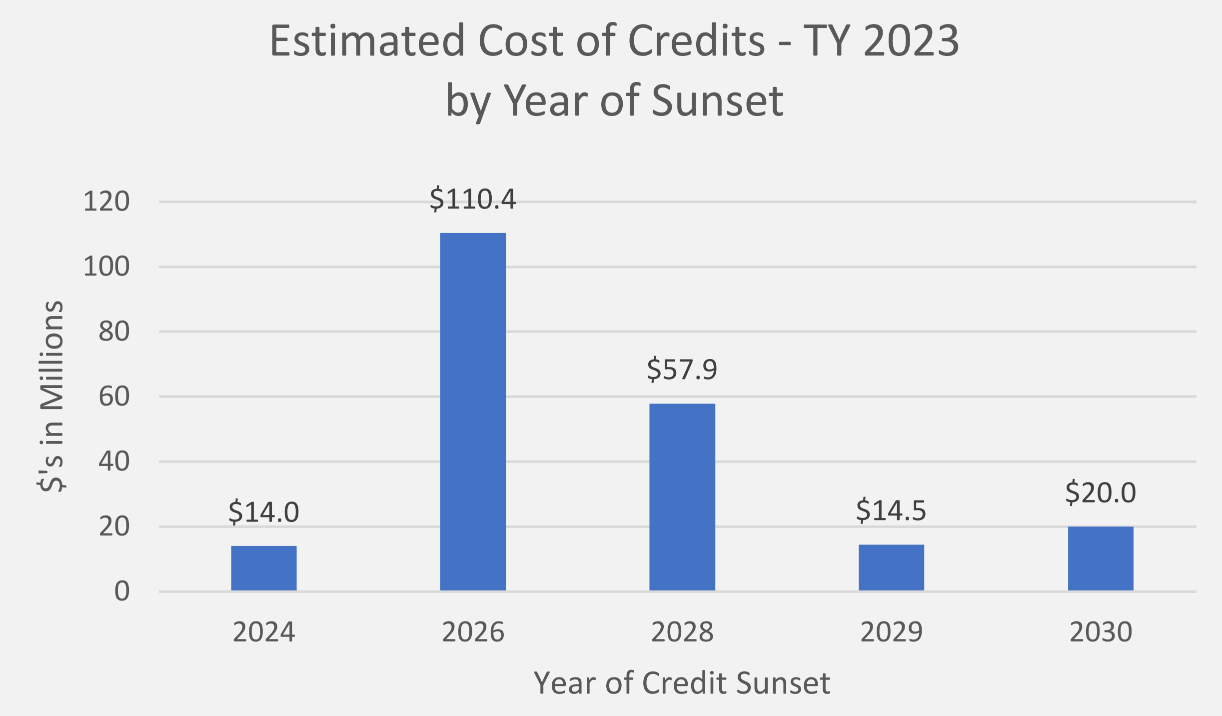
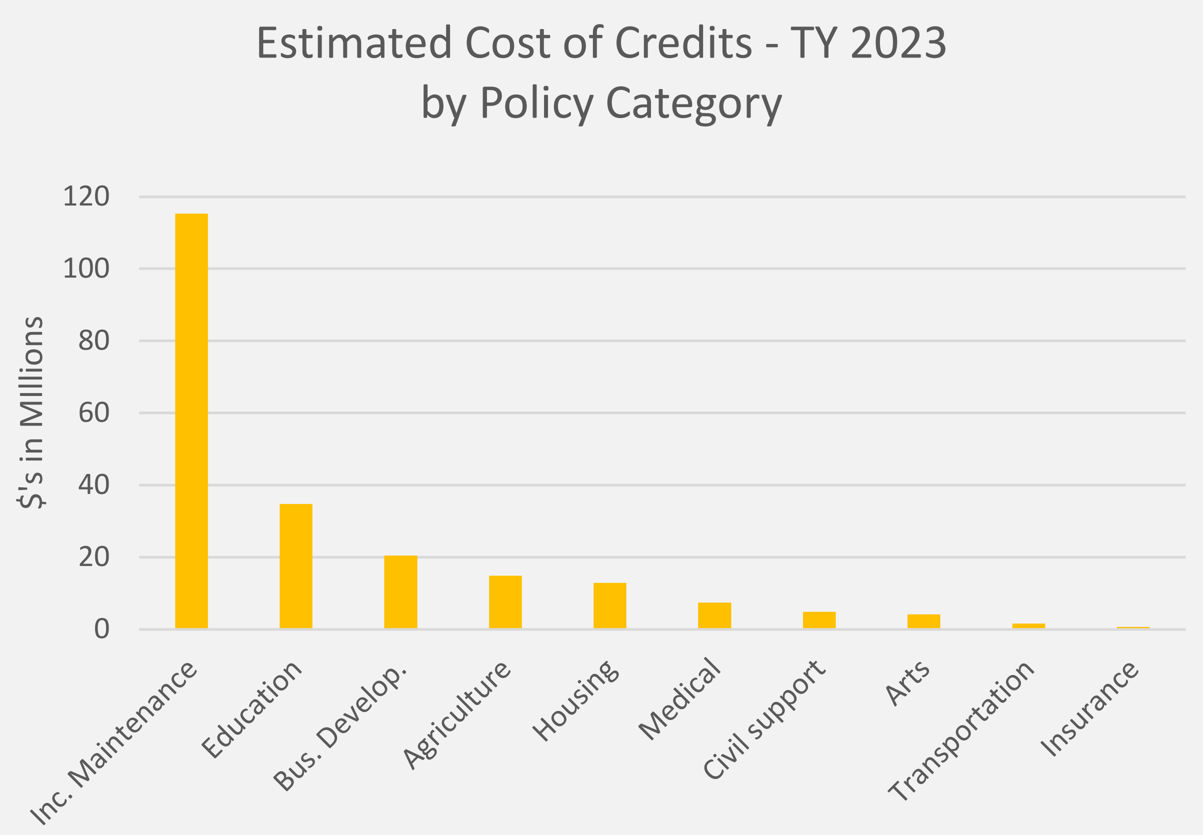
Tax Credit Cost Estimates (TY 2023) by Sunset Year & Policy Category





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
Scheduled for Review by the 2023 Legislature					
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**
Scheduled for Review by the 2025 Legislature					
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 Contibutions to 529 ABLE 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
Scheduled for Review by the 2027 Legislature					
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**
Scheduled for Review by the 2029 Legislature					
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

* 2021-23 Tax Expenditure Report

Legislative Revenue Office

https://www.oregonlegislature.gov/lro

503-986-1266