

Tax Reform Overview

Senate Finance & Revenue

September 28, 2023

State of Oregon

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Discussion Outline

- Tax Reform Efforts
- Policy Change Analysis
 - Static vs Dynamic Scoring
- Federal Child Tax Credit and Poverty

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Tax Reform Efforts

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1998 Governor's Tax Review

- The impact of voter initiatives
- Increased sensitivity to changes in the economy
- Fundamental change in relationship between state and local governments
- Less regressive due to shift in income and property taxes
- The new property tax system may create equity issues





2002 Revenue Options, School Funding and Accountability Task Force

- Reduced property tax burden reduced overall relative tax burden
- S&L governments use non-tax revenue to offset property tax reductions
- Schools are critical to Oregon's quality of life and economic development
- Accountability between school districts and their communities has eroded





2008 Task Force on Comprehensive Revenue Restructuring

- The state revenue system remains highly volatile over the short-term.
- The GF budget has been forced out of balance by passage of voter initiatives
- School finance remains vulnerable to the volatility of the personal income tax
- The budget process may not properly account for long-term fiscal implications
- The state faces immediate revenue needs in transportation and health care
- Local government revenue remains closely tied to the property tax
- Local governments are put under stress when the inflation rate rises above 5%
- Measure 50 does allow for voter-approved new taxing districts for services
- Measure 50 creates inequities in the property tax system
- Fiscal stress at one level of government affects the other





2015 Analysis of Options for Restructuring Oregon's State and Local Revenue System*

- The tax system can be restructured for gains in income, employment, and investment
- A move toward consumption taxes is likely to improve the cyclical stability
- The tax burden distribution for Oregon is essentially proportional
- Important considerations of comprehensive tax reform includes:
 - Planning for a transition period
 - Addressing tax administration changes
 - Impact of changing expenditures on long-term economic performance





Policy Change Analysis

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Oregon's Personal Income Tax Brackets

2023 TAX YEAR RATE SCHEDULE

SINGLE RETURNS		JOINT RETURNS	
Taxable Income	Tax Before Credits	Taxable Income	Tax Before Credits
Not over \$4,050	4.75% of taxable income	Not over \$8,100	4.75% of taxable income
\$4,050 to \$10,200	\$192 + 6.75% of income over \$4,050	\$8,100 to \$20,400	\$385 + 6.75% of income over \$8,100
\$10,200 to \$125,000	\$608 + 8.75% of income over \$10,200	\$20,400 to \$250,000	\$1,215 + 8.75% of income over \$20,400
Over \$125,000	\$10,653 + 9.9% of income over \$125,000	Over \$250,000	\$21,305 + 9.9% of income over \$250,000

2012 TAX YEAR RATE SCHEDULE

SINGLE RETURNS		JOINT RETURNS	
Taxable Income	Tax Before Credits	Taxable Income	Tax Before Credits
Not over \$3,150	5% of taxable income	Not over \$6,300	5% of taxable income
\$3,150 to \$7,950	\$158 + 7% of income over \$3,100	\$6,300 to \$15,900	\$315 + 7% of income over \$6,200
\$7,950 to \$125,000	\$494 + 9% of income over \$7,750	\$15,900 to \$250,000	\$987 + 9% of income over \$15,500
Over \$125,000	\$11,028 + 9.9% of income over \$125,000	Over \$250,000	\$22,056 + 9.9% of income over \$250,000





Static Impact Analysis (Doubling Brackets)

DOUBLE THE 5% AND 7% TAX BRACKETS

SINGLE RETURNS		JOINT RETURNS	
Taxable Income	Tax Before Credits	Taxable Income	Tax Before Credits
Not over \$6,300	5% of taxable income	Not over \$12,600	5% of taxable income
\$6,300 to \$15,900	\$315 + 7% of income over \$6,300	\$12,600 to \$31,800	\$630 + 7% of income over \$12,600
\$15,900 to \$125,000	\$987 + 9% of income over \$15,900	\$31,800 to \$250,000	\$1,974 + 9% of income over \$31,800
Over \$125,000	\$10,806 + 9.9% of income over \$125,000	Over \$250,000	\$21,612 + 9.9% of income over \$250,000

	Biennium (\$M)		
	2011-13	2013-15	2015-17
General Fund	-\$545.0	-\$838.2	-\$911.4





Distribution for tax year: 2012

Income Class (\$)	FY Returns	Oregon Tax (\$M)				Federal Tax (\$M)		Total Income (\$M)	Average \$ Change
		Current	Proposed	Change	% Change	Base	Change		
All Returns									
LESS THAN 10,000	236,873	\$10.8	\$8.0	-\$2.8	-26%	-\$42.1	\$0.0	-\$488.0	-\$12
10,000 TO 20,000	251,480	\$91.6	\$67.2	-\$24.4	-27%	-\$202.8	\$0.0	\$3,706.2	-\$97
20,000 TO 30,000	210,514	\$183.7	\$146.9	-\$36.8	-20%	-\$49.2	\$0.4	\$5,123.9	-\$175
30,000 TO 40,000	149,015	\$219.7	\$184.3	-\$35.4	-16%	\$137.4	\$0.8	\$5,122.5	-\$238
40,000 TO 50,000	120,325	\$242.6	\$209.6	-\$33.0	-14%	\$220.9	\$1.6	\$5,328.6	-\$275
50,000 TO 70,000	184,896	\$519.1	\$463.4	-\$55.8	-11%	\$694.3	\$5.8	\$10,892.4	-\$302
70,000 TO 100,000	221,679	\$944.4	\$867.2	-\$77.2	-8%	\$1,576.8	\$9.8	\$18,456.1	-\$348
100,000 TO 200,000	185,765	\$1,409.1	\$1,338.2	-\$70.9	-5%	\$2,904.6	\$13.9	\$23,959.1	-\$382
200,000 TO 500,000	37,739	\$752.1	\$737.2	-\$14.9	-2%	\$2,260.3	\$2.5	\$10,569.5	-\$394
500,000 AND OVER	7,738	\$729.4	\$726.3	-\$3.1	0%	\$2,957.1	\$0.4	\$8,811.5	-\$397
TOTAL	1,606,024	\$5,102.5	\$4,748.2	-\$354.3	-7%	\$10,457.2	\$35.2	\$91,481.9	-\$221
Single Returns									
LESS THAN 10,000	190,947	\$14.3	\$11.6	-\$2.8	-19%	-\$8.2	\$0.0	\$540.9	-\$14
10,000 TO 20,000	168,189	\$95.8	\$75.4	-\$20.4	-21%	-\$10.1	\$0.0	\$2,439.2	-\$121
20,000 TO 30,000	113,167	\$142.0	\$120.1	-\$21.8	-15%	\$79.1	\$0.4	\$2,758.4	-\$193
30,000 TO 40,000	74,255	\$135.9	\$121.7	-\$14.1	-10%	\$146.7	\$0.8	\$2,546.7	-\$191
40,000 TO 50,000	55,428	\$129.0	\$118.4	-\$10.6	-8%	\$184.8	\$1.0	\$2,454.2	-\$192
50,000 TO 70,000	75,426	\$229.5	\$214.7	-\$14.7	-6%	\$470.6	\$2.6	\$4,406.2	-\$196
70,000 TO 100,000	51,317	\$233.3	\$223.0	-\$10.3	-4%	\$665.8	\$2.0	\$4,180.4	-\$200
100,000 TO 200,000	19,945	\$156.6	\$152.6	-\$4.0	-3%	\$498.7	\$0.7	\$2,511.7	-\$203
200,000 TO 500,000	3,238	\$68.6	\$67.9	-\$0.7	-1%	\$243.3	\$0.1	\$915.7	-\$207
500,000 AND OVER	806	\$70.5	\$70.4	-\$0.2	0%	\$361.2	\$0.0	\$976.9	-\$210
TOTAL	752,717	\$1,275.5	\$1,175.8	-\$99.7	-8%	\$2,631.8	\$7.5	\$23,730.3	-\$132
Joint Returns									
LESS THAN 10,000	45,926	-\$3.6	-\$3.6	\$0.0	0%	-\$33.8	\$0.0	-\$1,029.0	\$0
10,000 TO 20,000	83,291	-\$4.2	-\$8.2	-\$4.0	-95%	-\$192.7	\$0.0	\$1,267.0	-\$48
20,000 TO 30,000	97,347	\$41.7	\$26.8	-\$15.0	-36%	-\$128.3	\$0.0	\$2,365.5	-\$154
30,000 TO 40,000	74,760	\$83.8	\$62.5	-\$21.3	-25%	-\$9.4	\$0.1	\$2,575.8	-\$285
40,000 TO 50,000	64,897	\$113.6	\$91.2	-\$22.4	-20%	\$36.2	\$0.6	\$2,874.5	-\$345
50,000 TO 70,000	109,471	\$289.7	\$248.7	-\$41.0	-14%	\$223.7	\$3.2	\$6,486.2	-\$375
70,000 TO 100,000	170,362	\$711.1	\$644.1	-\$67.0	-9%	\$911.0	\$7.9	\$14,275.7	-\$393
100,000 TO 200,000	165,820	\$1,252.5	\$1,185.6	-\$66.9	-5%	\$2,405.9	\$13.1	\$21,447.5	-\$403
200,000 TO 500,000	34,501	\$683.5	\$669.3	-\$14.2	-2%	\$2,017.0	\$2.4	\$9,653.8	-\$412
500,000 AND OVER	6,932	\$658.9	\$656.0	-\$2.9	0%	\$2,595.9	\$0.4	\$7,834.6	-\$418
TOTAL	853,307	\$3,827.0	\$3,572.4	-\$254.6	-7%	\$7,825.4	\$27.7	\$67,751.6	-\$298

Double the
5% & 7% Tax
Brackets

Distributional
Impact

2011 Projections for
Tax Year 2012



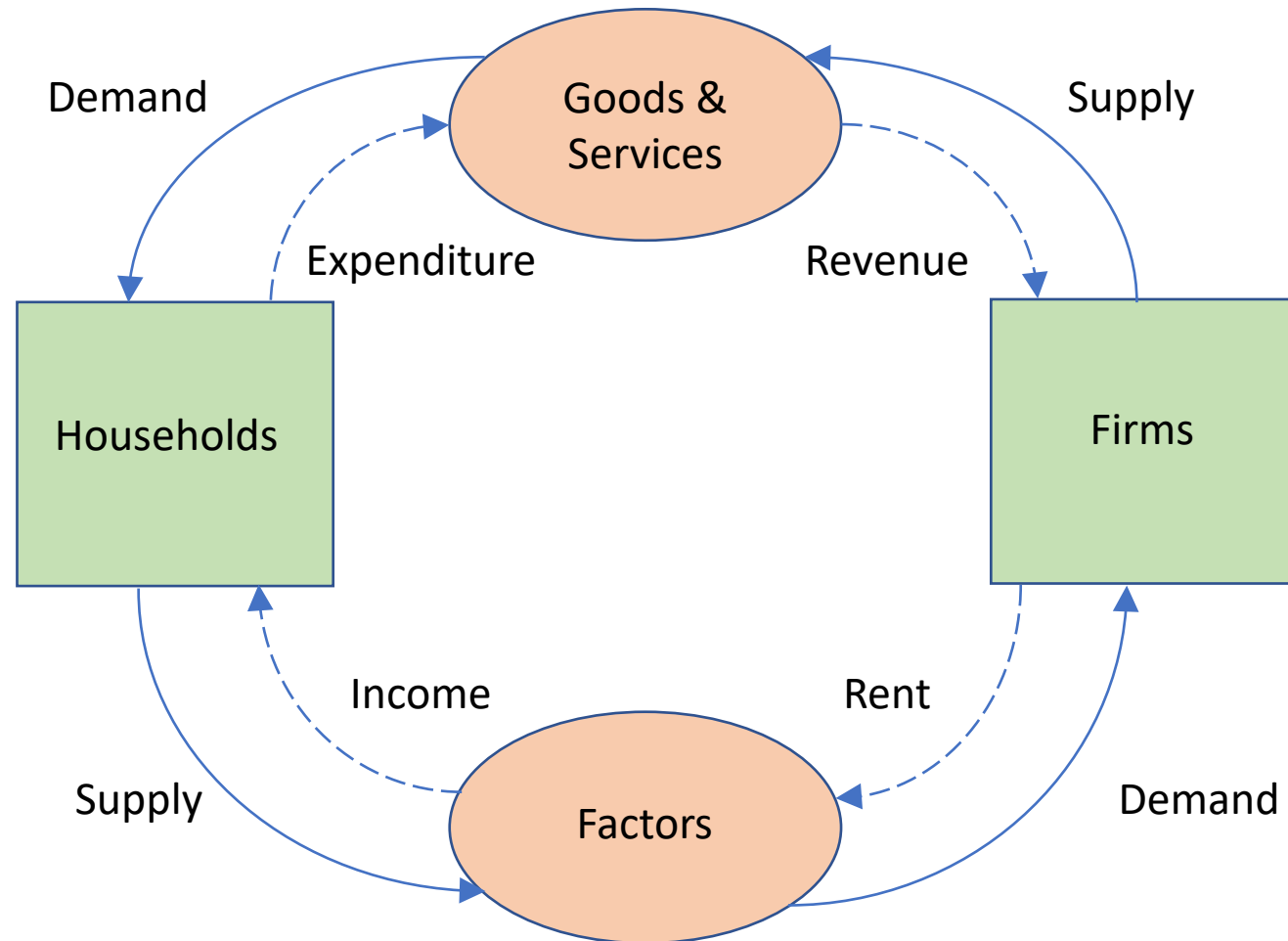
Moving to Dynamic Scoring

- **Microeconomic Effects**
 - Taxpayer specific behavioral responses to tax law changes
 - May not affect total economic activity
- **Macroeconomic Effects**
 - Large scale behavioral changes
 - Changes volume of economic activity
- **Partial Equilibrium**
 - Single market analysis
- **General equilibrium**
 - Economywide markets



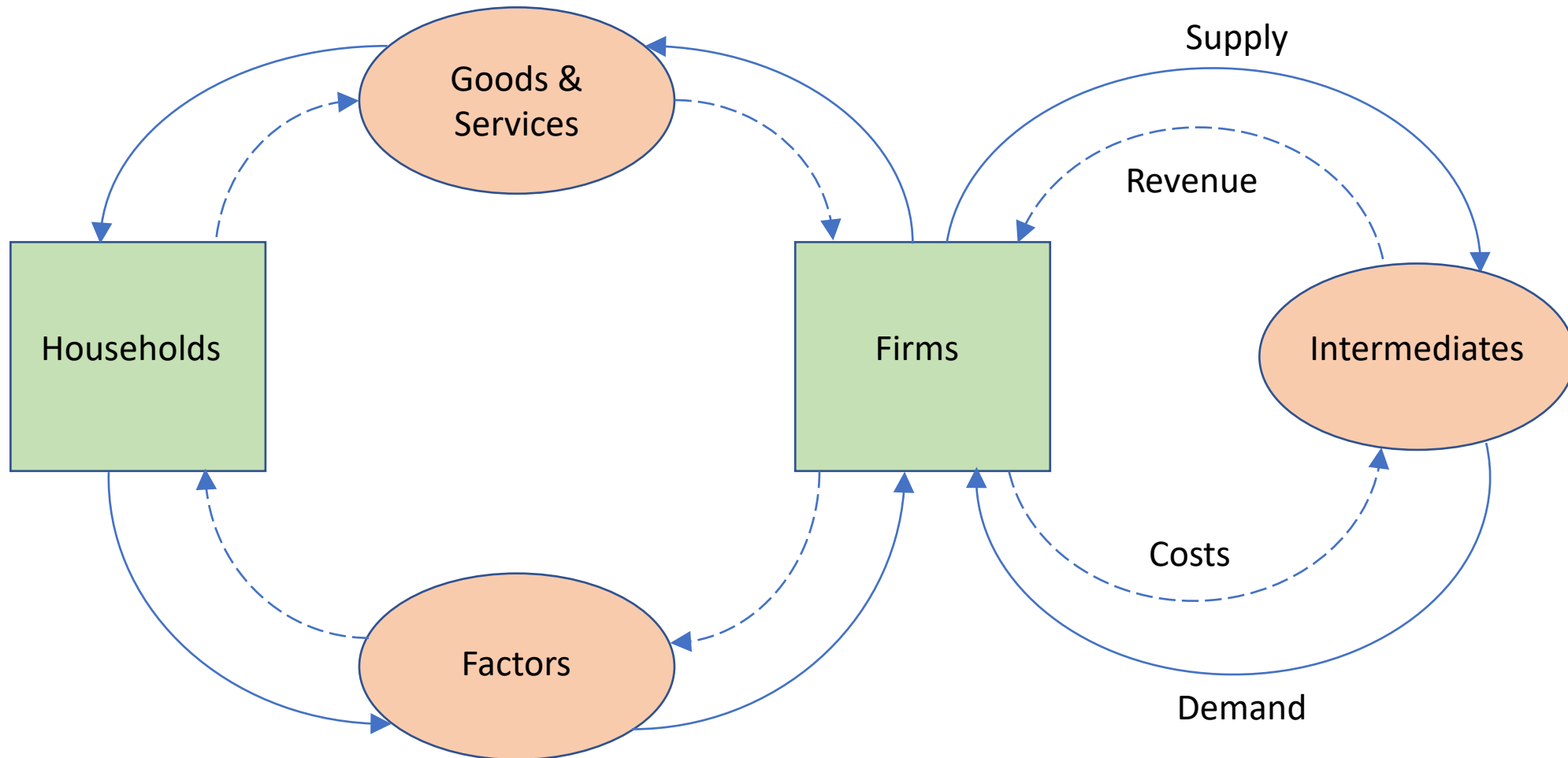


OTIM: The Basic Circular-Flow Diagram



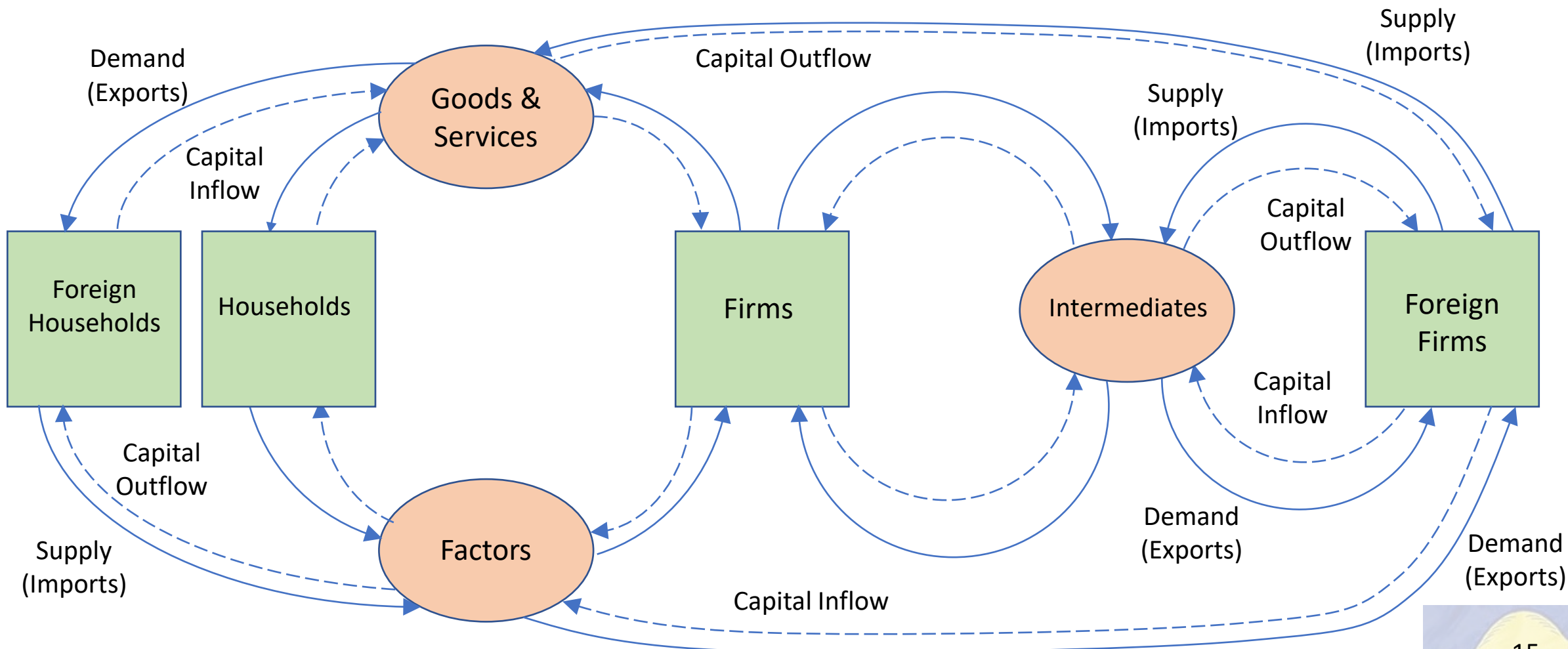


...plus Intermediate Goods & Services



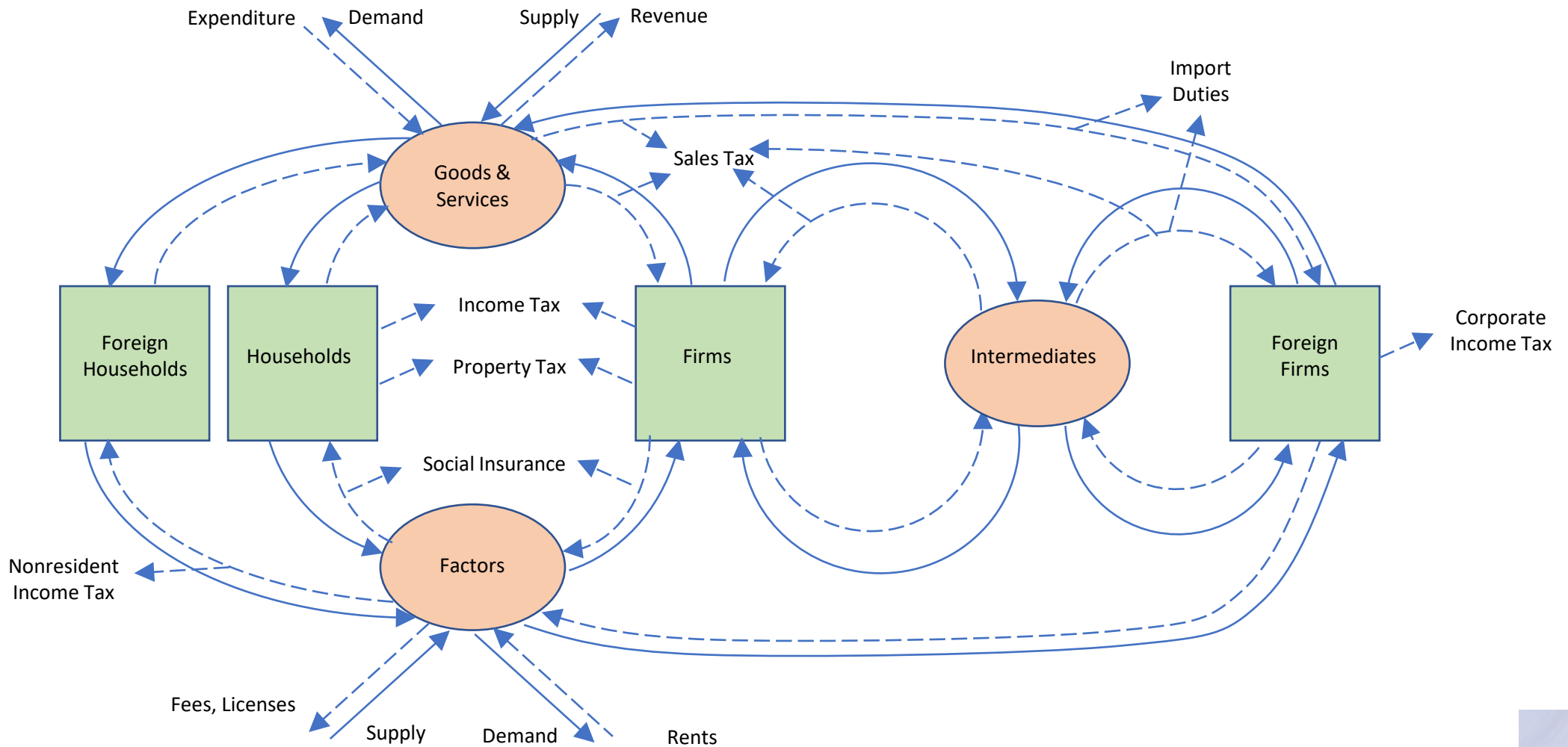


...plus Rest-of-World Trade





...plus State & Local Governments





Double the 5% & 7% Tax Brackets

Dynamic Impact

OTIM Simulation

(effective 1-1-2012):

4/20/2011

(1) Double 5% and 7% tax brackets

2012 Levels				
	Baseline	New Equilibrium	Change From Baseline	Percent Change
Private Sector				
Personal Income (\$M)	\$155,380	\$155,947	\$567	0.4%
Employment	2,180,013	2,195,519	15,506	0.7%
Population	3,891,698	3,900,937	9,239	0.2%
Investment (\$M)	\$17,197	\$17,237	\$39	0.2%
Wage Index	100.0	99.5	-0.5	-0.5%
Return to Capital	100.0	100.3	0.3	0.3%
Price Levels	100.0	99.9	-0.1	-0.1%
Public Sector				
State Spending (\$M)	\$21,647	\$21,329	-\$318	-1.5%
GF Revenue (\$M)	\$7,132	\$6,791	-\$341	-4.8%
OF Revenue (\$M)	\$14,515	\$14,537	\$22	0.2%
Local Govt Revenue (\$M)	\$11,636	\$11,665	\$29	0.3%
Federal Tax Paid by Oregonians (\$M)	\$31,087	\$31,198	\$111	0.4%

Static Revenue Impact (\$ Millions)	-\$354
Dynamic Revenue Impact (\$ Millions)	\$65
Net Revenue Impact (\$ Millions)	-\$289

General Fund Change (\$ Millions)	-\$341
Other Funds Change (\$ Millions)	\$22
Local Revenue Change (\$ Millions)	\$29





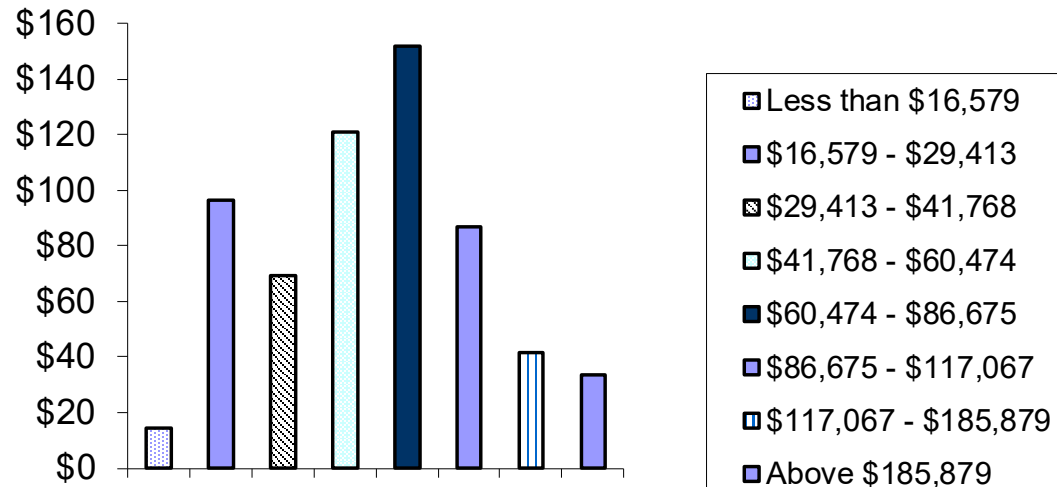
Total Net Household Income

	Baseline (\$M)	New Equilibrium (\$M)	Difference (\$M)	% Difference	Change in Number of Hholds	Mean HH Income Change (\$)
Less than \$16,579	\$4,277	\$4,291	\$14	0.3%	117	\$60
\$16,579 - \$29,413	\$9,574	\$9,671	\$97	1.0%	960	\$281
\$29,413 - \$41,768	\$13,711	\$13,781	\$69	0.5%	481	\$203
\$41,768 - \$60,474	\$19,953	\$20,073	\$121	0.6%	840	\$244
\$60,474 - \$86,675	\$32,120	\$32,271	\$152	0.5%	687	\$291
\$86,675 - \$117,067	\$17,334	\$17,421	\$87	0.5%	379	\$314
\$117,067 - \$185,879	\$14,490	\$14,532	\$42	0.3%	146	\$222
Above \$185,879	\$10,933	\$10,966	\$34	0.3%	67	\$393
TOTAL	\$122,391	\$123,006	\$615	0.5%	3,677	

Double the
5% & 7% Tax
Brackets

Dynamic Impact

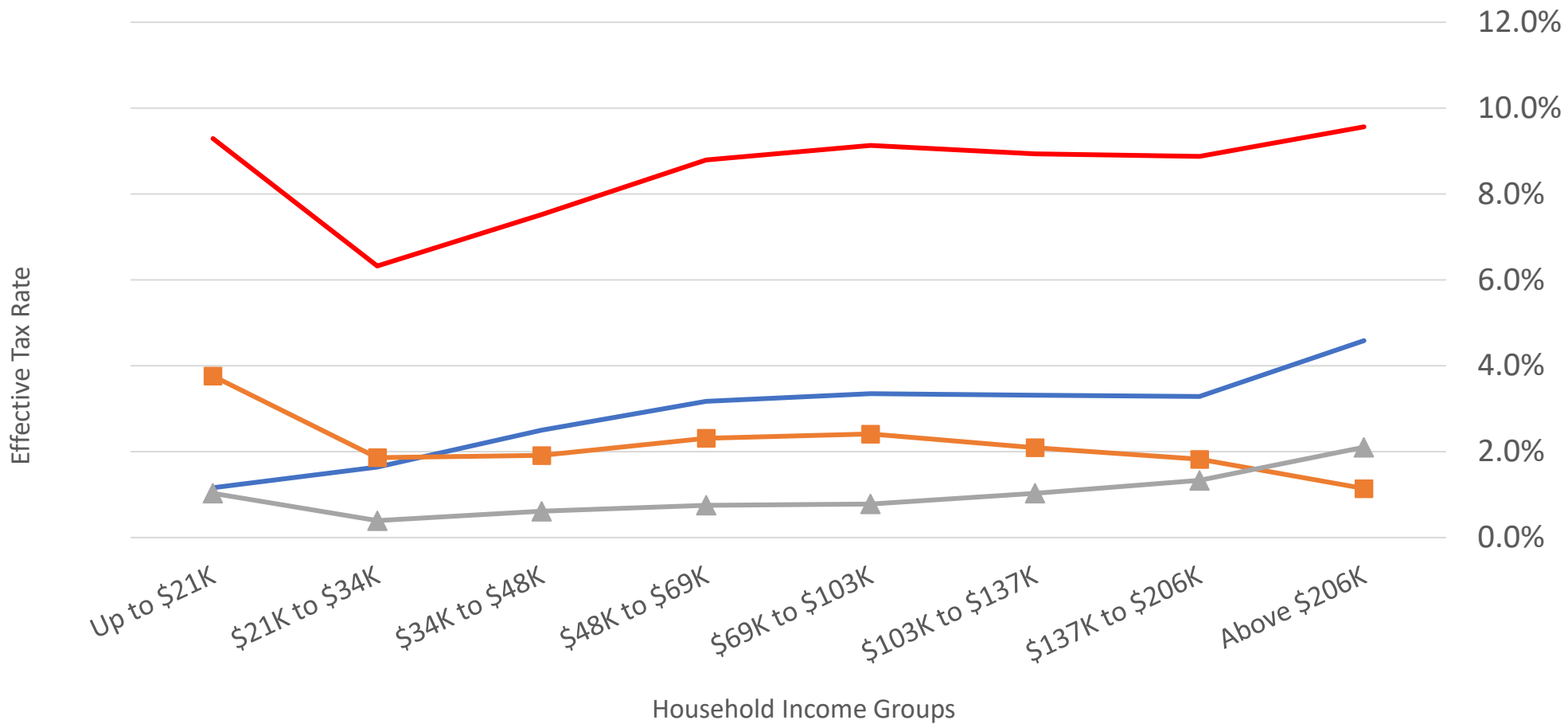
Change in Total Net Household Income (\$M)





Distribution of Tax Burden for Oregon's Major Taxes

(Taxes Paid Directly and Indirectly Divided by Household INCOME)



— Personal Income Tax — Residential Property Tax — Business Property Tax — All Taxes





Federal Child Tax Credit

State of Oregon

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The Impact of the
2021 Expanded
Child Tax Credit on
Child Poverty

by

Kalee Burns and
Liana E. Fox, U.S.
Census Bureau

Child Tax Credit Policy: 2020 and 2021		
Year	2020 (Tax Cuts and Jobs Act—TCJA)	2021 (American Rescue Plan Act—ARPA)
Credit	\$2,000 credit per child under aged 0-16	<ul style="list-style-type: none"> • \$3,600 credit for children aged 0-5 • \$3,000 for children aged 6-17
Refundability	Partially refundable, up to \$1,400/child	Fully refundable
Eligibility	Must have at least \$2,500 in earned income	No minimum earned income
Phase Out	Begins to phase out at a rate of \$50 for every \$1,000 in additional income over income thresholds	Gradually phases out at a rate of 5 percent as income exceeds specified thresholds until the credit amount equals the TCJA-law maximum of \$2,000 per child
Phase-Out Income Thresholds	<ul style="list-style-type: none"> • \$200,000 for single/head-of-household filers • \$400,000 for married-joint filers 	<ul style="list-style-type: none"> • \$75,000 for single filers • \$112,500 for head of household filers • \$150,000 for married joint filers

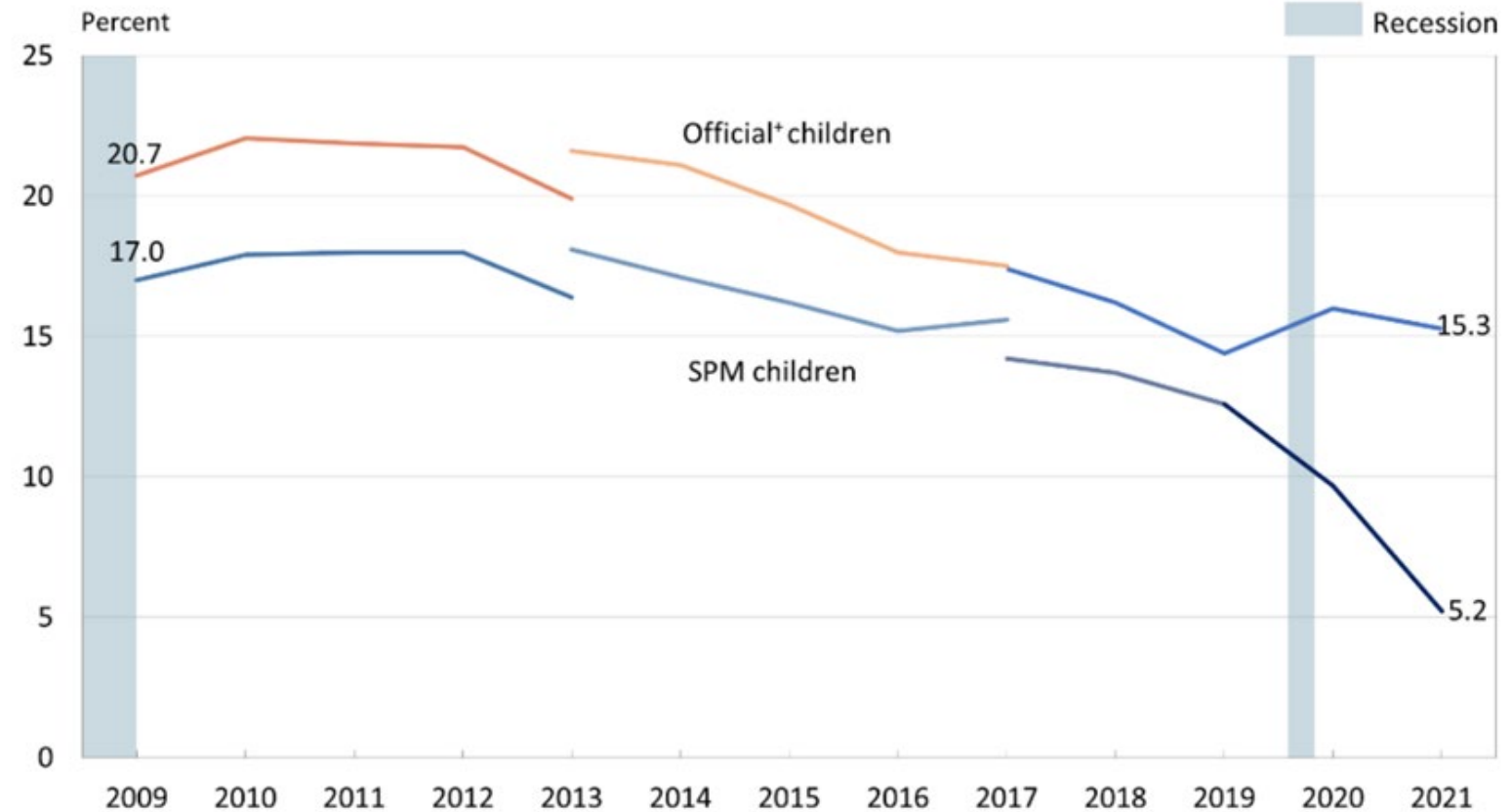


The Impact of the 2021 Expanded Child Tax Credit on Child Poverty

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Kalee Burns and Liana E. Fox, U.S. Census Bureau

Figure 1.
Child Poverty Rates Using the Official+ and the Supplemental Poverty Measures: 2009 to 2021



Notes: Population as of March of the following year. Official+ includes unrelated individuals under age 15. The Supplemental Poverty Measure (SPM) estimates for 2019 and beyond reflect the implementation of revised SPM methodology. More information is available in *Poverty in the United States: 2021*. The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. The data points are placed at the midpoints of the respective years. More information on confidentiality protection, sampling error, nonsampling error, and definitions is available at <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar22.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 2010 to 2022 Annual Social and Economic Supplements (CPS ASEC).

For More Information

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