

Oregon Tax Reform:

A Brief History

Interim Senate committee on Finance & Revenue

November 17, 2025



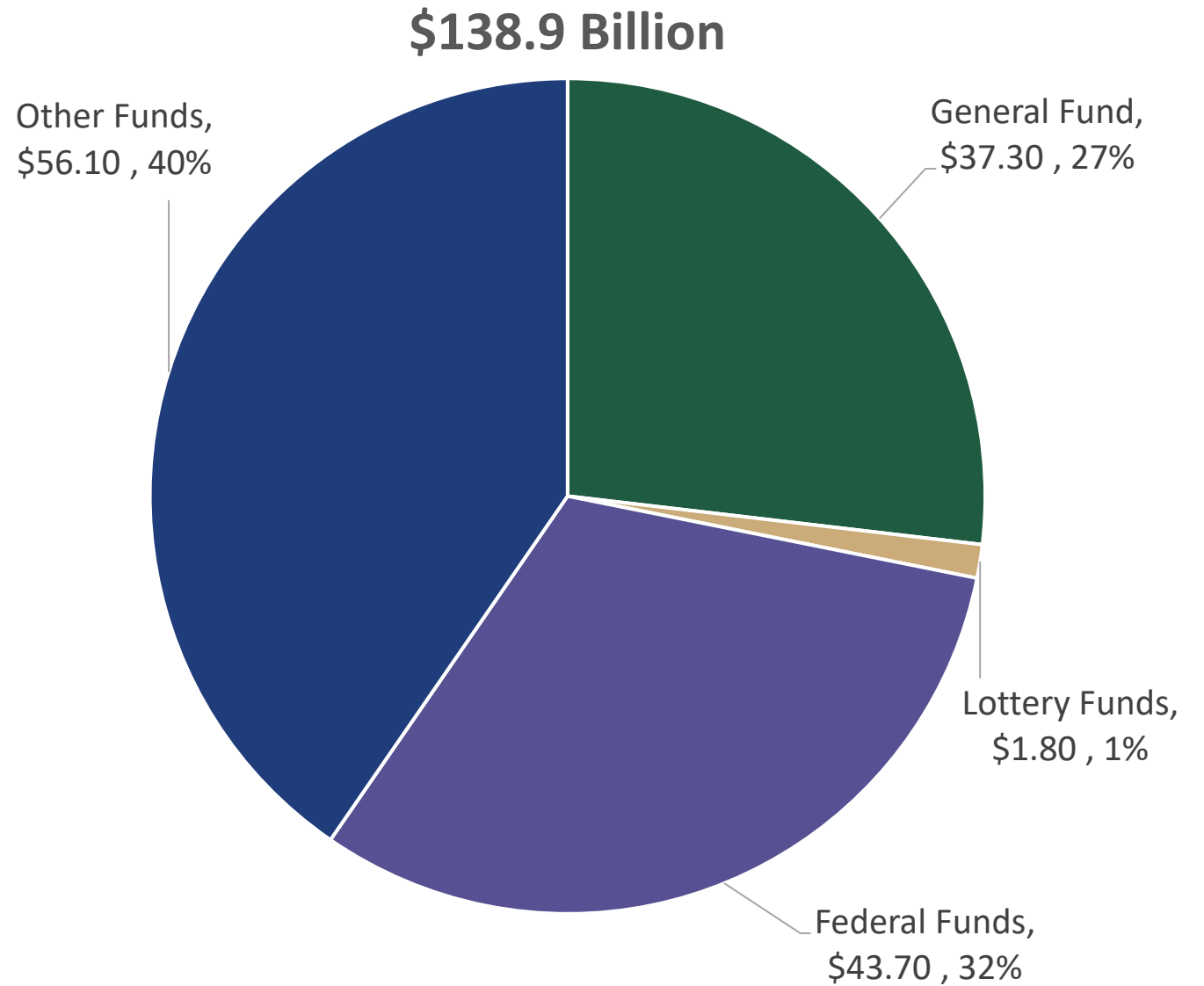
2025-27 Legislatively Adopted Budget (State)

By Fund Source

Source: Legislative Fiscal Office

October 2025

LEGISLATIVE REVENUE OFFICE



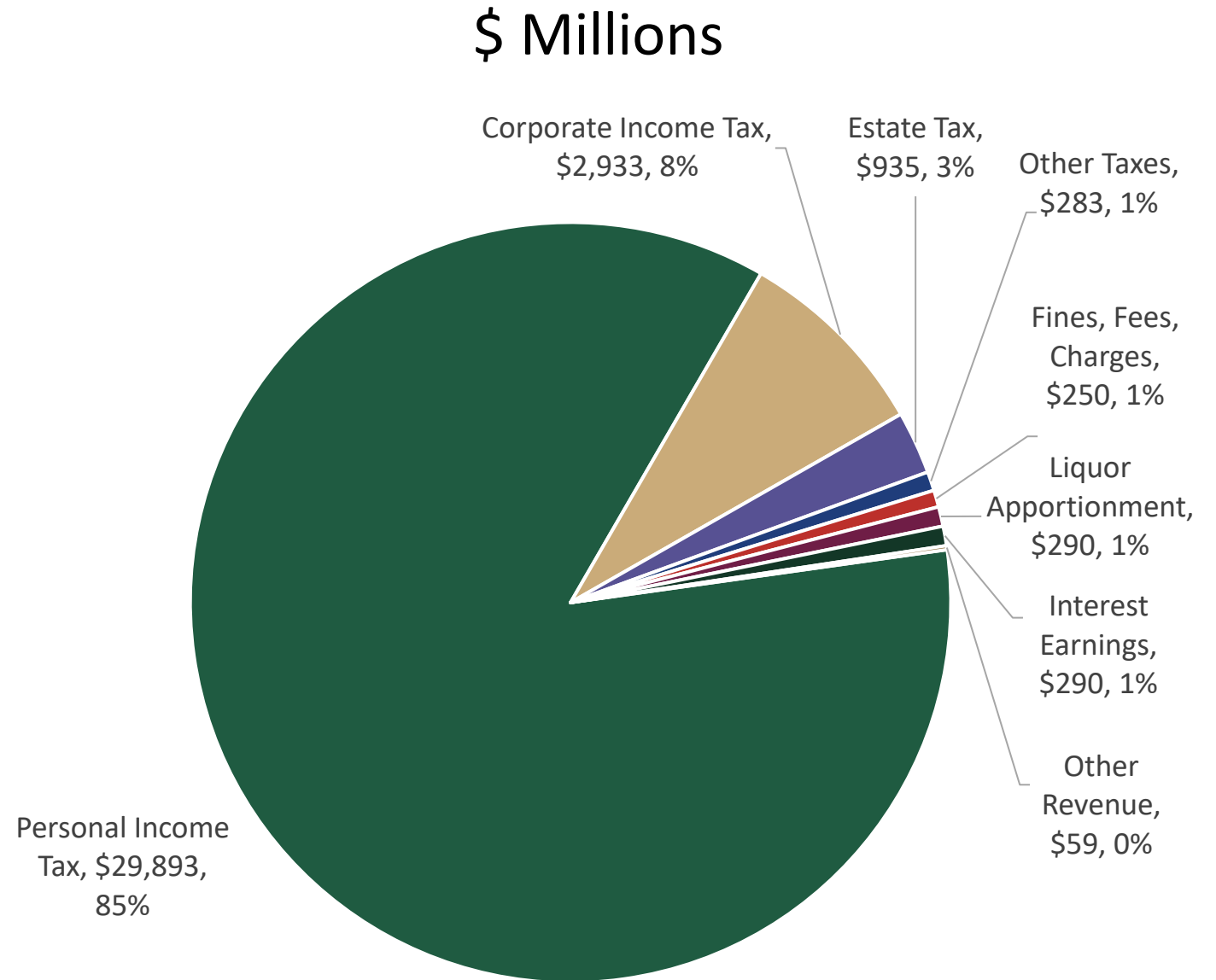
Notes:

- Oregon 2024 Gross State Product: \$330 Billion
- For 25-27: annual state taxes of roughly \$24 Billion

2025-27 General Fund Revenue \$34,931M

By Source

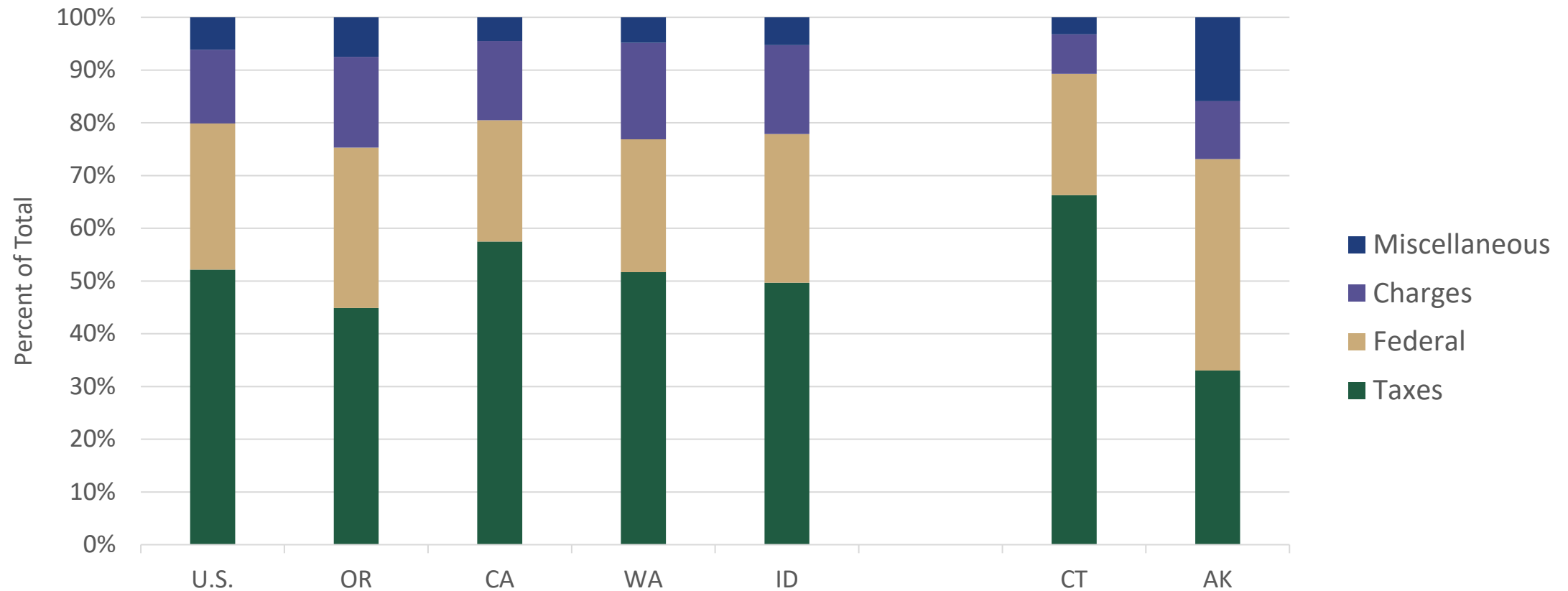
Source:
September 2025 forecast, OEA



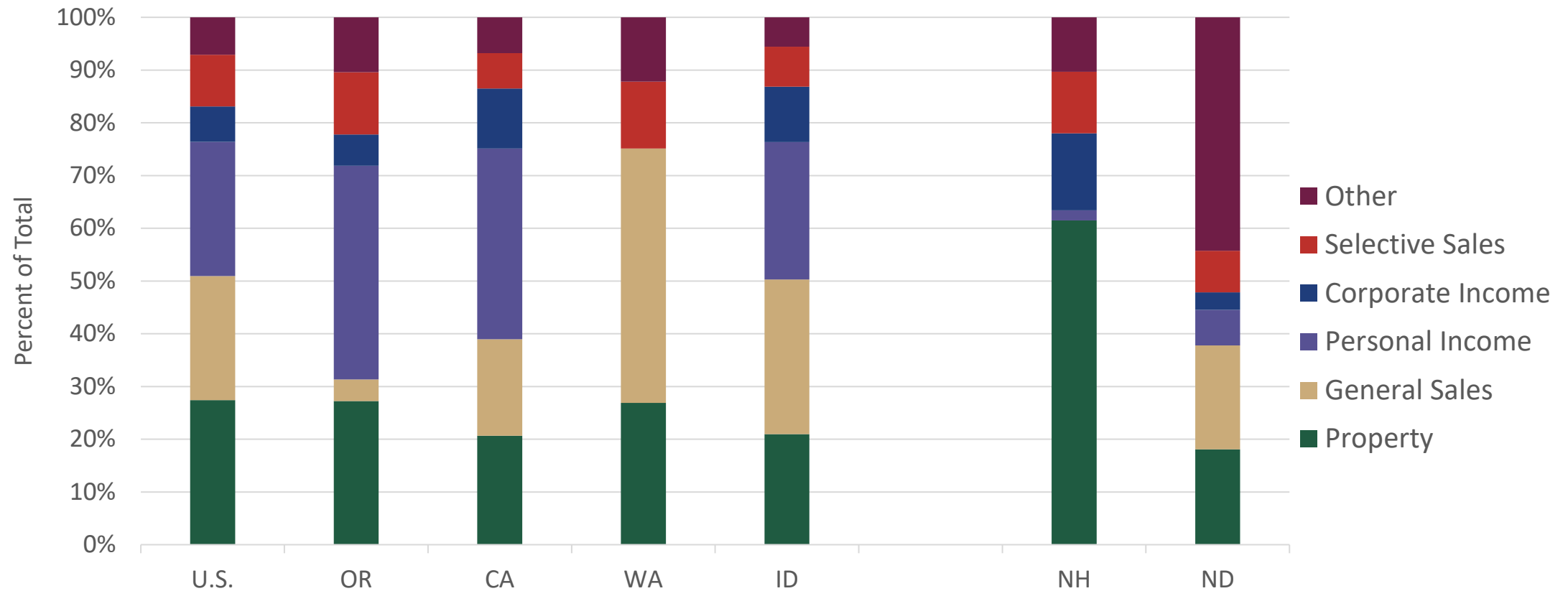
State and Local Tax Collections: FY23

Tax Program	\$M		Tax Program	\$M
Personal Income Tax	\$13,173		Cigarette Tax	\$328
Property Taxes	\$8,496		Estate Tax	\$298
Corporate Income Tax	\$1,607		Paid Leave Oregon Tax	\$237
Corporate Activity Tax	\$1,339		Portland Business License Tax	\$206
Unemployment Insurance Taxes	\$1,198		Multnomah County Income Tax	\$199
Medical Provider Taxes	\$1,181		Clean Energy Surcharge	\$183
Gasoline And Use Fuel Taxes	\$670		Multnomah County Business Tax	\$162
Transit Payroll & Employment Taxes	\$529		Marijuana Tax (State)	\$142
Weight Mile Tax	\$459		Insurance Taxes	\$138
Franchise Taxes	\$383		Statewide Transit Payroll Tax	\$133
Metro Supportive Housing Services Income Tax	\$337		Other Taxes	\$1,326
			Total	\$32,724

State and Local Revenue by Source: FY22



State and Local Taxes by Source: FY22



Tax System Considerations

Adequacy

- Public goods & services

“Fairness”

- Ability to pay
- Benefit principle
- Horizontal equity

Distribution of Tax Burden

- Initial incidence
- Final incidence
- State vs. local government

Impact on Economy

- Long-term regional growth factors
- Employment, personal income, individual sector

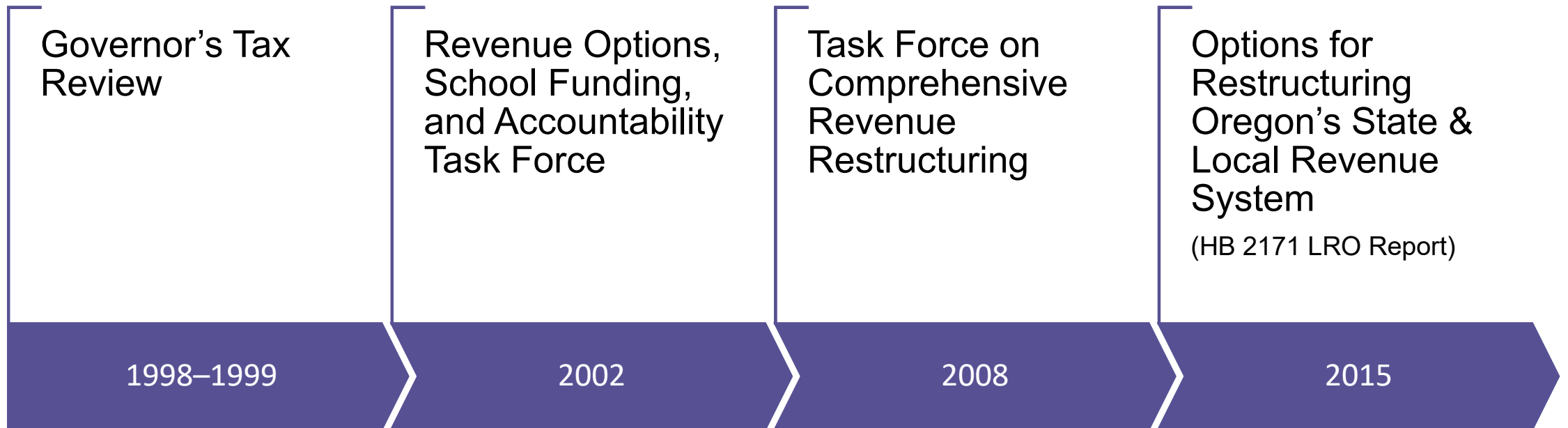
Impact on Revenue Stability

- Variance over time

Administration

- Compliance Costs
- Collection Costs
- Simplicity/Transparency

Formal Tax Reform Efforts



Governor's Tax Reform Task Force: 1998

Key Findings

1. Shift in the relative importance of the property and income taxes
2. Revenue system is now more sensitive to changes in the economy
3. Oregon's economy is evolving from natural resources to high tech/services
4. Fundamentally altered relationship between state and local governments
5. Tax system has become less regressive
6. The new property tax system may also present future equity issues

Committee Recommendations

1. **Improve the tools for tax analysis.** Build on the Tax Expenditure Report by producing a tax incidence report
2. Establish separate processes to examine forest land taxation and **the taxation of intangible property**
3. Establish periodic comprehensive reviews of the tax system

Governor's Tax Reform Task Force: 1999 Policy Workgroups

Four Workgroups

1. Revenue Stability
2. The environment
3. Education and workforce development
4. Economic disincentive

Revenue Stability Recommendations

1. Create a Stability Fund
2. Reimburse local governments for impact of new property exemptions
3. Prohibition of Legislative actions to preempt local revenue sources
4. Revise Appropriation Growth Limit
5. Create a balanced revenue system
6. Diversify Local Revenue Base

Governor's Tax Reform Task Force: 1999 Policy Workgroups

The Environment Recommendations

1. Modify Pollution Control Tax Credit
2. Establish excise tax on pesticides and fertilizers
3. Systematically incorporate environment goals into Oregon's revenue System

Economic Disincentives Recommendations

1. Make the Working Family Credit Refundable
2. Improve the Employment Related Day Care Program
3. Coordination and integration of low-income subsidy programs

2002 Revenue Options, School Funding and Accountability Task Force: Key Findings

1. Measures 5 and 50 significantly reduced Oregon's property tax burden
2. State and local governments use non-tax revenue to make-up for reduced property taxes
3. Income tax collections generated by a strong economy offset reduced school property taxes
4. Income tax revenue from the 1990's economic boom is now gone
5. Education at all levels should be a high priority for state government
6. Federal mandates and a rapidly growing ESL population have significantly affected school costs
7. Growth in spending on special education significantly outpaced growth in spending on regular programs over the past decade
8. Accountability links between local school districts and their local communities have been eroded by the shift to a predominantly state financed school system

2002 Revenue Options, School Funding and Accountability Task Force: Revenue Recommendations

1. Encourage the state's Congressional delegation to increase federal funding for mandates linked to the *Individuals with Disabilities Education Act* and the *No Child Left Behind initiative*
2. Proposals to raise revenue must include efforts to define need and ensure accountability
3. Proposals should minimize negative impacts and encourage growth & capital investment; they should be evaluated on their full economic cost, including public and private administrative expenses, and consistency with federal deductibility
4. Major revenue changes should maintain the current distribution of the tax burden
5. Broad-based public services (K-12 education, public health, and public safety) should be funded with broad-based taxes such as income, property and/or consumption taxes
6. The personal income tax base should be broadened by reductions in tax expenditures; the risk of increased dependence on the personal income tax should be considered
7. The Legislature should examine ways to expand local school funding options, keeping in mind the state's school funding equity goals

2008 Task Force on Comprehensive Revenue Restructuring: Findings

1. State system is volatile; ESF (2002) and RDF (2007) provide buffer; risks remain
2. Voter initiatives often focus on one side of the revenue/spending ledger
3. School finance remains especially vulnerable to the income tax volatility
4. The state does not systematically account for long-term trends
5. The state faces immediate revenue needs in transportation and health care
6. Due to limitations on AV growth, property tax revenue generally lags cost growth
7. Property tax revenue is not closely linked to inflation
8. M5/M50 limit ability to respond to institutional change (e.g., timber)
9. Measure 50 creates inequities in the property tax system
10. Services jointly provided by state and county governments means shared fiscal stress

2008 Task Force on Comprehensive Revenue Restructuring: Short-Term Recommendations

1. Establish a method for more reliable state revenue forecasting and more prudent budgeting; **direct ending balances into the Rainy Day Fund**
2. Apply a balanced budget rule to ballot initiatives
3. Provide greater public access and input to the initiative process through increased legislative involvement
4. Reduce restrictions on local government's ability to raise revenue and refrain from new property tax exemptions or state mandates on local governments
5. Develop a systematic long-term budgeting process including infrastructure plan
6. Develop adequate revenue sources to meet the state's immediate needs in health care and **transportation**
7. **Develop a process that engages the public in a discussion of options for changing the structure of Oregon's revenue system**

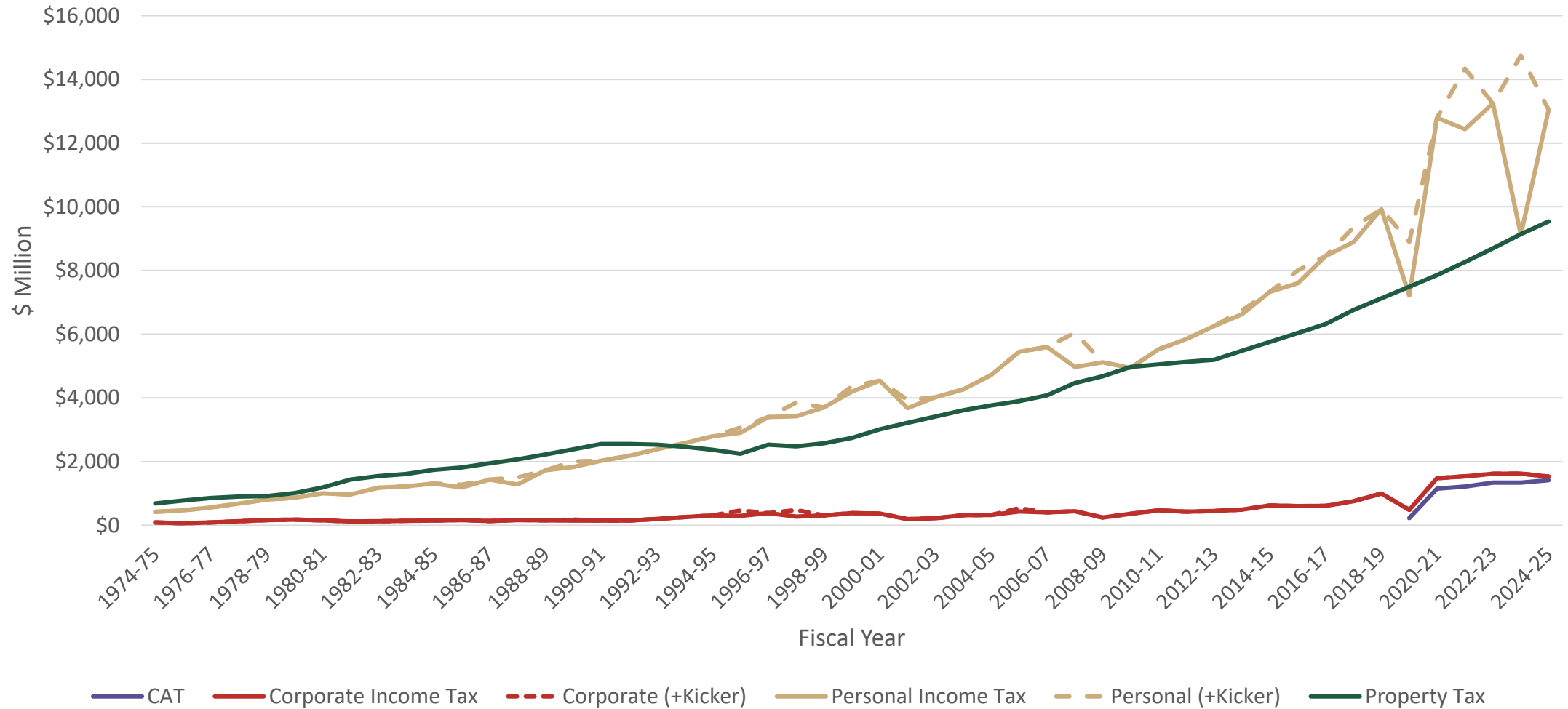
2008 Task Force on Comprehensive Revenue Restructuring: Long-Term Recommendations

1. Increase the adequacy and flexibility of the local revenue system, such as:
 - a) Diversify local revenue sources
 - b) Modifications of property tax limits to better reflect market conditions
 - c) Replace declining federal forest payments
 - d) Share state and local revenue sources
2. Evaluate the results of the public engagement process included in this report as a short-term recommendation
3. Continue to analyze tax restructure proposals based on their impact on the distribution of the tax burden, the state economy, the stability of the revenue system and administrative costs

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

1. Oregon's tax system can be restructured in ways that are likely to lead to broad economic gains in terms of household income, employment and investment
2. A change in the mix of taxes toward consumption and away from income is likely to improve the cyclical stability of Oregon's state tax system, but also likely to reduce revenue growth
3. The base tax burden distribution for Oregon is essentially proportional, meaning it is roughly constant as a percentage of household income as income rises, with two notable exceptions:
 - a) At the lowest end of household income (less than \$20,587) the effective tax rate is 9.29% compared to 8.89% overall, primarily due to the residential property tax; and
 - b) Households with income over \$205,869 pay the highest effective rate at 9.56%
4. Any comprehensive restructuring plan should:
 - a) Include policies to address a transition period;
 - b) Ensure that governance and administration issues are incorporated; and
 - c) Consider the long-term economic impacts of changing total revenues and expenditures

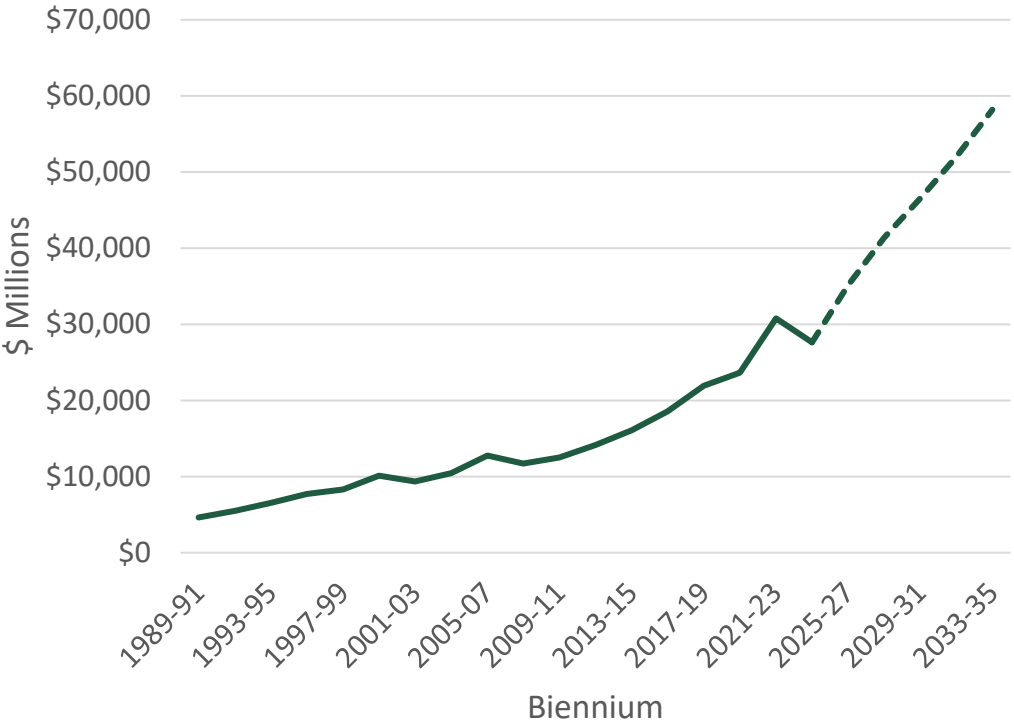
History of Income Tax, Property Tax, and CAT



General Fund Volatility

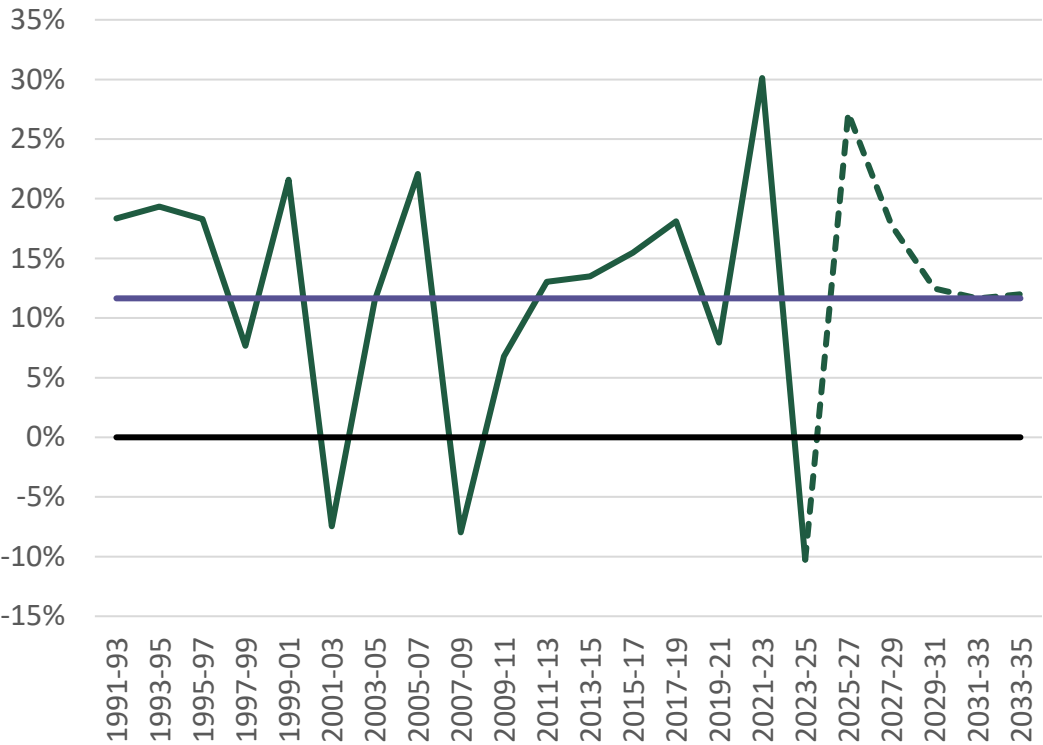
Historical Trend and Current Forecast

\$ Millions

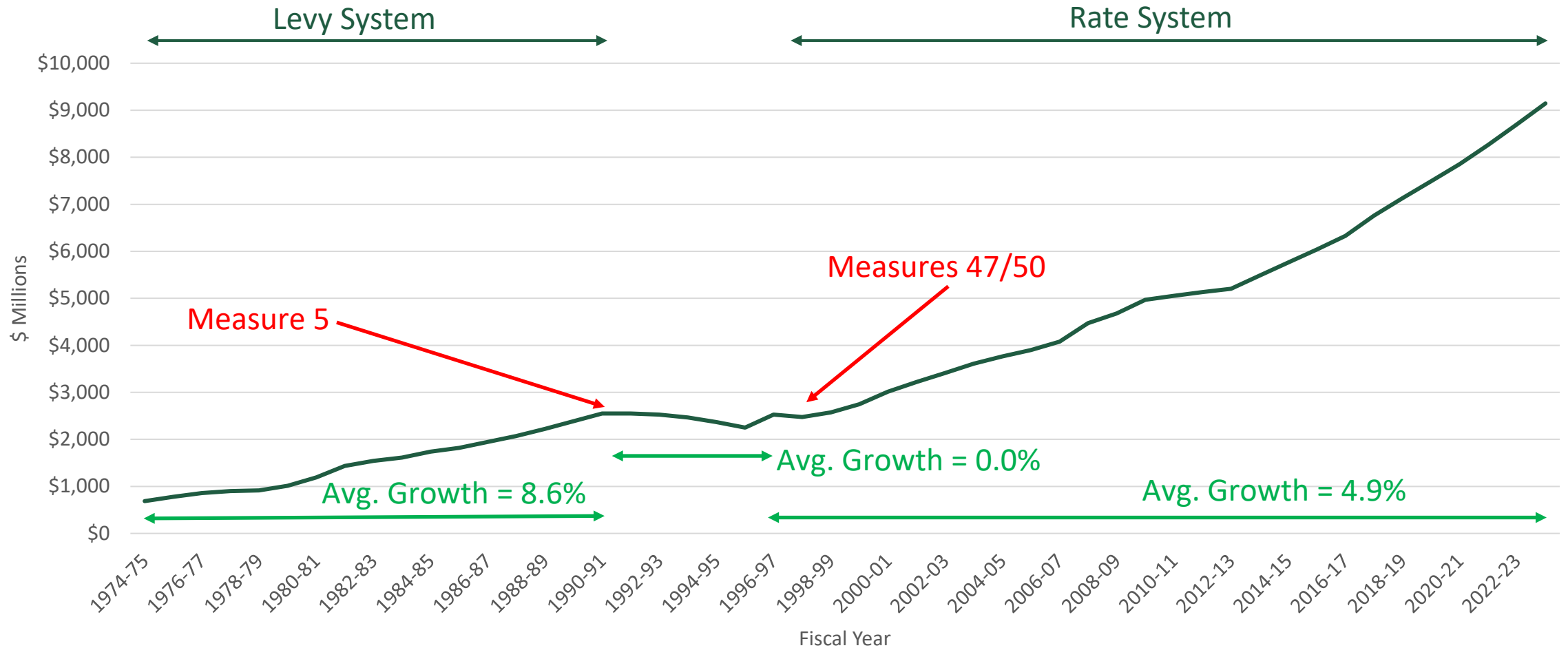


Biennial Change

History and Current Forecast



Property Tax Liability



Questions?

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Fixed Growth Comparison

