

**FISCAL IMPACT OF PROPOSED LEGISLATION**

Measure: SB 139 - A

81st Oregon Legislative Assembly – 2021 Regular Session  
Legislative Fiscal Office*Only Impacts on Original or Engrossed  
Versions are Considered Official*Prepared by: Michael Graham  
Reviewed by: John Borden, Zane Potter  
Date: June 14, 2021**Measure Description:**

Reduces the amount of income eligible for elective reduced personal income tax rate allowed for certain pass-through income.

**Government Unit(s) Affected:**

Department of Revenue (DOR), Oregon Judicial Department (OJD)

**Summary of Fiscal Impact:**

Costs related to the measure may require budgetary action - See analysis.

**Summary of Expenditure Impact:**

	2021-23 Biennium	2023-25 Biennium
<b>Department of Revenue (DOR)</b>		
General Fund		
Personal Services	95,575	108,000
Services and Supplies	51,477	28,303
Capital Outlay	14,335	
<b>Total General Fund</b>	<b>\$161,387</b>	<b>\$136,303</b>
Other Funds		
Personal Services	1,951	2,204
Services and Supplies	1,051	579
Capital Outlay	293	
<b>Total Other Funds</b>	<b>\$3,295</b>	<b>\$2,783</b>
<b>TOTAL FISCAL IMPACT</b>	<b>\$164,682</b>	<b>\$139,086</b>
Positions	1	1
FTE	0.50	0.50

**Analysis:**

Senate Bill 139, A-engrossed, replaces the introduced version. The measure reduces the marginal tax rates to which non-passive, pass-through income is subject. It reduces the tax rate from 7.2 percent to 7.0 percent for pass-through income exceeding \$250,000, but not exceeding \$500,000; and reduces the tax rate from 7.6 percent to 7.5 percent for pass-through income exceeding \$500,000, but not exceeding \$1 million. The measure limits reduced rate pass-through income qualification to S corporations and partnerships with ordinary business income not in excess of \$5 million. To qualify for pass-through income reduced rates, S corporations and partnerships must satisfy either an employee-to-employer ratio or a three-year average limitation on distributions of income as a percentage of ordinary business income. The measure sets the employee-to-employer ratio based on the amount of ordinary business income of the S corporation or partnership. It applies the new pass-through income qualification requirements only to S corporations and partnerships with ordinary business income exceeding \$250,000 in a tax year. The measure applies to tax years beginning on or after January 1, 2021.

### **Department of Revenue**

The measure would have a fiscal impact on the Department of Revenue (DOR). Since tax rates will change, DOR will need to update the department's form instructions and publications based on the new criteria and conduct GenTax programming to accommodate these adjustments. DOR will need to assign one of the department's Operations and Policy Analyst 2 positions on staff to amend administrative rules, update forms and instructions, answer technical questions, and assist with outreach. In addition, DOR will need to hire a permanent, part-time Tax Auditor 2 position (0.50 FTE) to answer questions from businesses and personal income taxpayers and assist with written objections. This estimated fiscal impact to DOR to hire this position is \$164,682 total funds in the 2021-23 biennium, including \$161,387 General Fund, and \$139,086 total funds, including \$136,303 General Fund, in the 2023-25 biennium.

### **Oregon Judicial Department**

The measure would have a minimal fiscal impact on the Oregon Judicial Department.