

Senate Finance & Revenue and The Tax System

January 17, 2022

State of Oregon

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Presentation Sections

- LRO Role
- Committee Workload
- Revenue Forecast vs Revenue Impacts
- Census Revenue Data
- Kicker, Reserve Accounts, Other Information



LRO Staff and Duties

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Who Is the LRO? What do we do?

- Created in 1975 as non-partisan, independent, permanent professional Legislature staff
- Staff to: House Revenue, Senate Finance & Revenue, Joint Committee on Tax Expenditures
- Produce Revenue Impact Statements and Staff Measure Summaries
- Provide research & analysis for tax policies & proposals, school finance, tax expenditures, and other revenue issues
- Prepare studies, reports, and information on matters relating to taxation & revenue
- Brief legislators on the implications of revenue trends and legislative proposals
- Work with various public and private stakeholders

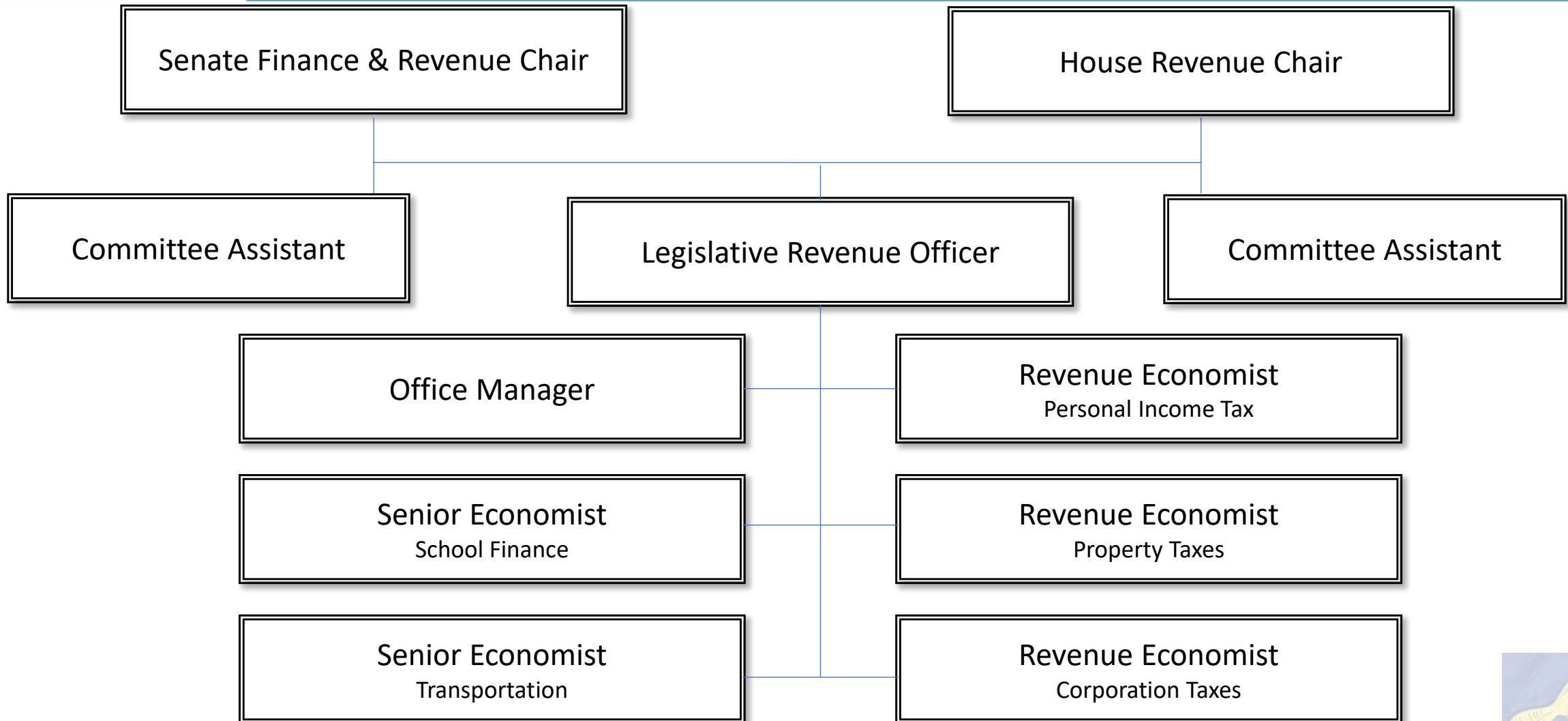
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LRO Organizational Chart





LRO Homepage



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Legislative Revenue Office

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Revenue Impact Statements and Staff Measure Summaries



Oregon Tax Primer



2022 OREGON PUBLIC FINANCE: BASIC FACTS

Research Report #1-22

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

Section	Pages	Subject
	iii	LRO Organizational Chart
A	A1 – A7	Overview
B	B1 - B3	Surplus Kicker
	B3 - B4	Reserve Funds
	B4 - B5	State Budget History
	B6 - B7	Effect of Tax Changes
C	C1 – C12	Personal Income Taxes
	C13 - C24	Corporate Excise Taxes
D	D1 – D11	Property Taxes
E	E1 – E5	Property Tax Deferral Program
F	F1 – F5	Estate and Inheritance Tax
G	G1 – G4	School Finance
	G5 - G7	School Formula and ESD
	G8 - G11	School Finance data and Tables
H	H1 – H9	Transportation Taxes
I	I1 – I7	Timber Taxes
J	J1 – J6	Excise Taxes: Cigarettes, Tobacco, Alcohol (OLCC), and Marijuana
K	K1 – K5	Lottery
L	L1 – L5	Other taxes: 911 & Lodging
M	M1 – M3	Health Care Provider Tax
N	N1	Corporate Activity Tax
O	O1 - O3	Recent Tax Votes
P	P1 - P2	Other Reports





Senate Finance & Revenue Workload

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Key Issues and Partners

Types of Bills

- Tax administration
- Technical modifications
- Policy changes
- Federal Reconnect

Tax Expenditures

- Exclusions
- Exemptions
- Deductions
- Credits

Key Partners

- DOR & OEA
- County Assessors
- Lobby
- State Agencies





Policy Considerations

Revenue & Economic Impacts

- Adequacy
- Stability vs Growth
- Ability-to-pay vs Benefits received
- Neutrality (market distortion)
- Distributional impacts
- Administrative Ease
- Simplicity

Budget Impacts

- Fund Type: GF & OF
- Short-Term: 2023-25
 - Session Forecast updates
 - Work with LFO/W&M
 - Close-of-Session Forecast
- Long-Term
 - Economic impacts & trends
 - Tax system integrity



Revenue Impacts and Analysis

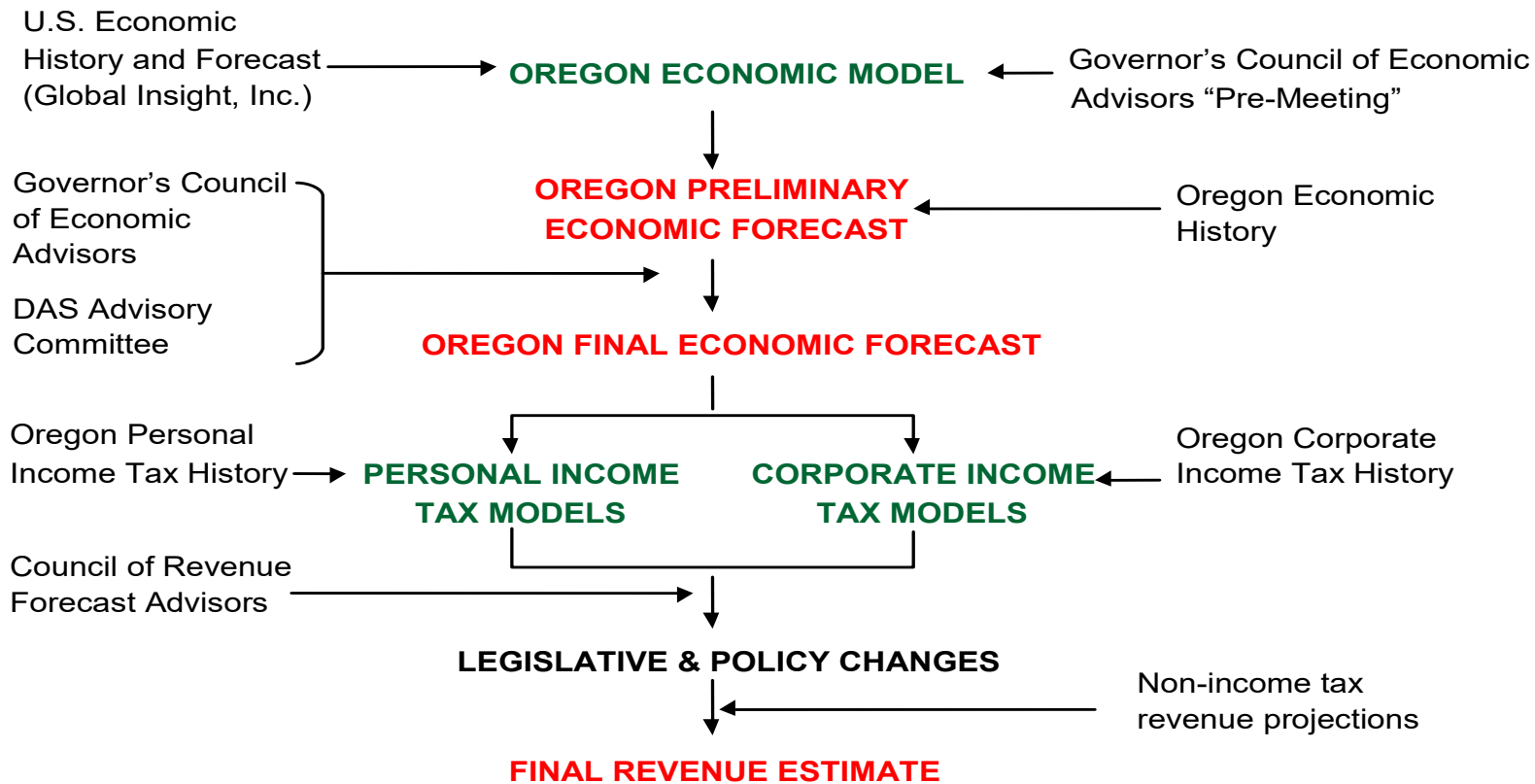
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Forecasting General Fund Revenue: Office of Economic Analysis



2023 Session Forecasts

- February 22nd
- May 17th

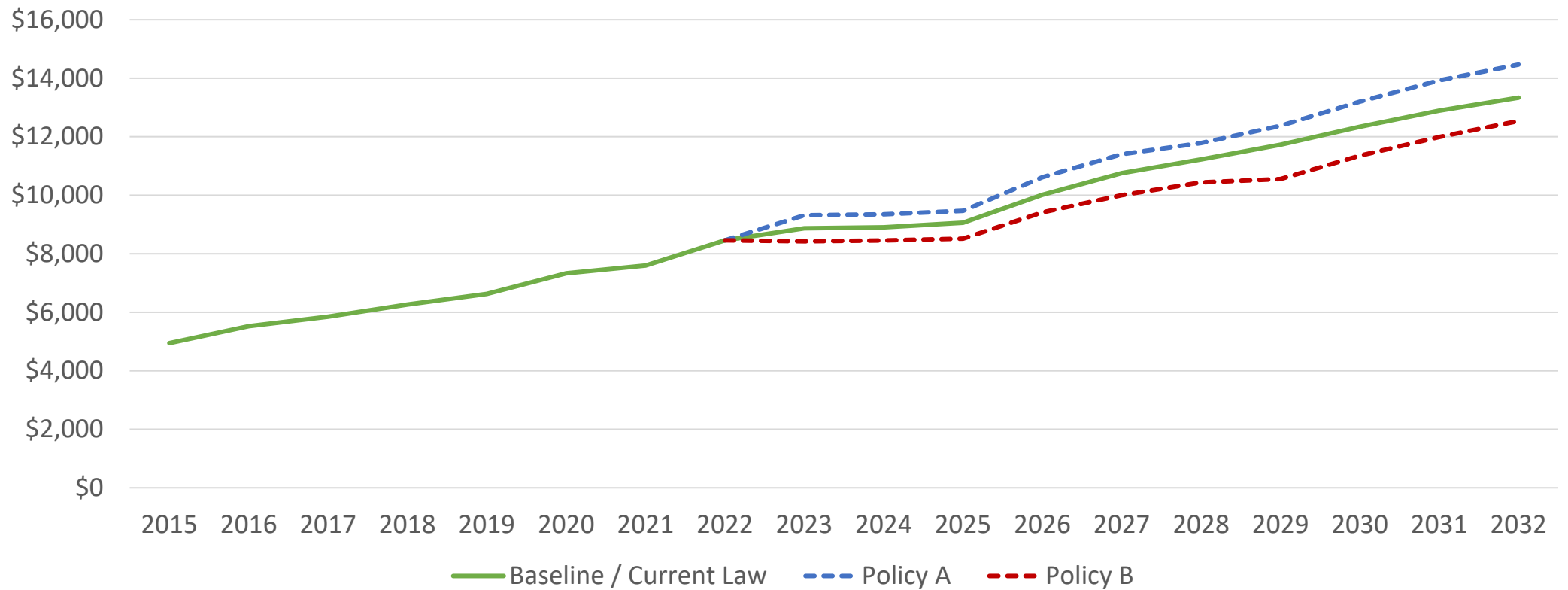
Revenue Included

- General Fund
- Lottery
- CAT
- Marijuana



What is a Revenue Impact?

Current Law vs Proposed Law





Property Tax Impacts are Different: Loss vs Shift

City before an exemption

- Assessed Value = \$1,000 million
- Operating Taxes
 - Permanent Rate = 0.4%
 - Tax = \$4 million ($\$1,000 * 0.4\%$)
- Capital Construction
 - Tax = \$2 million
 - Bond Rate = 0.2% ($\$2 / \$1,000$)

City after an \$100M exemption

- Assessed Value = \$900 million
- Operating Taxes
 - Permanent Rate = 0.4%
 - Tax = \$3.6 million ($\$900 * 0.4\%$)
 - **Loss of \$0.4 million**
- Capital Construction
 - Tax = \$2 million
 - Bond Rate = 0.222% ($\$2 / \900)
 - **Increase of 0.022 percentage points**



Oregon in Comparison

2020 CENSUS DATA

State of Oregon

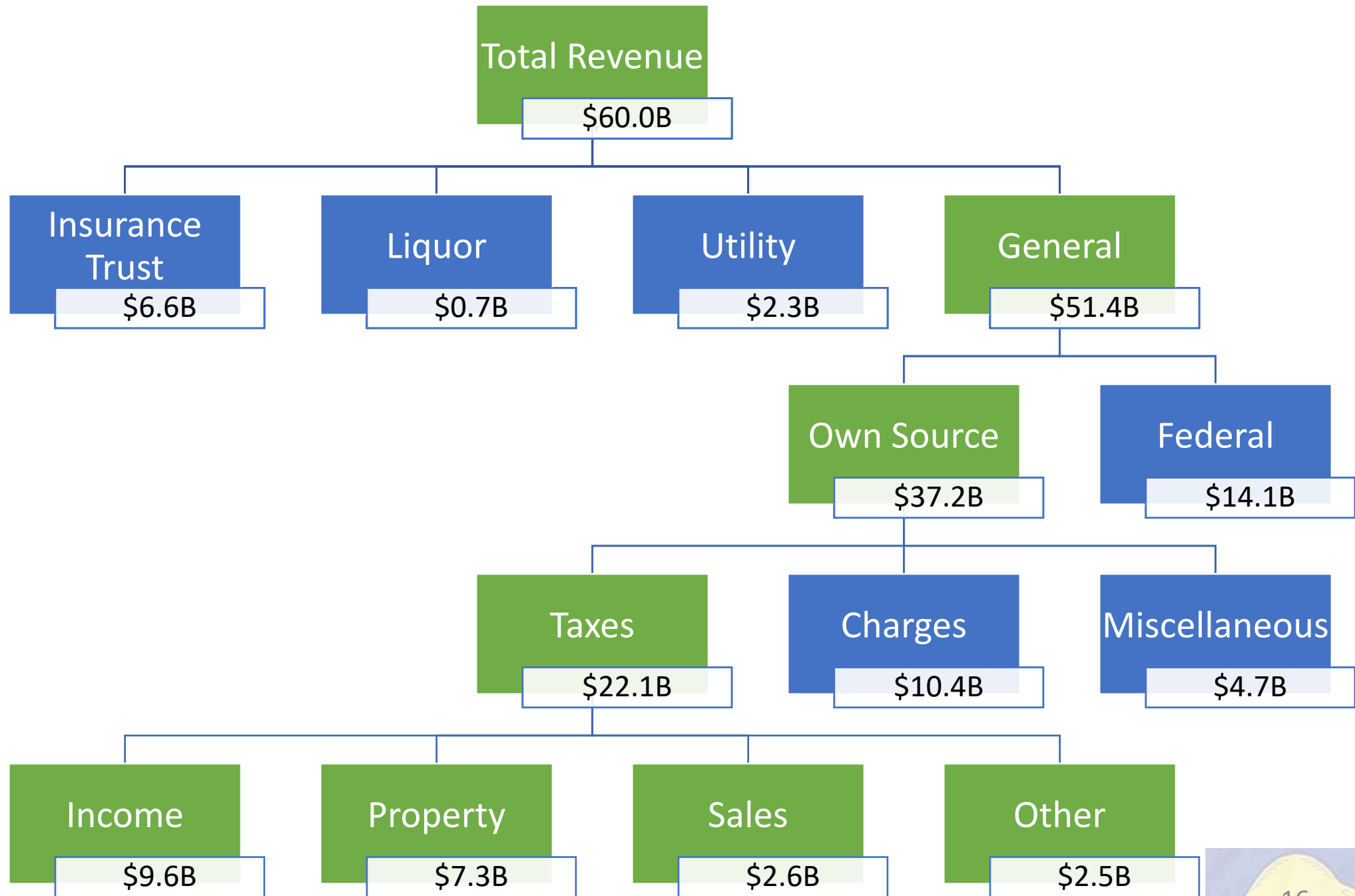
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Oregon State & Local Revenue

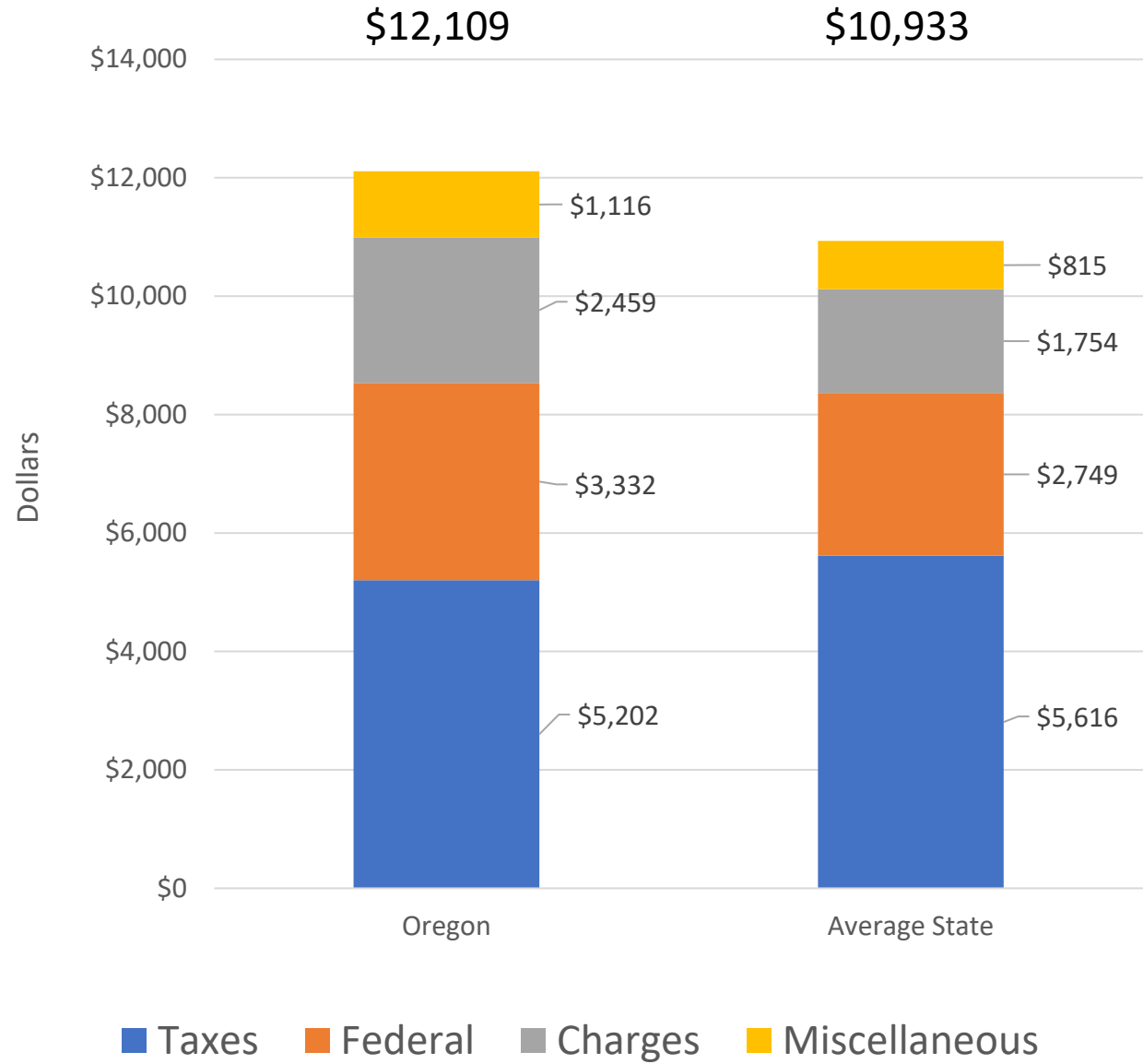
2020 Census of State and Local Government Finances





State and Local General Revenue Sources: Per Capita

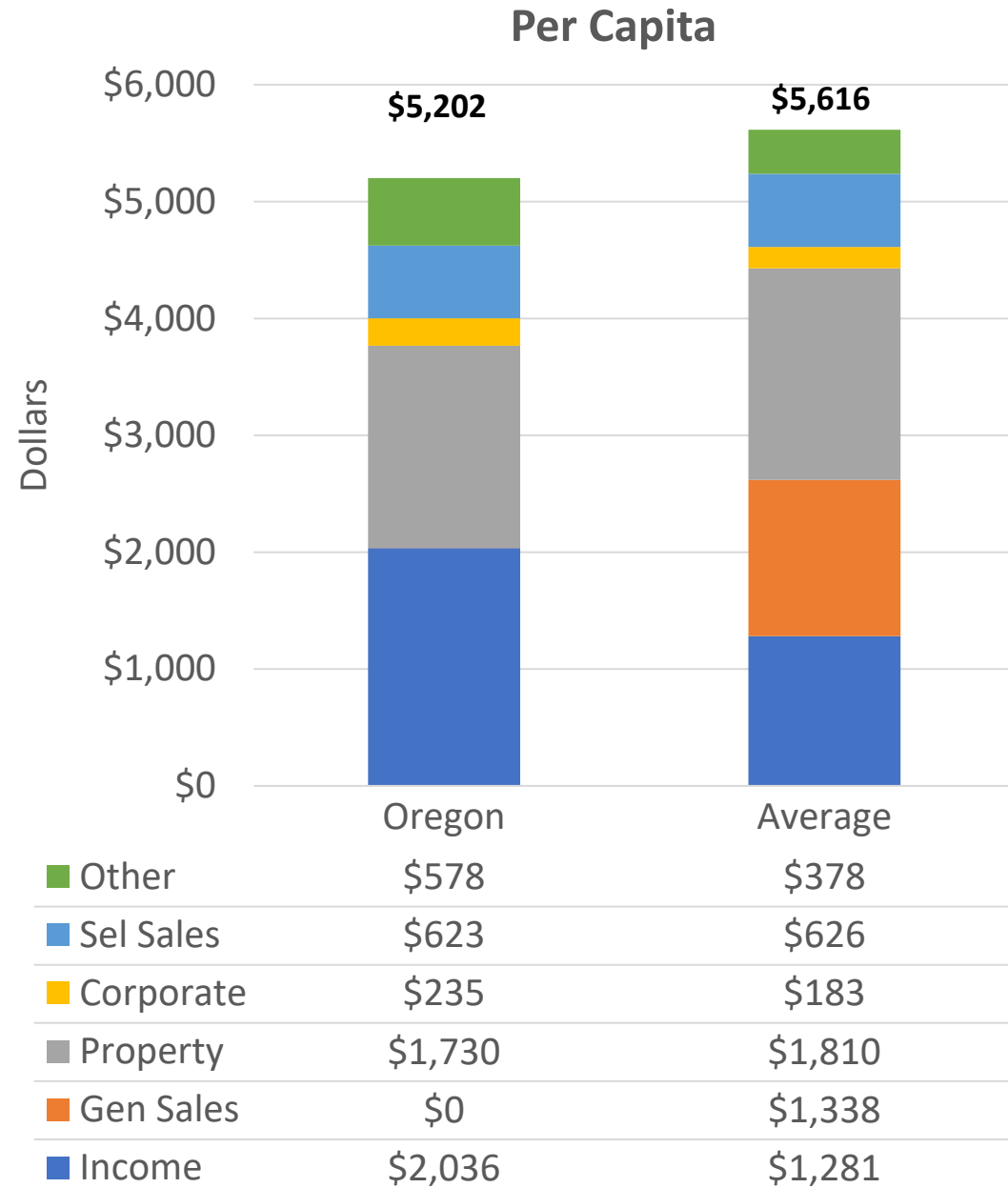
2020 Census of State and Local
Government Finances





State and Local Tax Comparisons - per capita

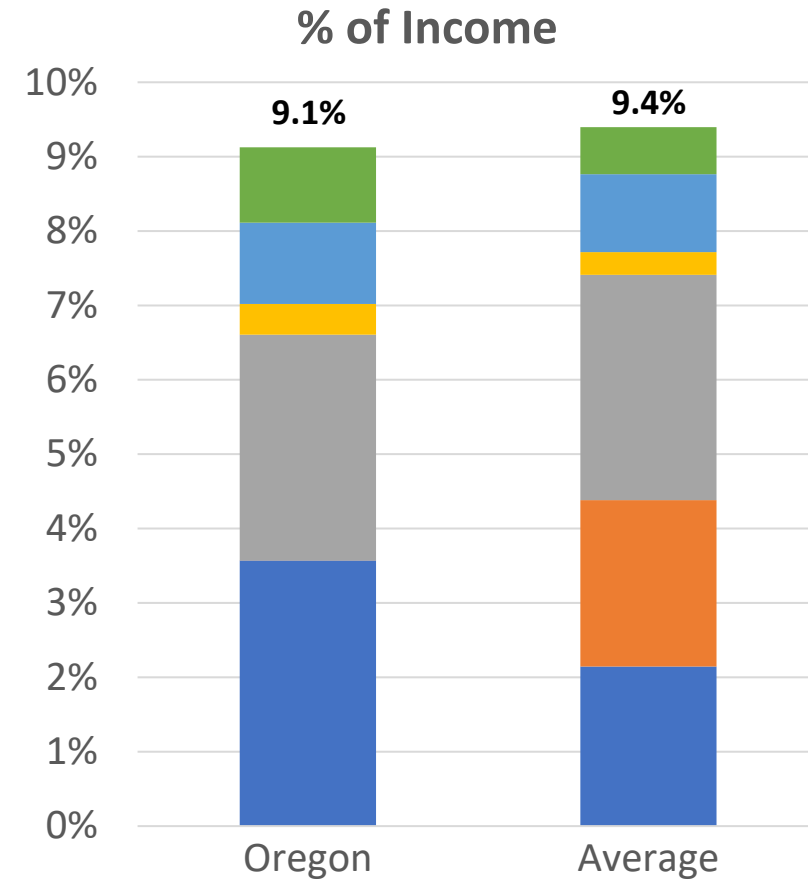
2020 Census of State and Local Government Finances





State and Local Tax Comparisons - % of Income

2020 Census of State and Local Government Finances

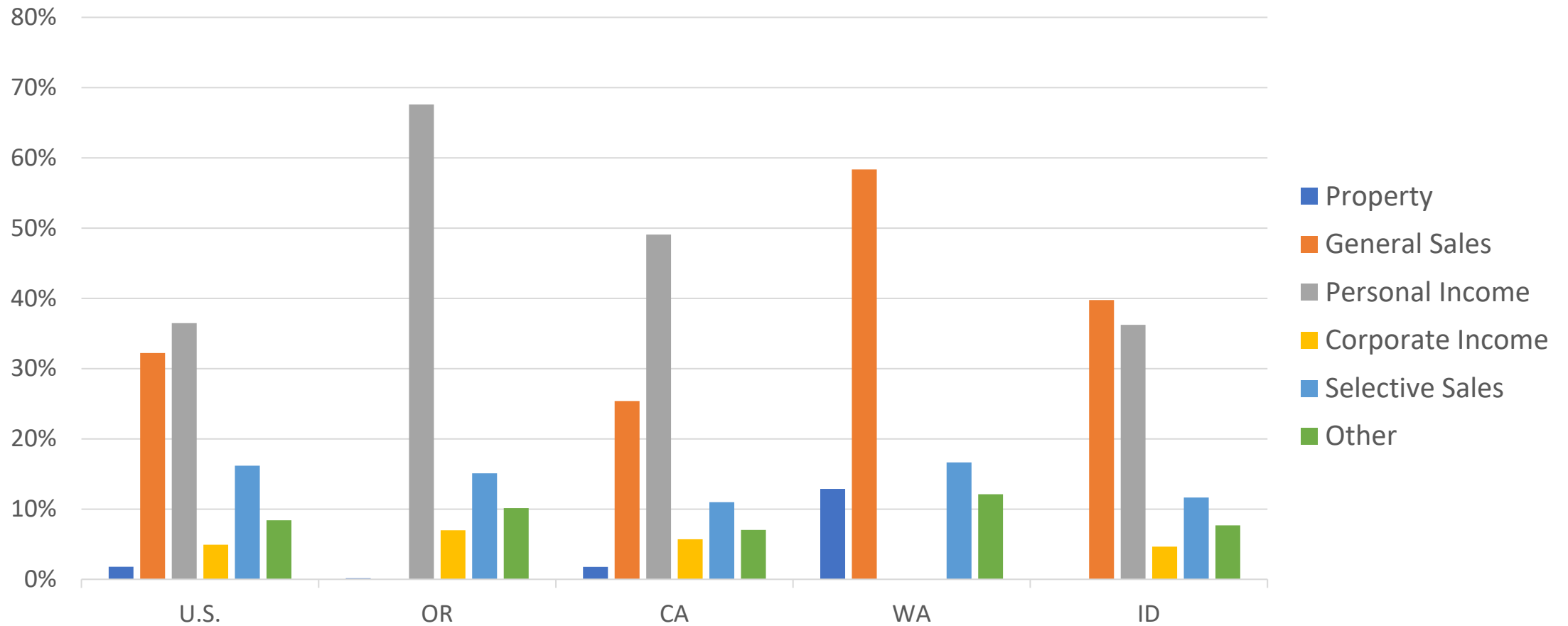


■ Other	1.0%	0.6%
■ Sel Sales	1.1%	1.0%
■ Corporate	0.4%	0.3%
■ Property	3.0%	3.0%
■ Gen Sales	0.0%	2.2%
■ Income	3.6%	2.1%



State (only) Taxes By Source

2020 Census of State and Local Government Finances



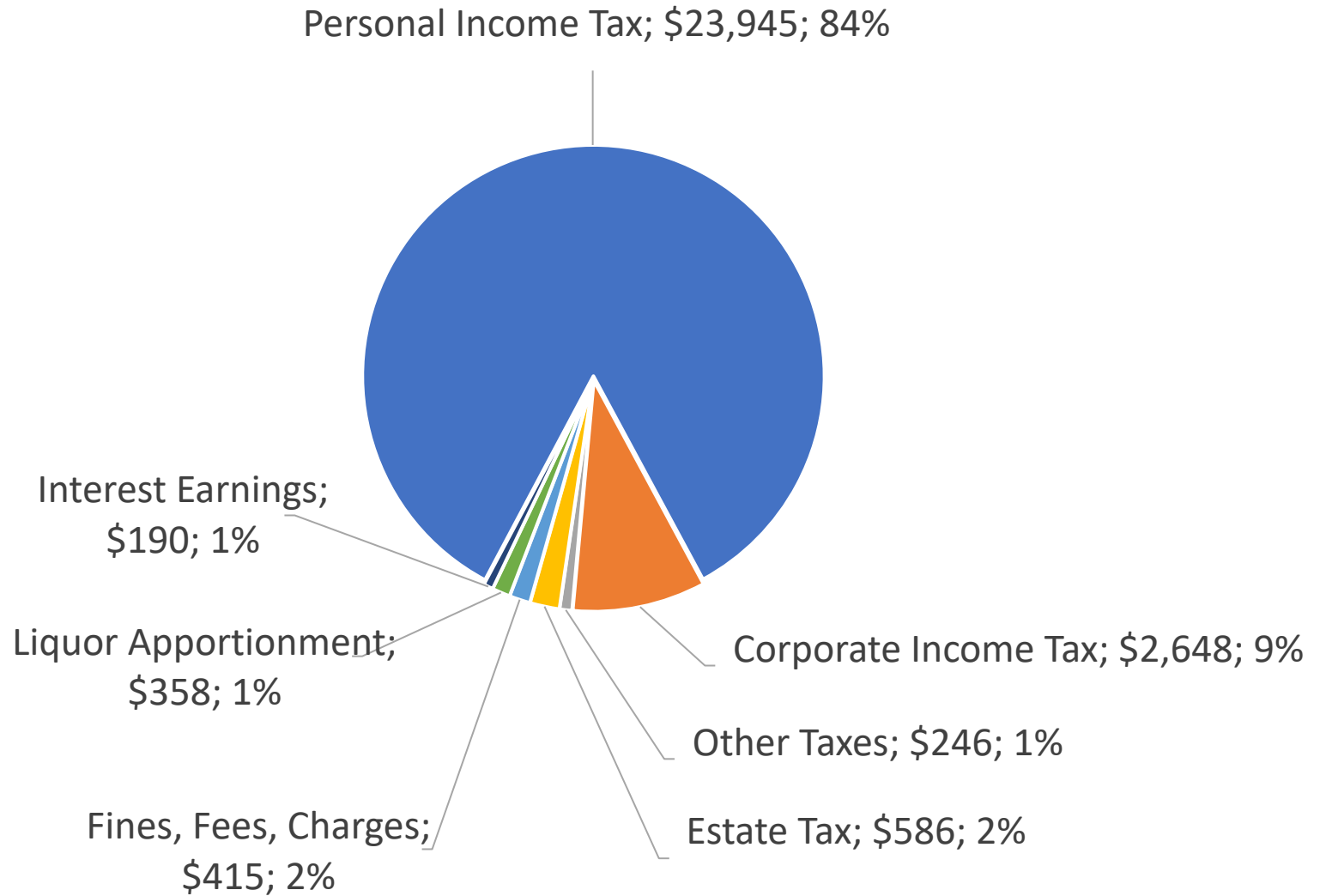


2021-23 General Fund Revenue \$28,387M

- By Fund Source

Source:

December 2022 Revenue forecast,
OEA



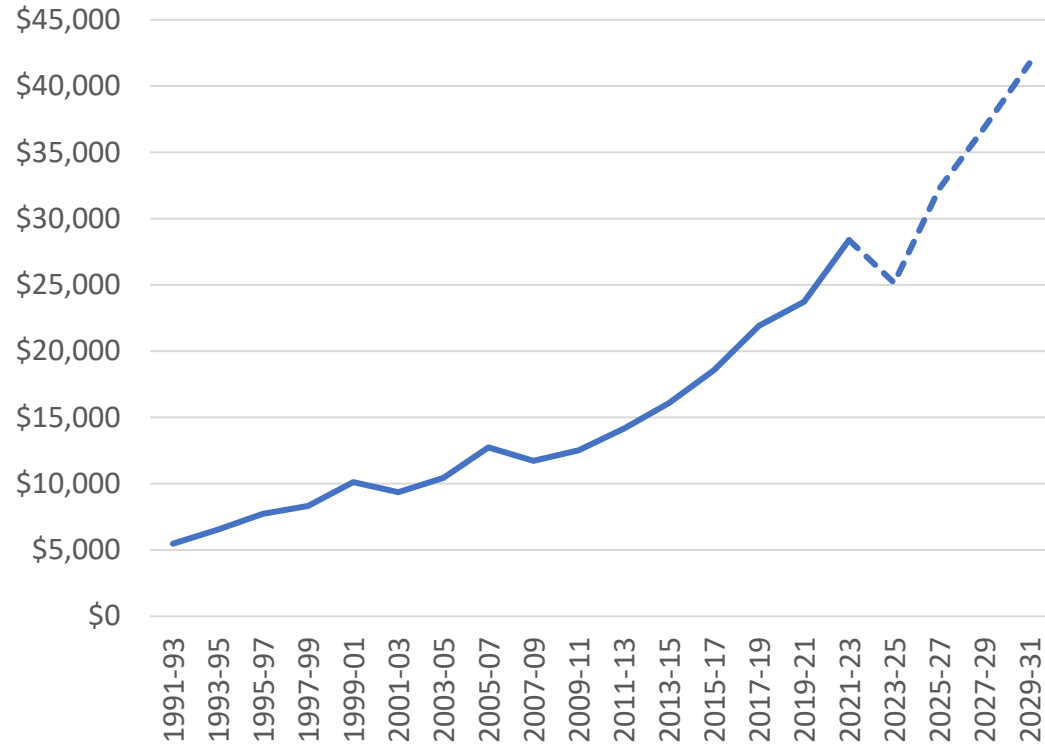


General Fund Revenue Volatility

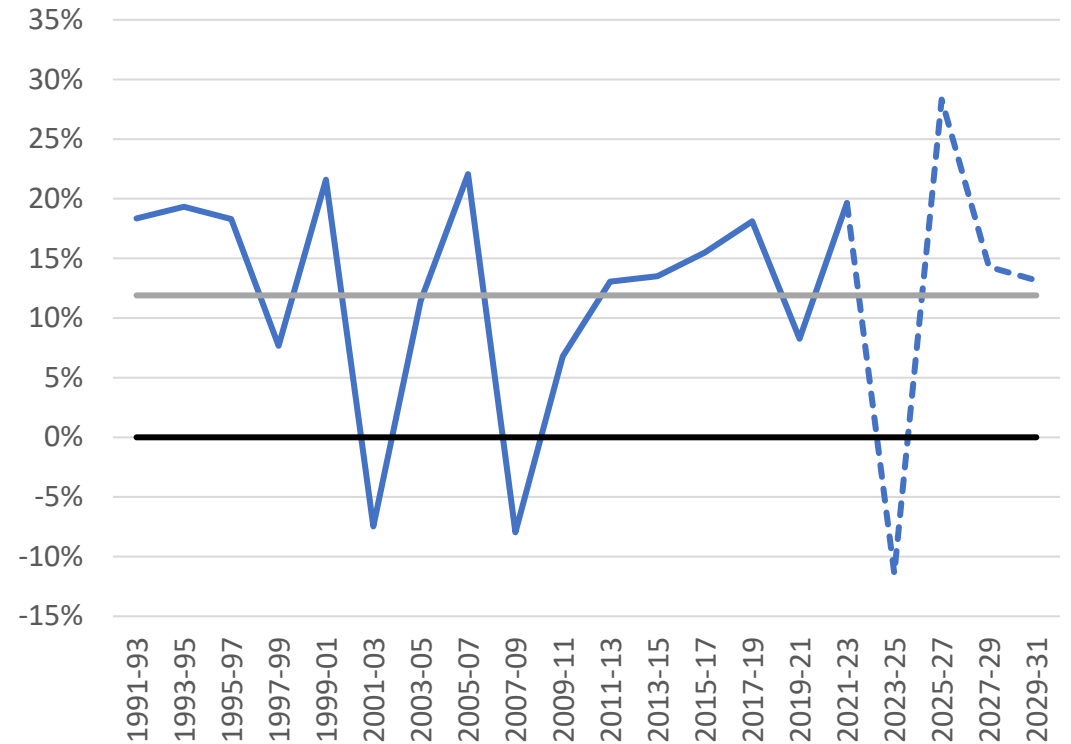
(Trend and Biennial Percentage Change)

Historical Trend and Current Forecast

\$ Millions



Biennial Change and Current Forecast



Oregon Kicker and Reserve Accounts



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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



Kicker History

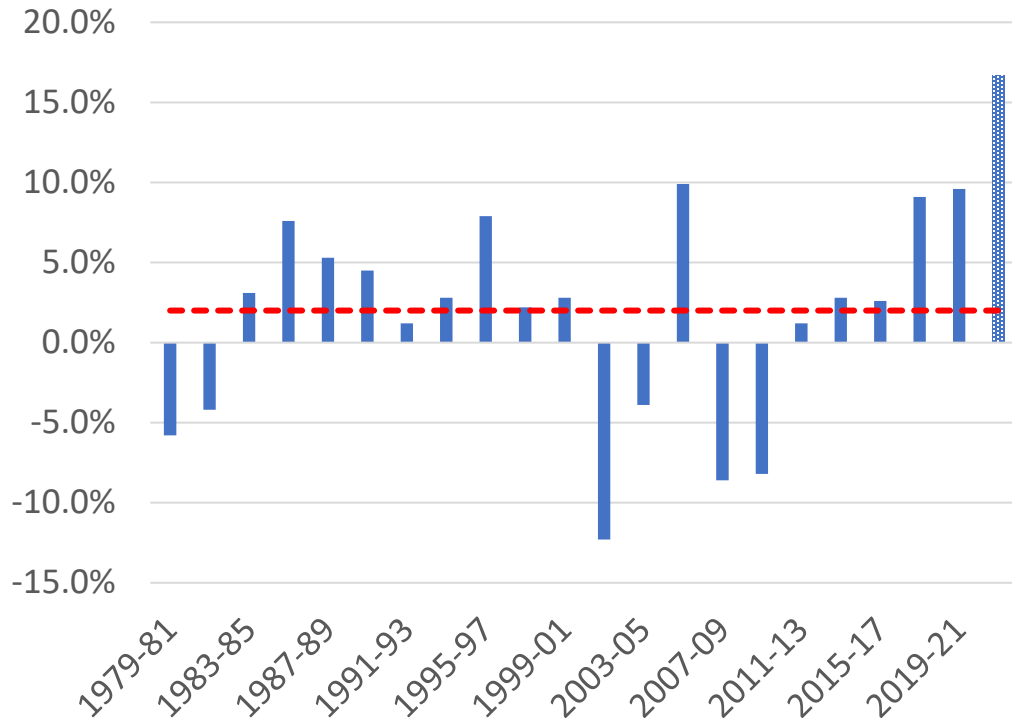
- Put in statute in 1979; constitution in 2000
- Personal kicker was converted to a refund in 1995 and back to a credit in 2011
- Personal kicker has been triggered 13 times (suspended once) in 21 biennia since 1979
- Personal kicker has triggered for a total of \$7.2 billion between 1979 and 2021—an average of 2.9% of General Fund revenue for that period
- Projected 2021-23 kickers:
 - Personal - \$3,683M or 13% of GF revenue
 - Corporate - \$1,327M or 4.7% of GF revenue



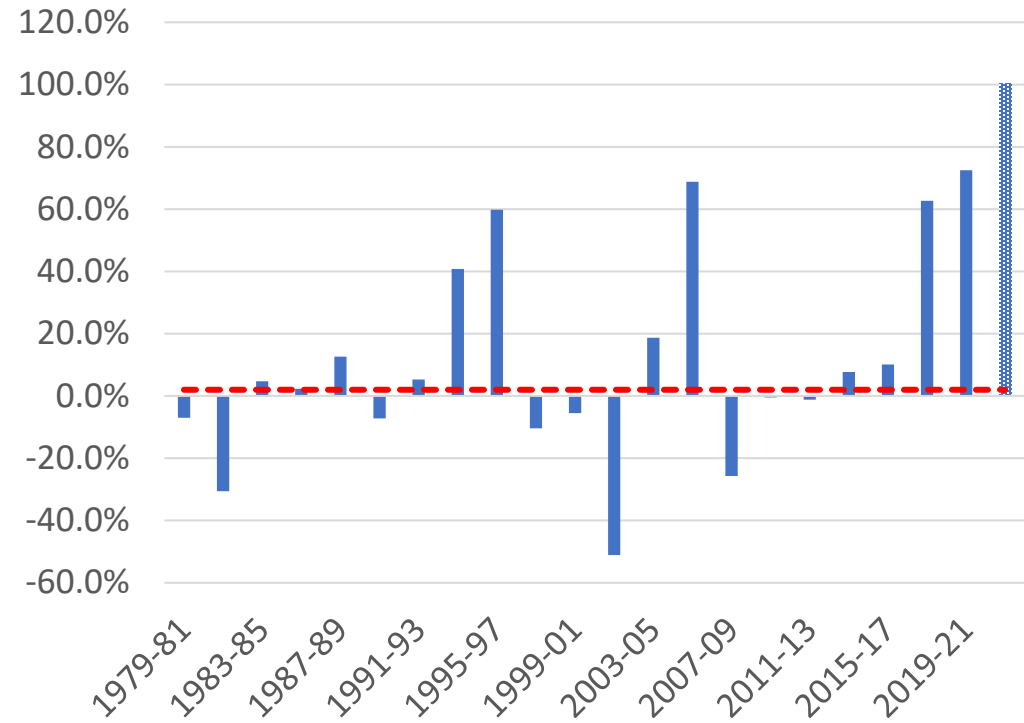


Kicker History and the 2% Threshold

Personal Kicker



Corporate Kicker





State Reserve Position for 2021-23

(\$ Millions)

	Education Stability Fund	Rainy Day Fund	Total Reserves
Source of Funds	Lottery (18% of earnings)	1% of Appropriations; Corporate Income Tax	
Use of Funds	Public Education	General	
Current Balance (December Forecast)	\$600	\$1,194	\$1,794
Projected Ending Balance	\$706	\$1,334	\$2,040
Cap	5% of prior biennium revenue: \$1,188	7.5% of prior biennium appropriations: \$1,685	



Additional Resources

- **December Forecast**
 - [OEA GF Forecast Presentation \(Includes Lottery, CAT, Marijuana Revenue\)](#)
 - [LRO Forecast Summary](#)
 - [OEA Other Funds Report](#)
- HREV Property Tax 3-Day Seminar
 - [Overview](#)
 - [Administrative Issues](#)
 - [Data and Analysis](#)
- Other



For More Information

- Legislative Revenue Office
- ~~900 Court St. NE, Room 160~~
 - 255 Capitol St., (PSB) 5th floor
- Salem, OR 97301
- 503-986-1266
- <https://www.oregonlegislature.gov/lro>

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