Oregon's Tax Expenditure Report

Senate Committee on Finance and Revenue

June 15, 2026

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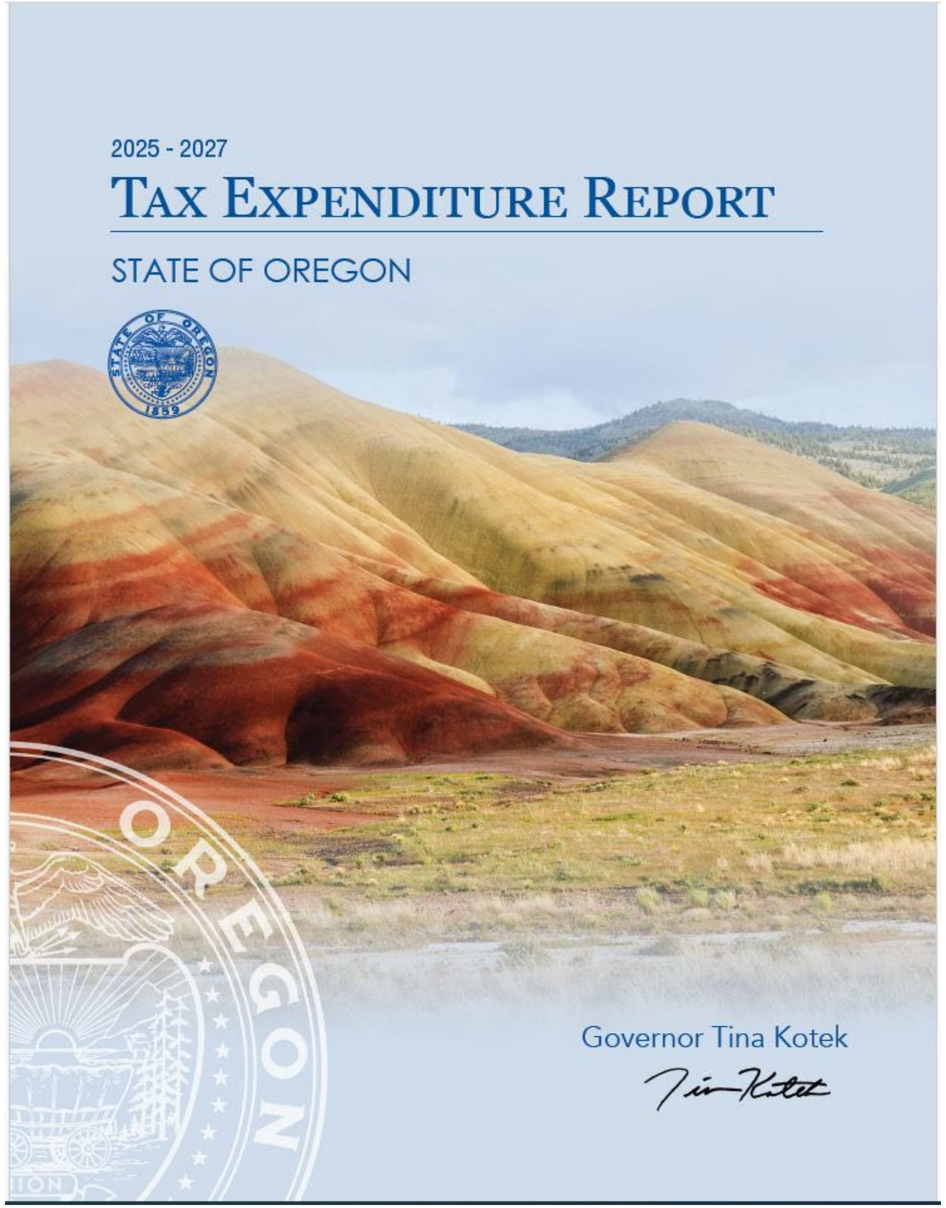


General Overview

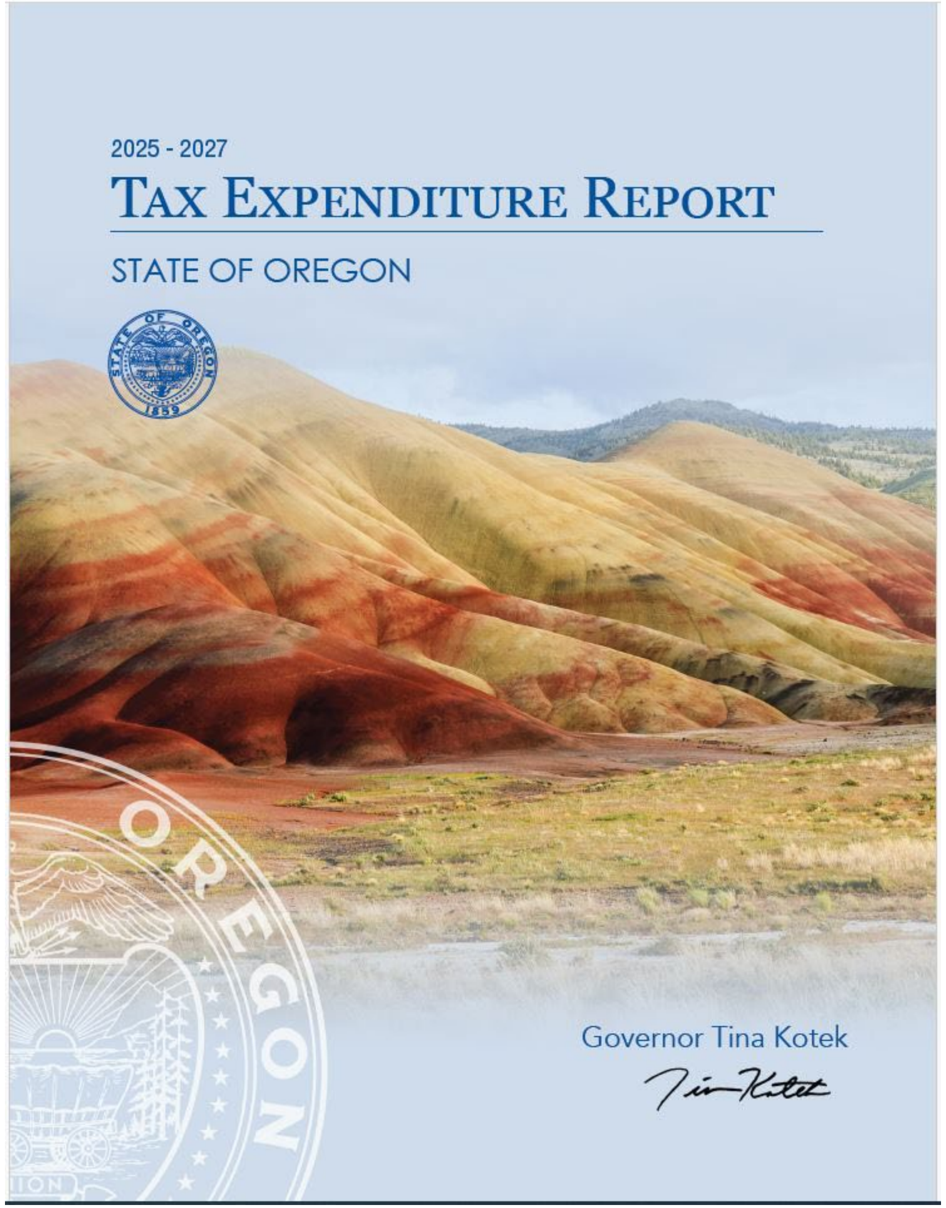
- Budget Accountability Act (1995) requires the Governor to publish the tax expenditure report in November of even-numbered years
- Department of Revenue assists in preparation
- "...are similar to direct expenditures" *
- "The tax expenditure report will allow tax expenditures to be debated in conjunction with online budgets..." *

* Oregon Laws 1995, Chapter 746 (ORS 291.195)

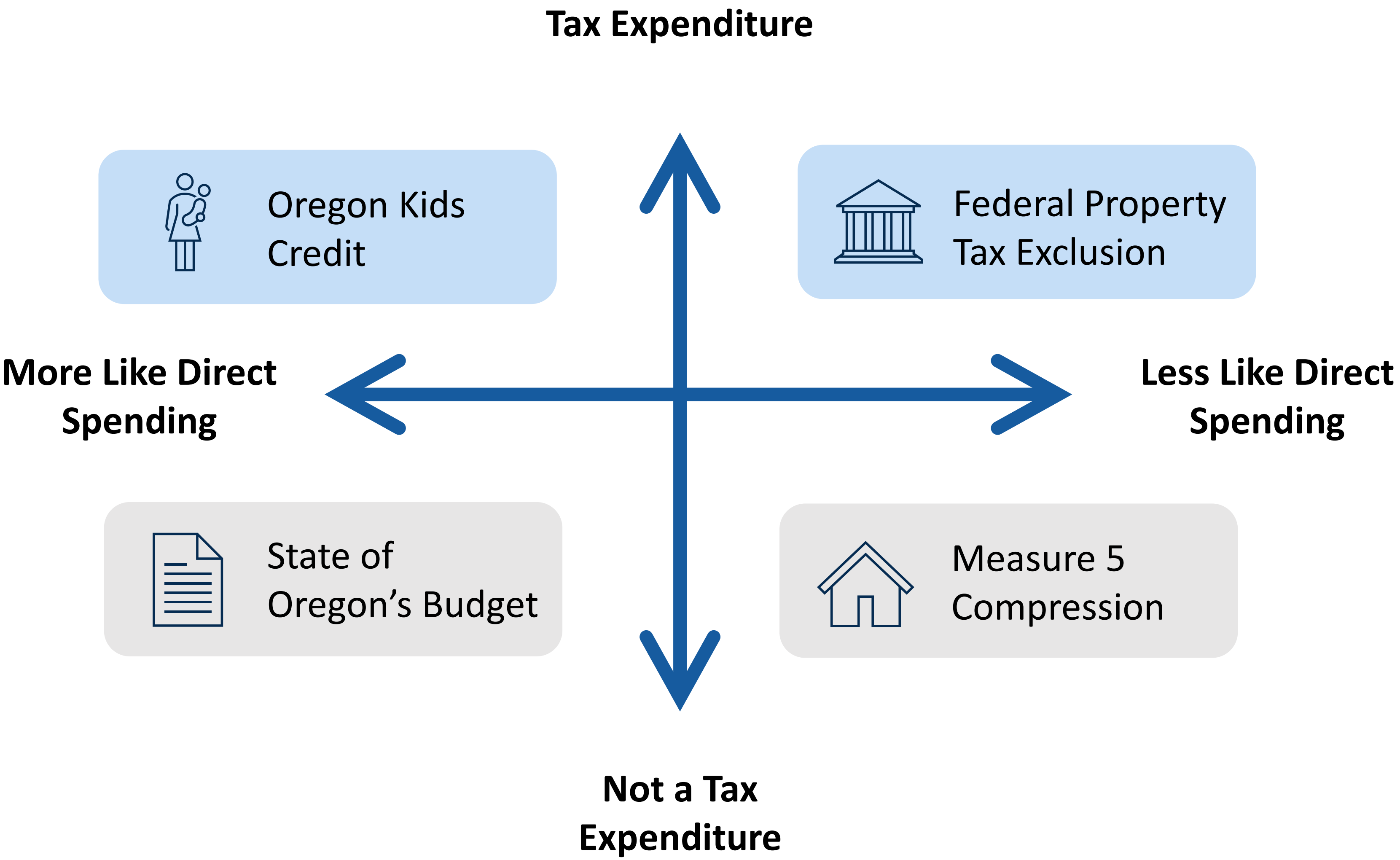
Definition of Tax Expenditure

"…any law of the Federal Government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits."

Oregon Laws 1995, Chapter 746 (ORS 291.201)



State Spending: Direct vs Indirect



Review of each Tax Expenditure – [2025-27 Link here]

- Statutory authority
- Purpose
- Estimate of revenue loss for coming biennium
- Actual amount of revenue loss for previous biennium
- Evaluation – Achieve stated purpose and who benefits
- Category of the budget program or function
- Governor's recommendation to extend or allow to sunset

16.001 MARIJUANA PURCHASED FOR MEDICAL USE

Oregon Statute: 475C.678
Sunset Date: 12-31-2027
Year Enacted: 2016

Revenue Impact			
	State	Local	Total
2023-25	$16,100,000	$2,800,000	$18,900,000
2025-27	$16,300,000	$2,900,000	$19,200,000

DESCRIPTION

Retail sales of usable marijuana or marijuana items are not subject to the marijuana tax when made to people who hold a valid medical marijuana patient or caregiver card issued by the Oregon Health Authority. This tax exemption applies to both state and local marijuana taxes. Although the law exempting medical marijuana only became effective in 2016, medical marijuana was not taxed before that time either. The introduction of taxed recreational marijuana sales in 2016 led to an opportunity to distinguish between taxed and untaxed marijuana sales.

Legislation in 2021 (HB 2433) specified that this provision applies to sales of marijuana items occurring on or after January 1, 2016, and before January 1, 2028.

PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement prepared by legislative staff for HB 2433 (2021), the "policy purpose of this exemption is to preserve access to medical marijuana in a similar manner as it was available prior to the legalization of recreational marijuana."

WHO BENEFITS

Medical marijuana cardholders who make retail purchases of usable marijuana or marijuana items and who have been authorized by the Oregon Health Authority to use marijuana in the treatment of a debilitating medical condition. Close to 15,000 people held a medical marijuana patient card as of May 2024, and nearly 6,000 people held a caregiver card.

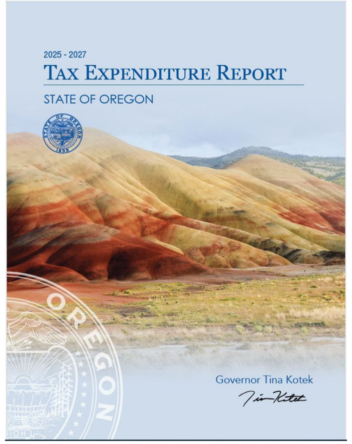
IN LIEU

Medical marijuana cardholders must pay an annual fee for a medical marijuana card. Card fees for patients total approximately $1.5 million annually. Approximately 38 percent of patients pay full price for the annual fee.

EVALUATION

Provided by the Oregon Health Authority

Registered medical marijuana patients pay an annual registration fee of $200 or a reduced fee, between $20-$60, depending on their qualifying status. The fees paid by the patient support the administration of the medical marijuana program which includes registration of patients and regulatory oversight of medical marijuana grow sites and facilities. The patient fees supplant the need for a tax on medical marijuana products sold at retail locations since the fees pay for the administration of the program. The tax exemption from sales of medical marijuana to registered patients would alleviate the financial burden on patients with a medical necessity who already pay a fee to access medical marijuana.



LOOK INSIDE

Report Features – From the 2025-27 Edition

357 Tax expenditures

167 Income tax programs
140 Property tax programs
50 Other tax programs

18 chapters representing tax programs and functions

Index of all expenditures

List of sunsets in coming biennium

Appendices with additional information

Categories of Tax Expenditures

Program Area	Number of Tax Expenditures	Program Area	Number of Tax Expenditures
Agriculture	35	Housing	28
Arts	4	Income Maintenance	12
Charitable Organizations	10	Job Development	12
Economic Development	28	Military	13
Education	23	Public Safety	6
Energy	15	Recreation	3
Environment/Conservation	14	Retirement	11
Family Support	21	State and Local Government	19
Federal Law Prohibits	15	Tax Administration	25
Financials/Insurance	4	Transportation	23
Forestry	17	Utilities	4
Health Care	15		

357 Tax Expenditures

Top Ten Tax Expenditures for Personal and Corporate Income Taxes

Tax Expenditure Number	Tax Expenditure Name	2025-27 Revenue Impact ($Millions)	Percent of Total
1.008	Pension Contributions and Earnings	3,900	22%
1.007	Employer Paid Medical and Cafeteria Plan Benefits	1,800	10%
1.307	**Social Security Benefits (Oregon)**	**1,560**	**9%**
1.328	**Federal Income Tax Subtraction**	**1,420**	**8%**
1.443	**Personal Exemption**	**1,270**	**7%**
1.210	Home Mortgage Interest	1,010	6%
1.009	Social Security Benefits (Federal)	972	5%
1.047	Capital Gains on Inherited Property	730	4%
1.211	Property Taxes	656	4%
1.221	Charitable Contributions	605	3%
	Subtotal	13,923	77%
	All 157 Other Income Tax Expenditures	4,170	23%
	Total	18,093	100%

The three highlighted tax expenditures are specific to Oregon law, the other seven are due to Oregon's connection to Federal taxable income

Top Ten Tax Expenditures for Property Taxes

Tax Expenditure Number	Tax Expenditure Name	2025-27 Revenue Impact ($Millions)	Percent of Total
2.078	State and Local Property	3,620	27%
2.072	Personal Property for Personal Use	2,230	17%
2.063	Motor Vehicles and Trailers	1,570	12%
2.093	Federal Property	1,170	9%
2.024	Inventory	981	7%
2.100	Strategic Investment Program	654	5%
2.056	Western Private Standing Timber	489	4%
2.129	Farmland	448	3%
2.014	Long Term Rural Enterprise Zone (Property Tax)	389	3%
2.085	Charitable, Literary, and Scientific Organizations	306	2%
	Subtotal	11,857	88%
	All 130 Other Property Tax Exemptions, Special Assessments, etc.	1,585	12%
	Total	13,442	100%

Preliminary Sunset List for 2027 Legislative Session

Type	Tax Expenditure Name
Income Tax Subtraction	Agriculture Sector Net Operating Loss Carryback
Income Tax Credit	Agricultural Worker Overtime
Income Tax Credit	Child with a Disability
Income Tax Credit	Oregon Cultural Trust
Income Tax Credit	Oregon Kids Credit
Income Tax Credit	Oregon Life and Health IGA Assessments
Income Tax Credit	Oregon Veterans' Home Physicians
Income Tax Credit	Political Contributions
Income Tax Credit	Rural Medical Practice
Income Tax Credit	Severe Disability
Income Tax Credit	Working Family Household and Dependent Care
Property Tax Exemption	Charitable, Literary, and Scientific Organizations
Property Tax Exemption	Land Owned by Nonprofit for Purpose of Building Low-Income Housing
Property Tax Exemption	Solar Projects
Partial Property Tax Exemption	Home Share Program Low-Income Housing
Partial Property Tax Exemption	Seismic Upgrades
Estate Transfer Tax Deduction	Natural Resource and Fishing Property (Deduction)
Marijuana Tax Exemption	Marijuana Purchased for Medical Use

Ambiguity in Sunsets

ORS 315.037

(1)As used in this section, “tax expenditure” has the meaning given that term in ORS 291.201 (“Tax expenditure” defined for ORS 291.201 to 291.222).

(2)Any tax credit enacted by the Legislative Assembly on or after January 1, 2010, shall apply for a maximum of six tax years beginning with the initial tax year for which the credit is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

(3)Any tax expenditure enacted by the Legislative Assembly on or after January 1, 2014, shall apply for a maximum of six tax years beginning with the initial tax year for which the tax expenditure is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

Questions?

Research Section

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