

# Overview of Oregon's Revenue System

HOUSE COMMITTEE ON REVENUE

JANUARY 21, 2021

State of Oregon  

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# Presentation Outline

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- ▶ Provide some contextual background on Oregon's public finance system
- ▶ Start a foundation for policy discussions and decisions
- ▶ Revenue Sources
- ▶ State Comparisons
- ▶ Kicker and Reserve Accounts

# State Revenue

State of Oregon

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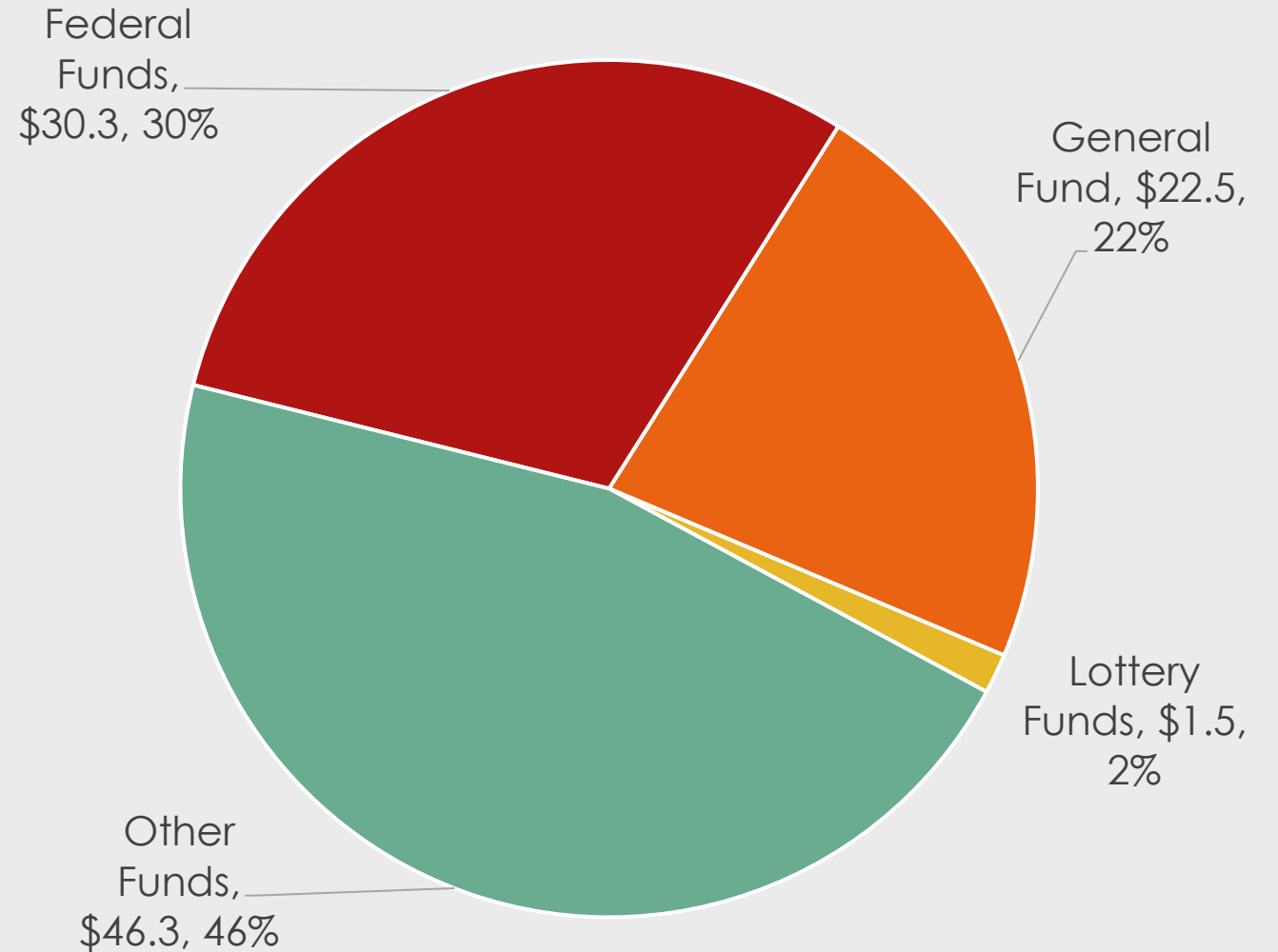


## 2021-23 “All Funds”

- \$100.6 Billion

- By Revenue Source

Source:  
Governor's Budget



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- \$100.6 Billion

- By Source

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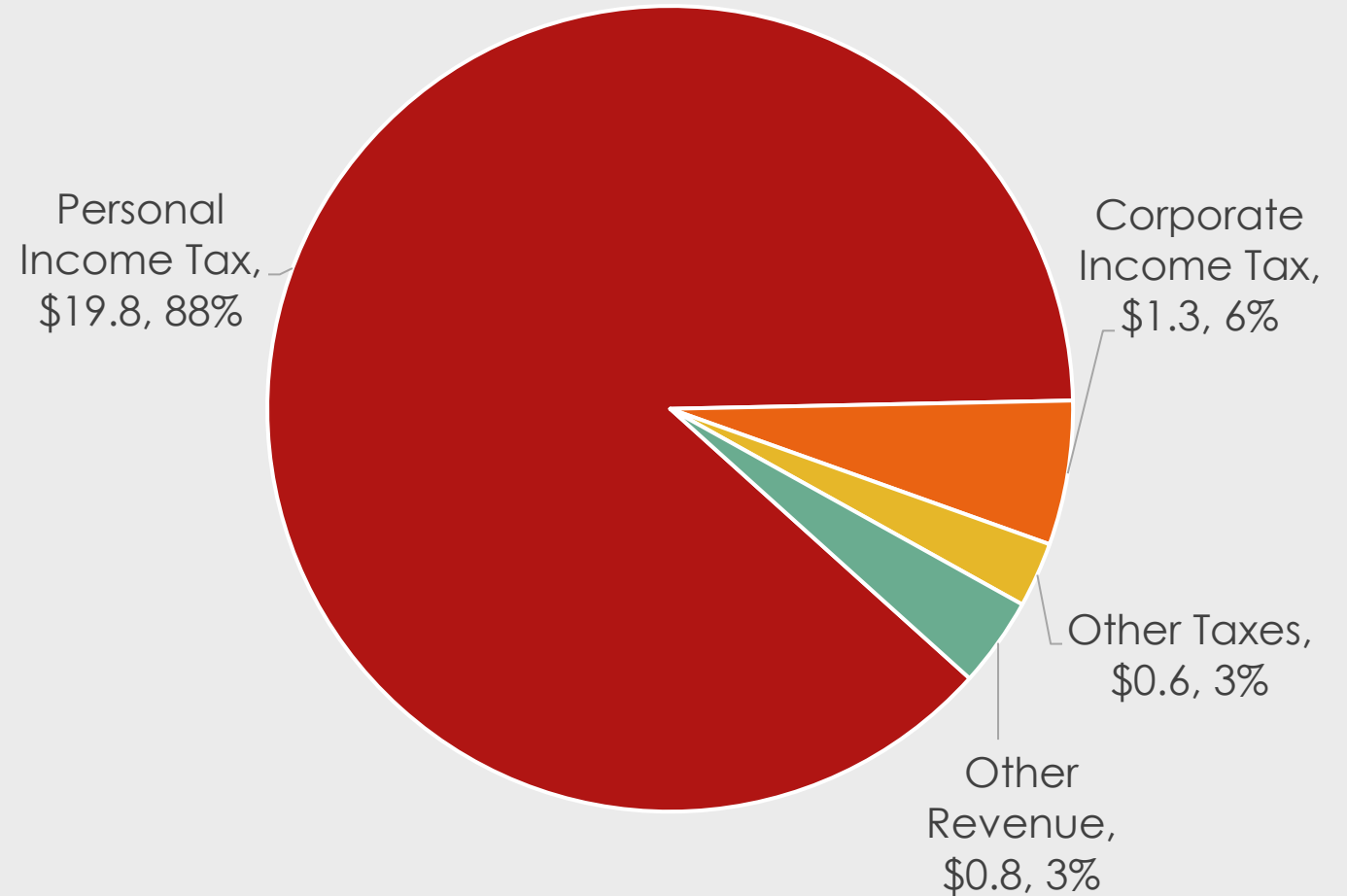
Source	Estimated 21-23 Revenue (\$Millions)
Taxes	\$33,815
Federal Funds	\$30,276
Interest Earnings	\$10,149
Charges	\$5,904
Donations & Contributions	\$6,207
Bond Sales	\$4,242
Licenses & Fees	\$2,228
Lottery	\$1,512
Liquor & Other Sales	\$1,191
Loan Repayments	\$654
Other	\$4,436
Total	\$100,613

## 2021-23 General Fund

- \$22.5 Billion

- By Revenue Source

Source:  
Governor's Budget



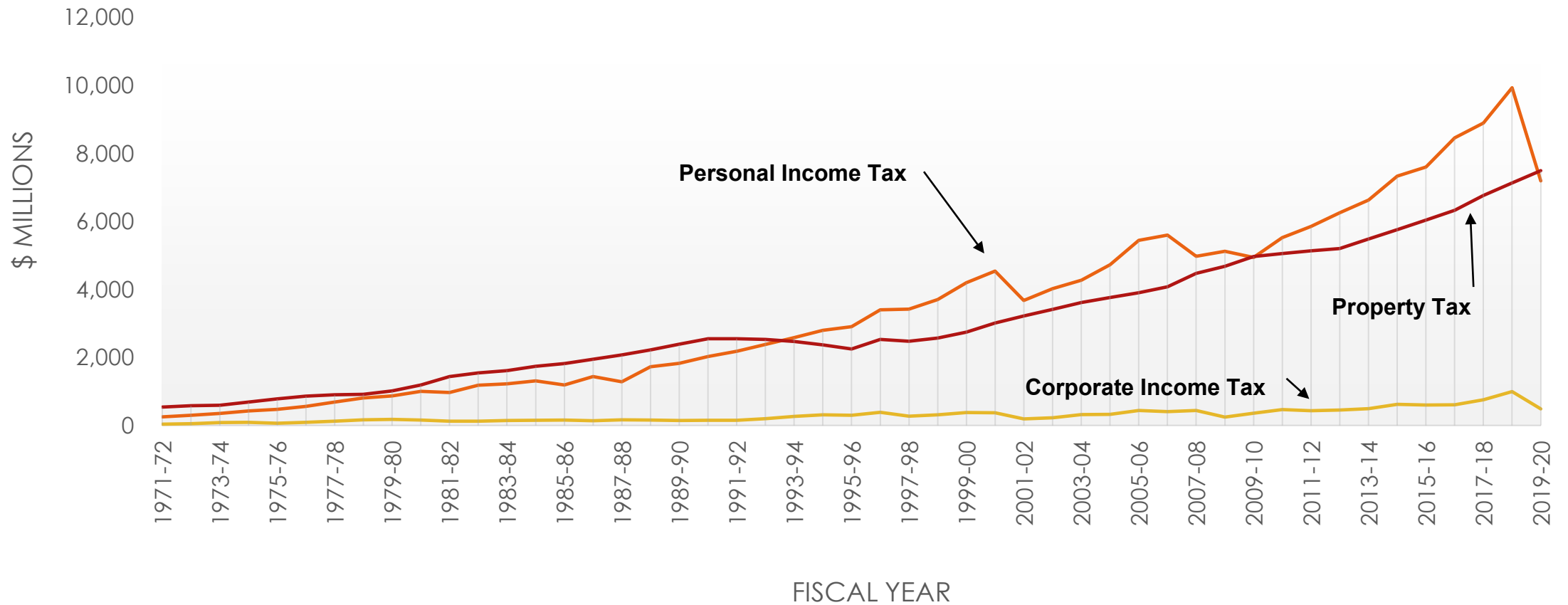
# Local Taxes FY 2019-20 \$Millions

- Total is \$9.8 Billion

Source:  
LRO, Basic Facts, January 2021

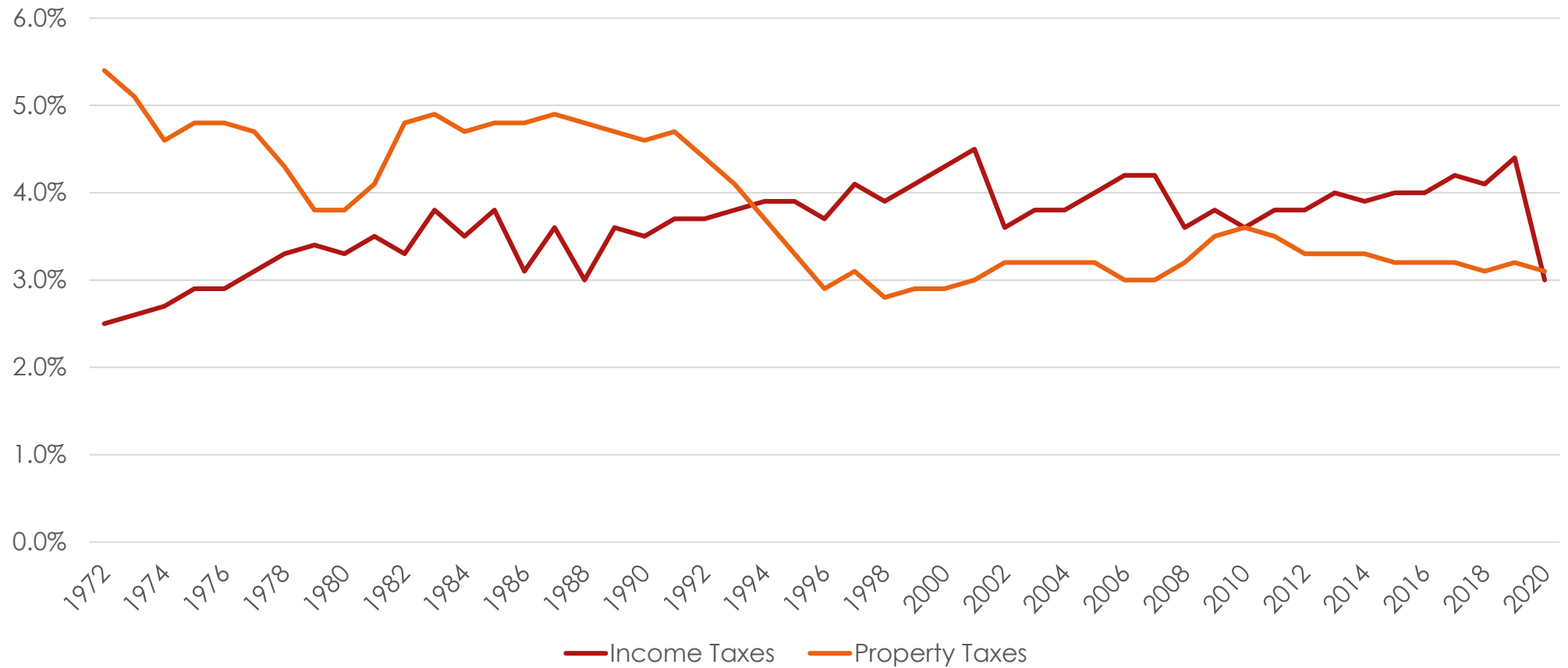
Source	2019-20 \$M
Property Taxes	\$7,491
Transit Payroll & Employment Taxes	\$434
Franchise Taxes	\$316
Hotel-Motel	\$217
Portland Business License Tax	\$172
Multnomah County Business Tax	\$104
Motor Vehicle Rental Tax	\$28
Motor Fuel Taxes	\$34
Washington County Transfer Tax	\$7

# History of Income and Property Taxes





# Oregon's Property and Income Tax Burdens (as a % of Personal Income)



# Oregon in Comparison

2018 CENSUS DATA  
STATE AND LOCAL GOVERNMENTS

State of Oregon  

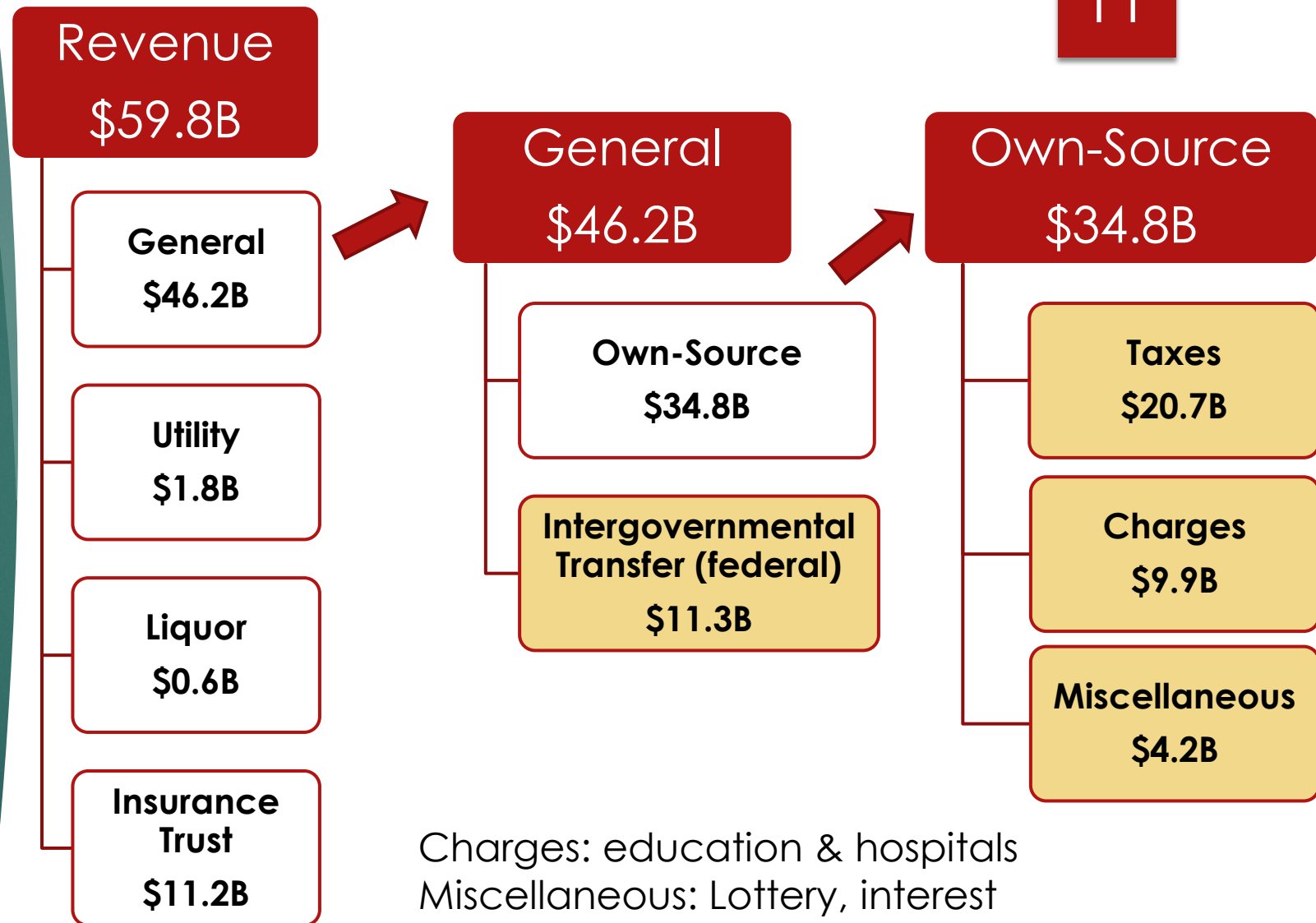
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# Data Overview

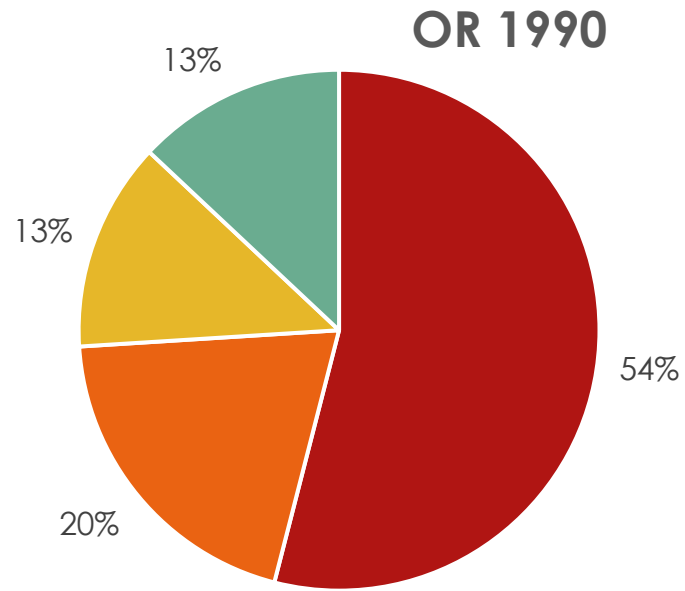
2018 Census of State and Local Government Finances



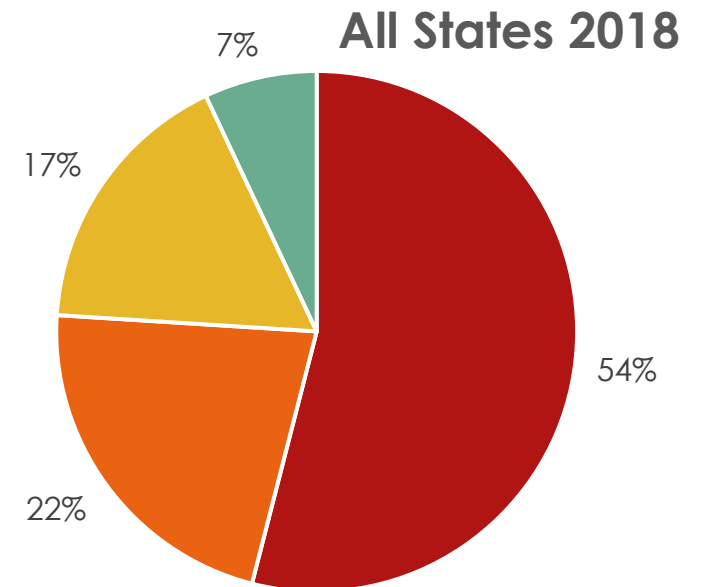
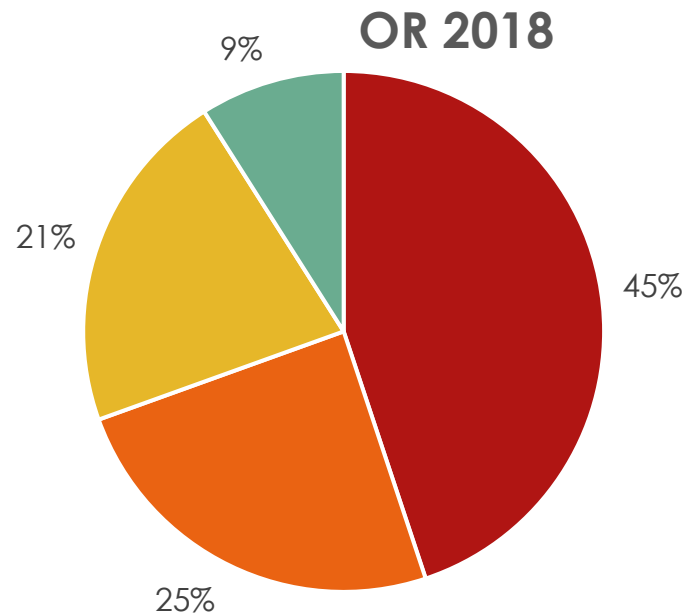
# State and Local Revenue Sources

Oregon and the “average” state

2018 Census Data

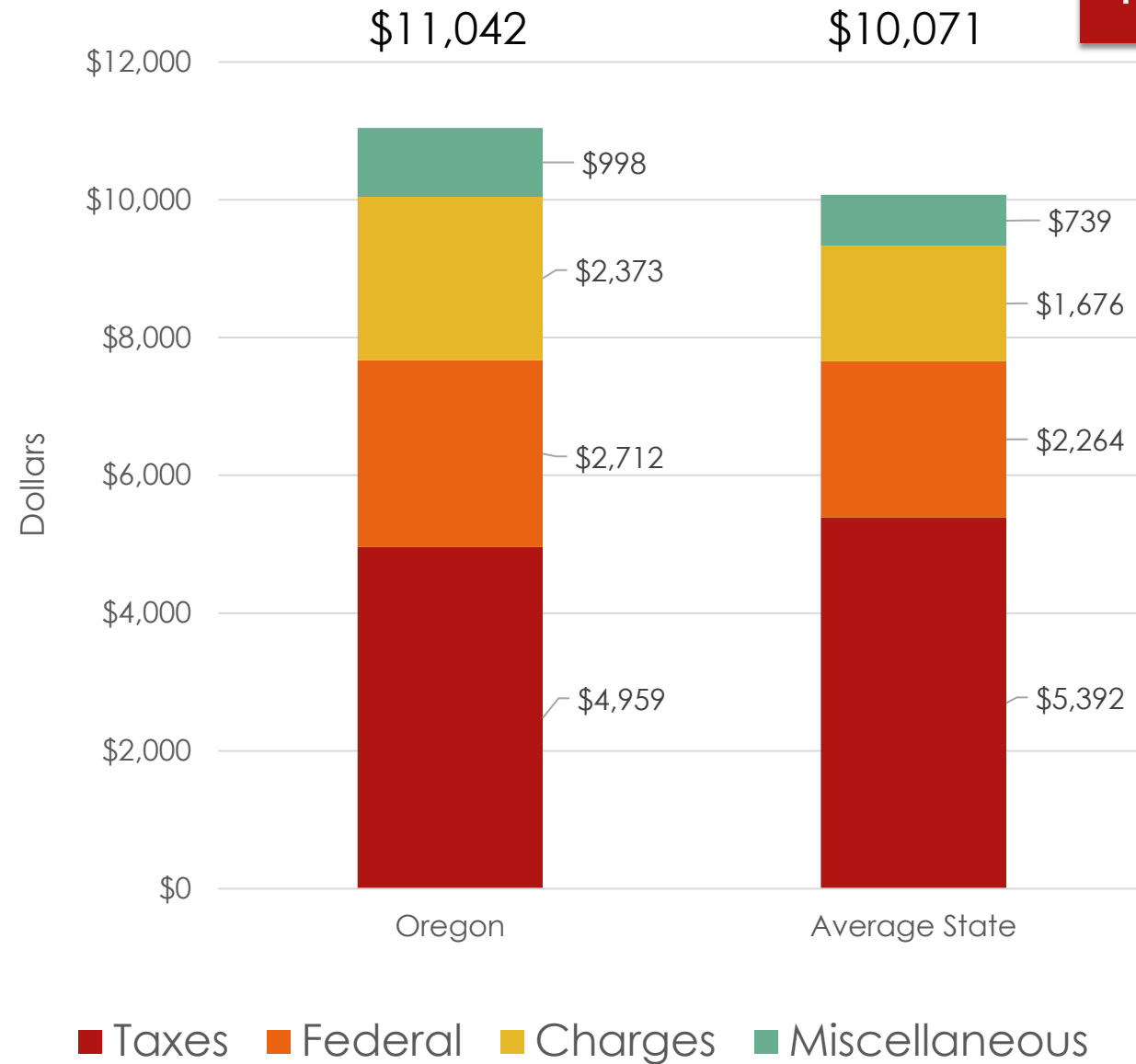


- Taxes
- Federal
- Charges
- Miscellaneous

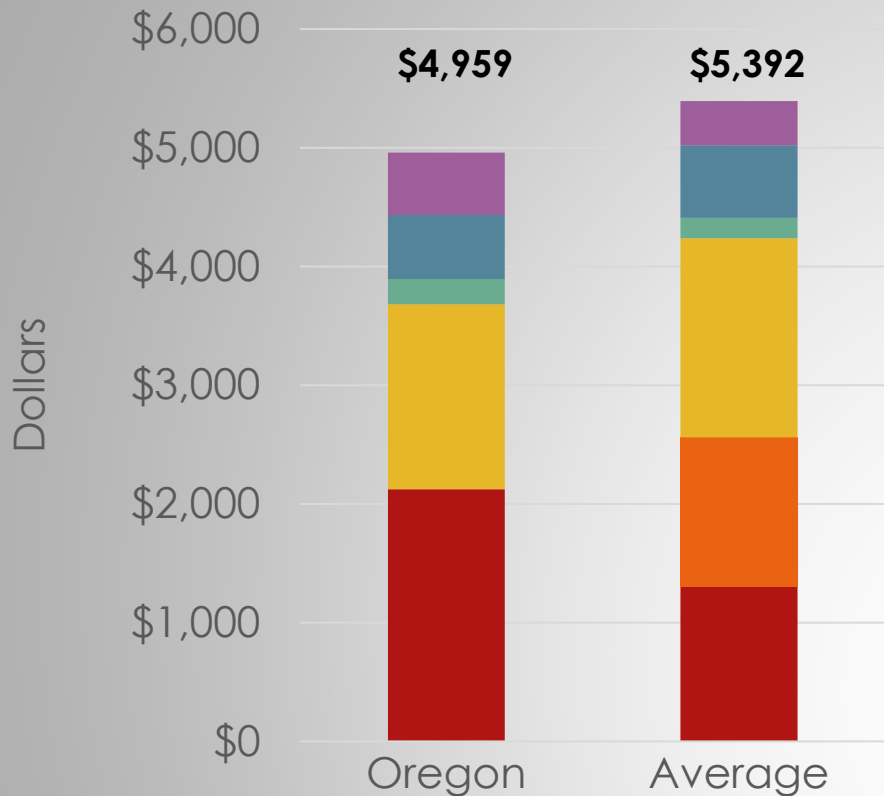


# State and Local General Revenue Sources: Per Capita

2018 Census Data

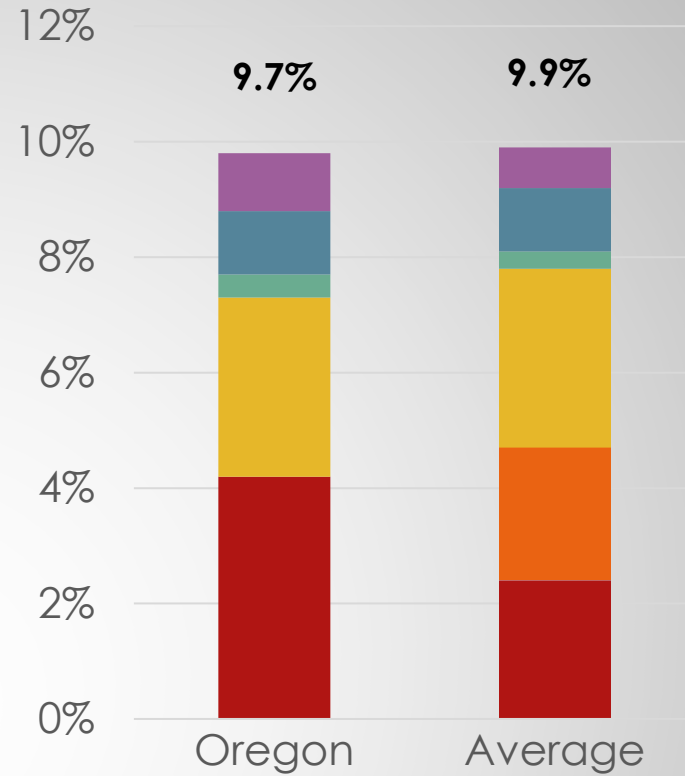


### Per Capita



Other	\$527	\$371
Sel Sales	\$538	\$613
Corporate	\$215	\$172
Property	\$1,557	\$1,675
Gen Sales	\$0	\$1,258
Income	\$2,123	\$1,303

### % of Income



Other	1.0%	0.7%
Sel Sales	1.1%	1.1%
Corporate	0.4%	0.3%
Property	3.1%	3.1%
Gen Sales	0.0%	2.3%
Income	4.2%	2.4%

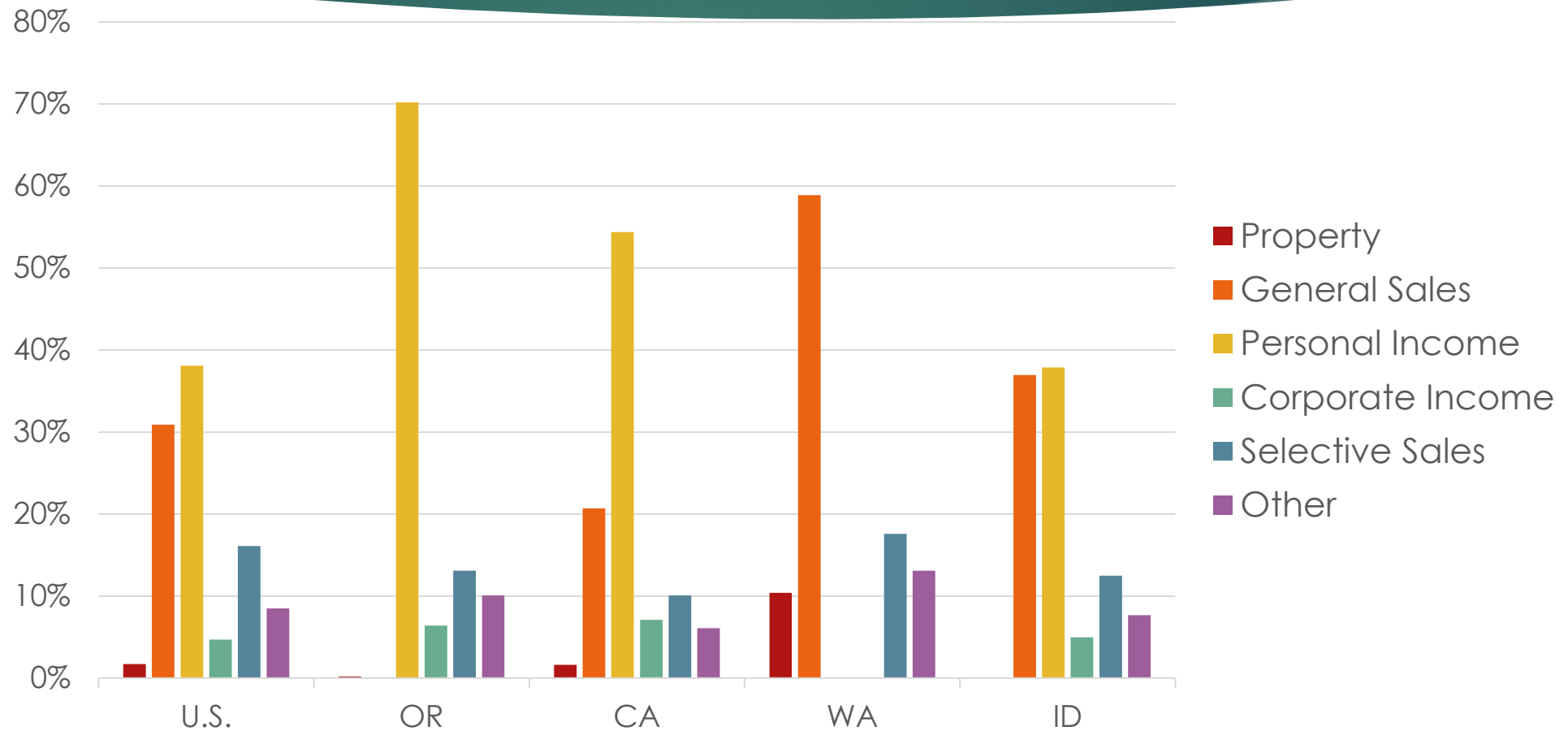
# State and Local Tax Comparisons

2018 Census Data

# State Taxes By Source

(not local)

2018 Census Data



# 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
- ▶ Can be modified by the Legislature with a 2/3 vote in each chamber

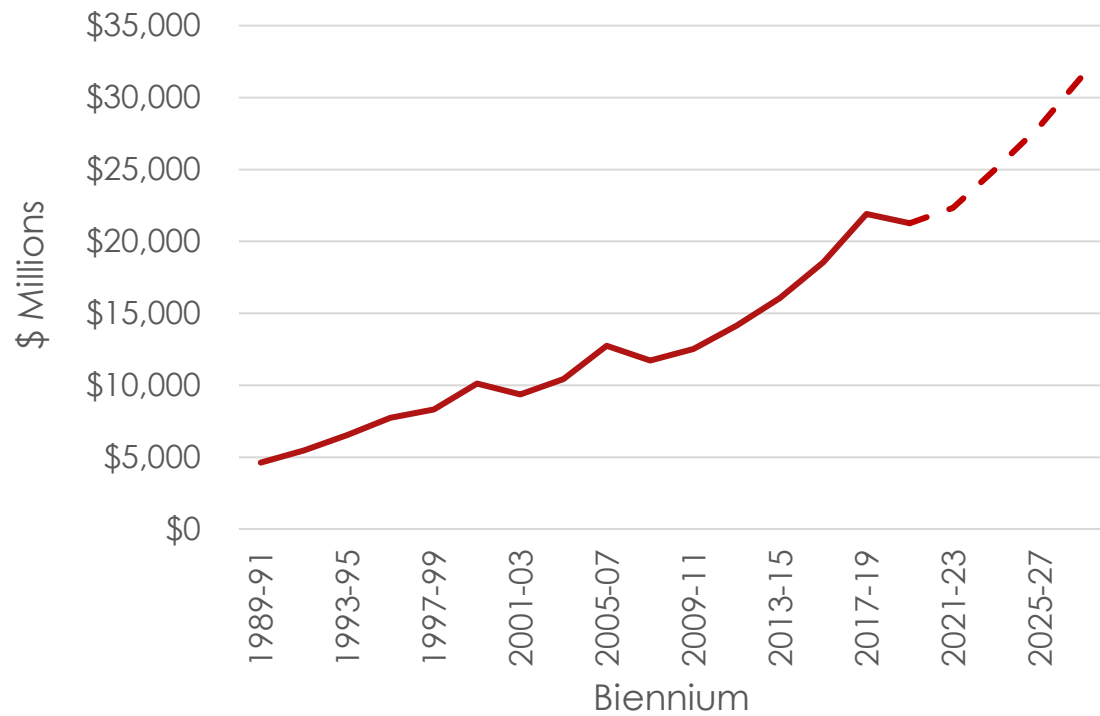
# Kicker history

- ▶ Put in statute in 1979; constitution in 2000
- ▶ Personal kicker was converted to a refund in 1995 and back to a credit in 2011
- ▶ 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.

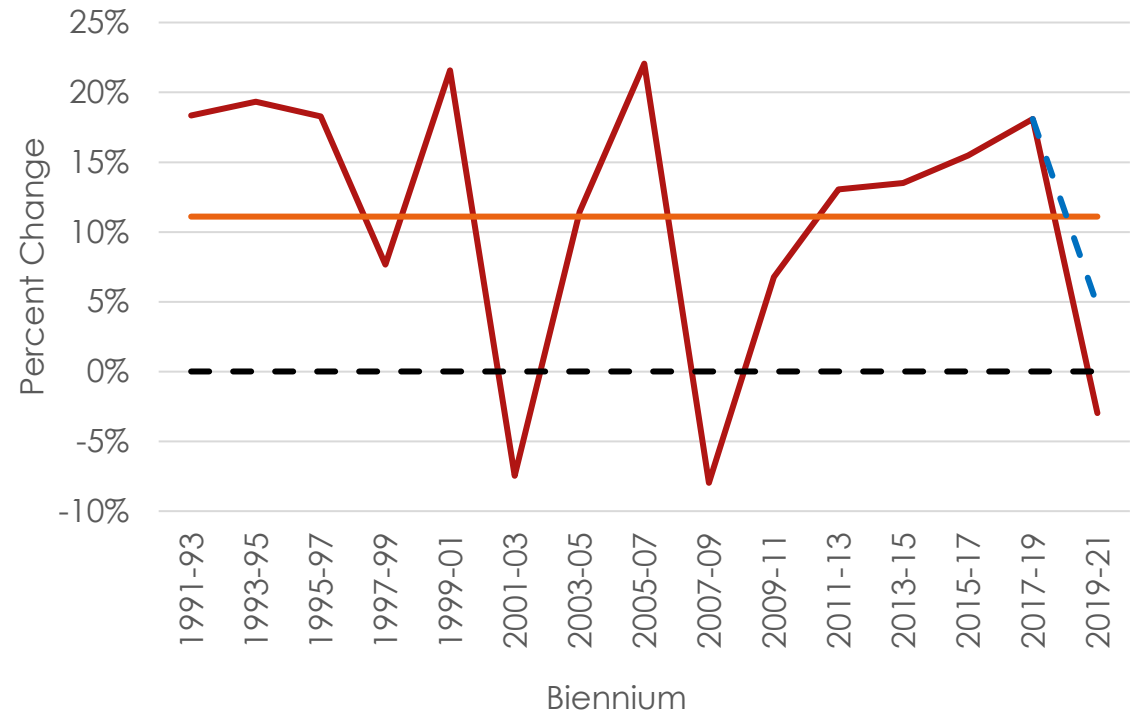
# General Fund Revenue Volatility

## (Trend and Biennial Percentage Change)

GF Trend

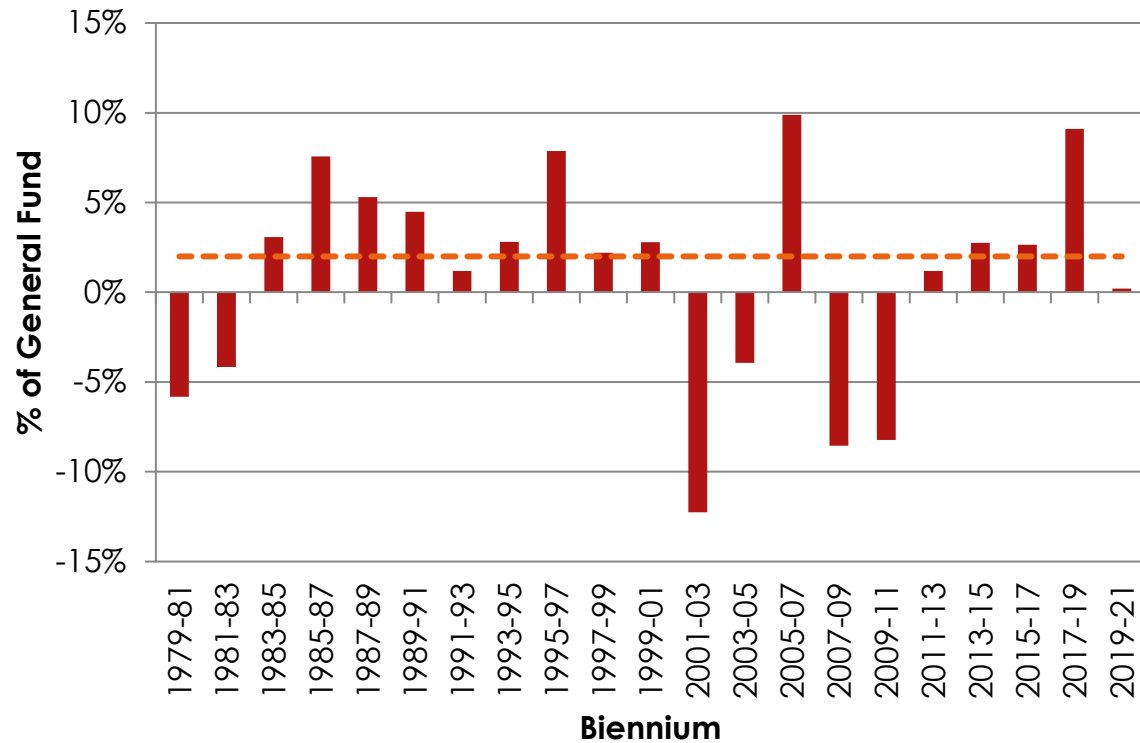


GF Biennial Change

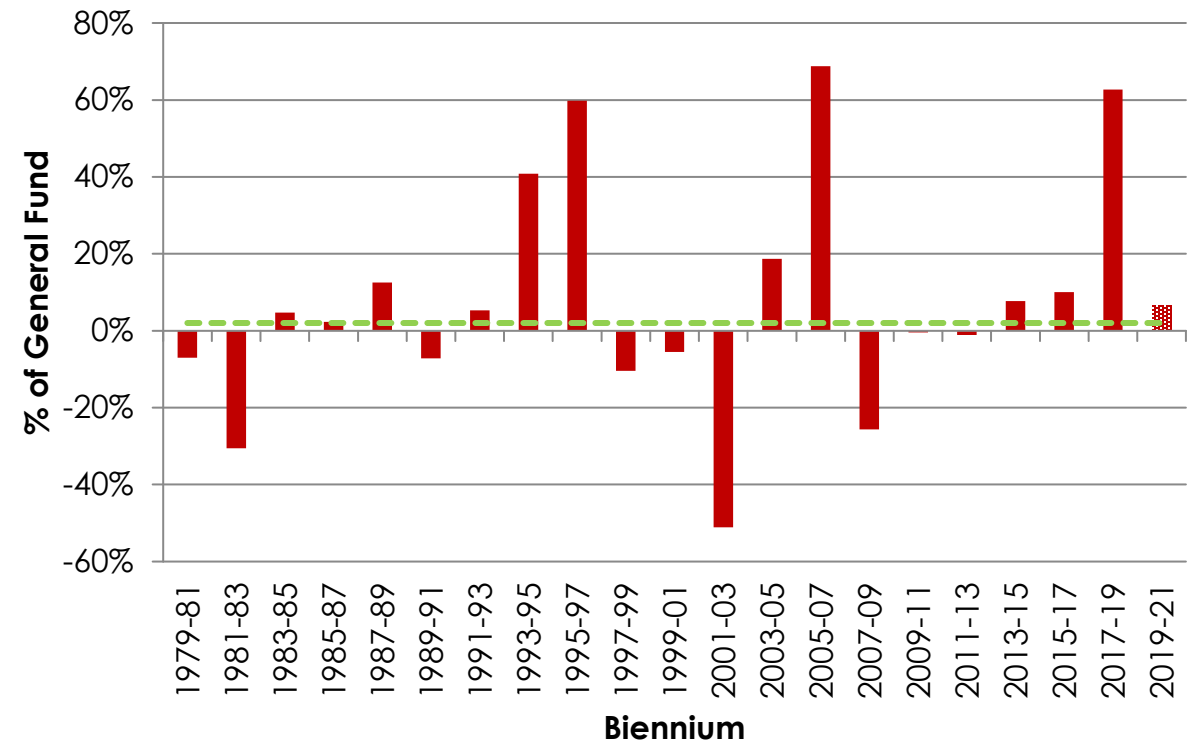


# Kicker History and the 2% Threshold

## 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	

# Based on Comparisons & History: Strengths & Weaknesses of Oregon's Revenue System

## Strengths

- ▶ Strong state revenue growth over time - personal income tax responsive to economic growth
- ▶ Use of non-tax revenue reduces general tax burden
- ▶ Personal income tax best at addressing equity concerns (ability-to-pay)
- ▶ Income tax system tied to federal structure reducing administrative costs
- ▶ Appropriate charges lead to efficient allocation
- ▶ Stability of local revenue

## Weaknesses

- ▶ Reliance on income taxes makes revenue stream unstable
- ▶ High income tax rates and lack of diversity adds to economic distortions and instability
- ▶ Reliance on federal funds reduces policy control
- ▶ Excessive charges create competitive/equity concerns
- ▶ Low growth local revenue system

# 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)