

Overview of Oregon's Revenue System

Universal Health Plan Governance Board

October 17, 2024

State of Oregon

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Presentation Outline

- Provide some contextual background on Oregon's public finance system
 - Tax/Revenue System
 - Income Tax Details
 - Revenue Volatility (Kicker)





- ▶ Tax system goals in ORS 316.003
 - ▶ Not regressive
- ▶ Adequacy
 - ▶ Finance public goods & services
- ▶ Equity
 - ▶ Ability to Pay
 - ▶ Benefits Received
- ▶ Distributional Impacts
- ▶ Administrative Efficiency

Tax Revenue Policy Fundamentals



gg63263181 www.gograph.com





Oregon Economy Basics

2023

Source: BEA, OEA

- Personal Income: \$277 Billion
- Gross State Product: \$319 Billion
- Employment: 1,986,235
 - Private Nonfarm: 1,679,653
 - Government: 306,583
 - Federal: 28,460
 - State: 45,845
 - Local: 232,278
- Oregon is about...
 - 1% of the U.S.
 - 10% of California
 - 50% of Washington



State Revenue

General purpose revenue

Dedicated revenue

(not local governments)

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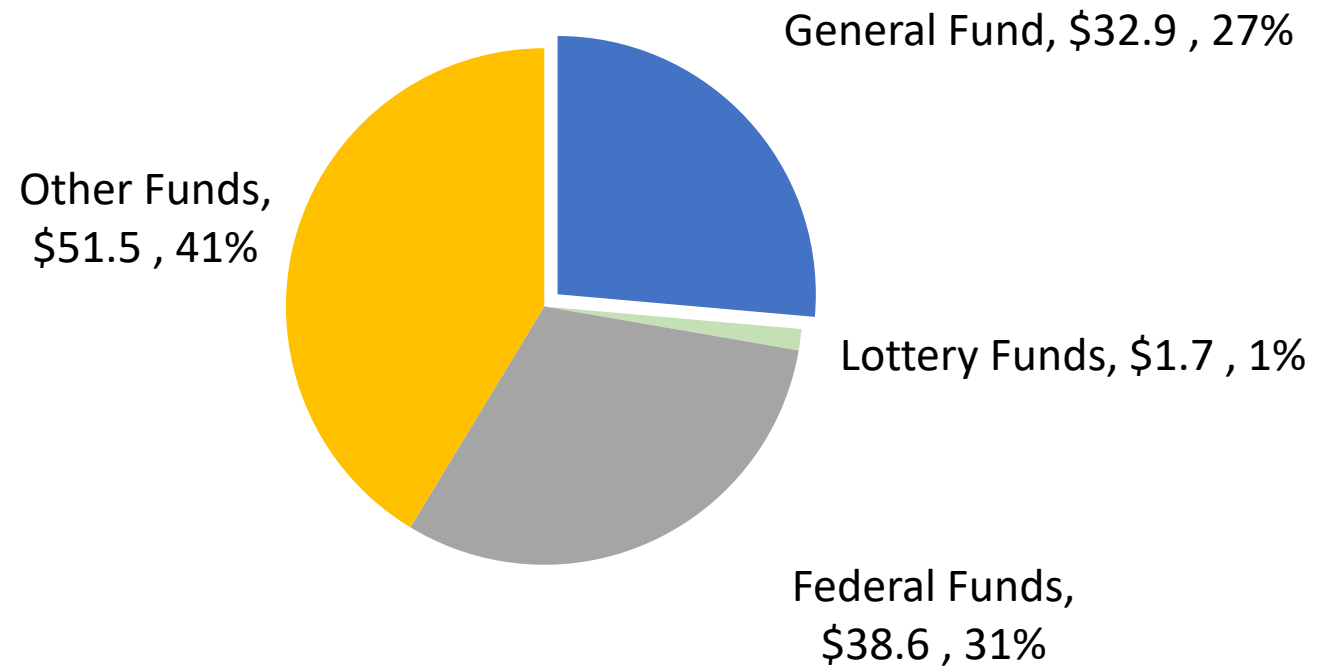
2023-25 Legislatively Approved Budget

- By Fund Source

Source: Legislative Fiscal Office, 2023-25 Budget Highlights Update

May 2024

Total Funds Appropriations (\$124.6 Billion)

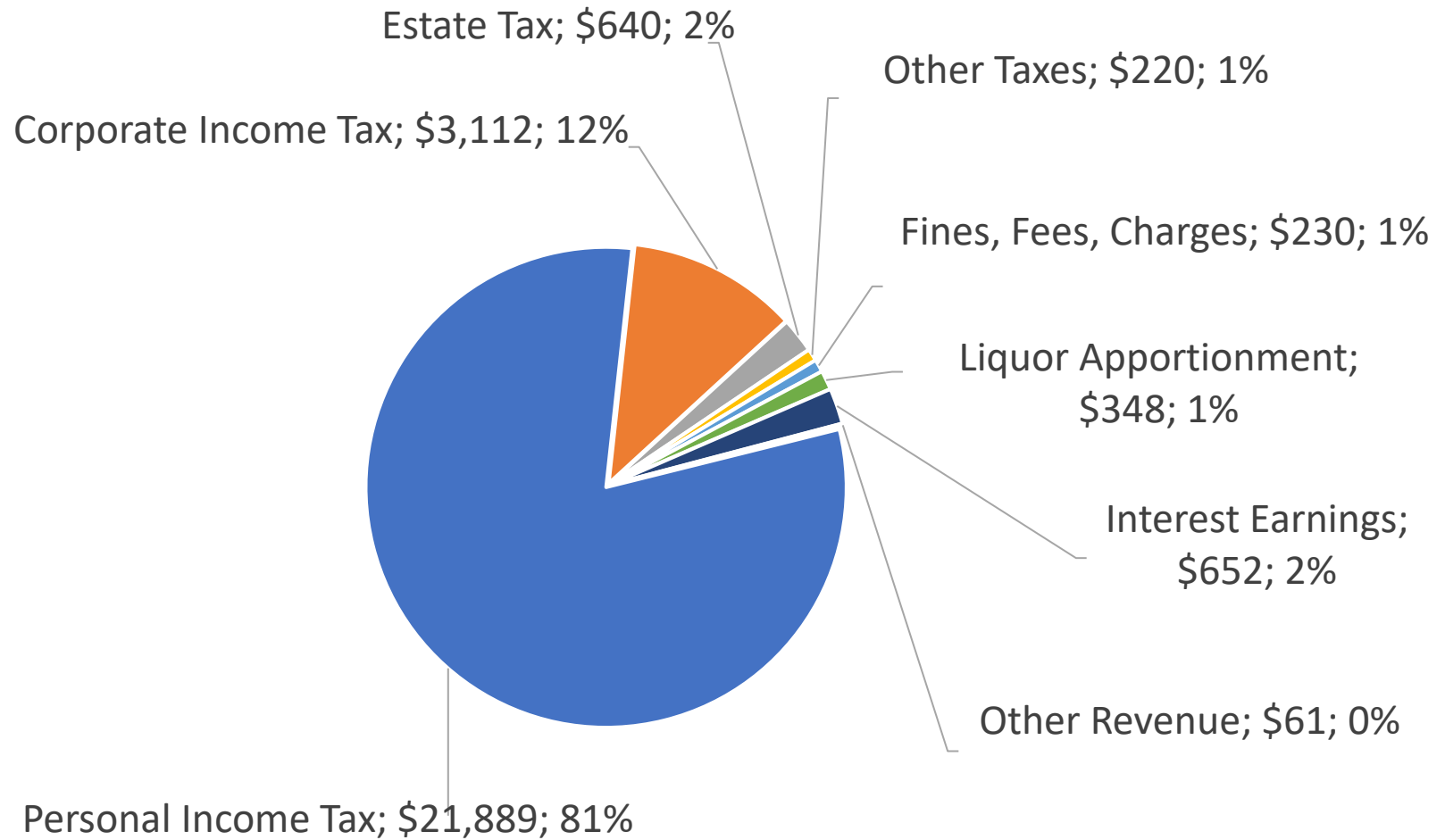




2023-25 General Fund Revenue \$27,151M

- By Source

Source:
September 2024 forecast, OEA



Use only 4 categories: other taxes, other revenue



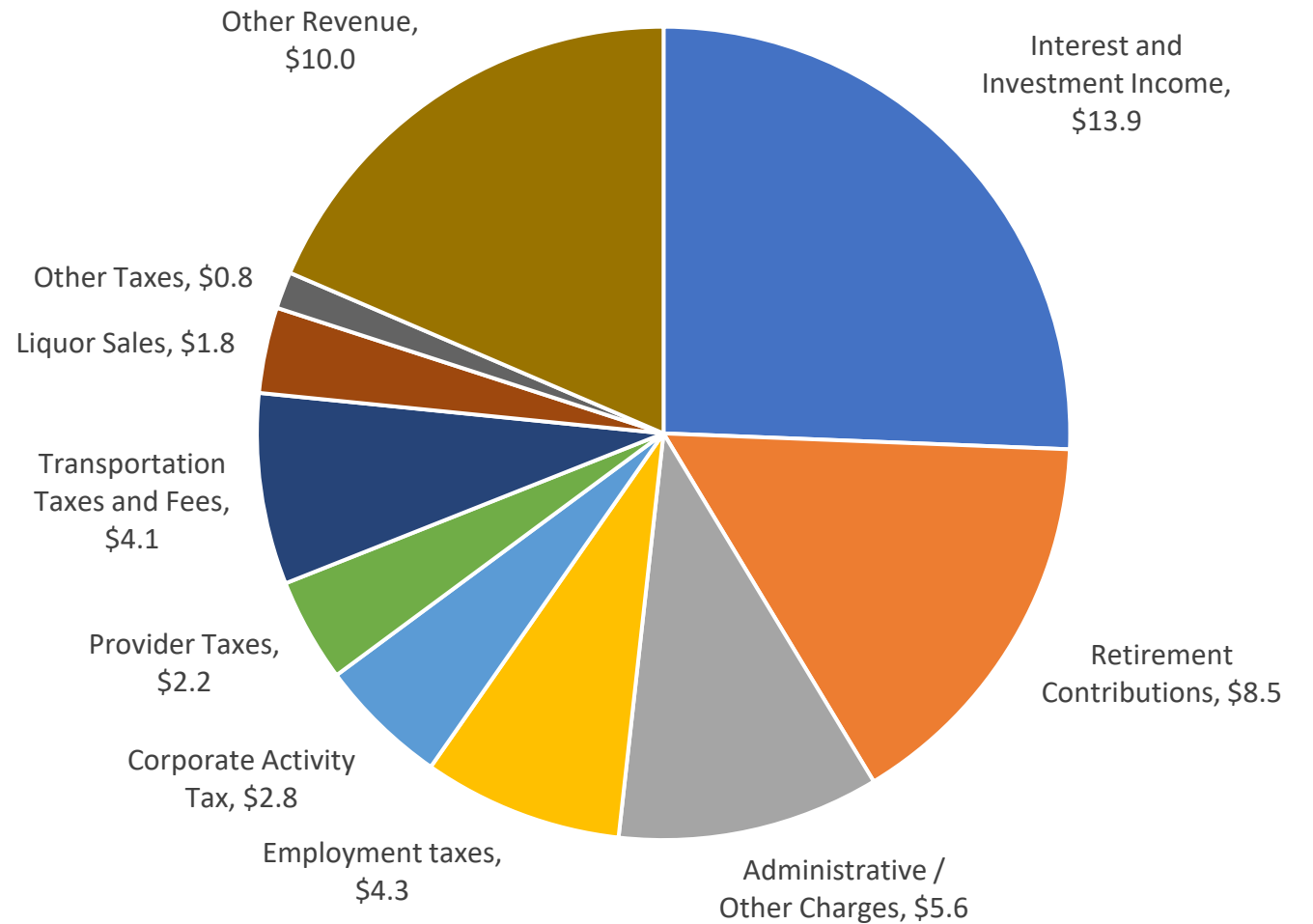


2023-25 Other Funds

- \$54.1 Billion

- By Revenue Source

Source:
OEA, September 2024



Use only 4 categories: other taxes, other revenue



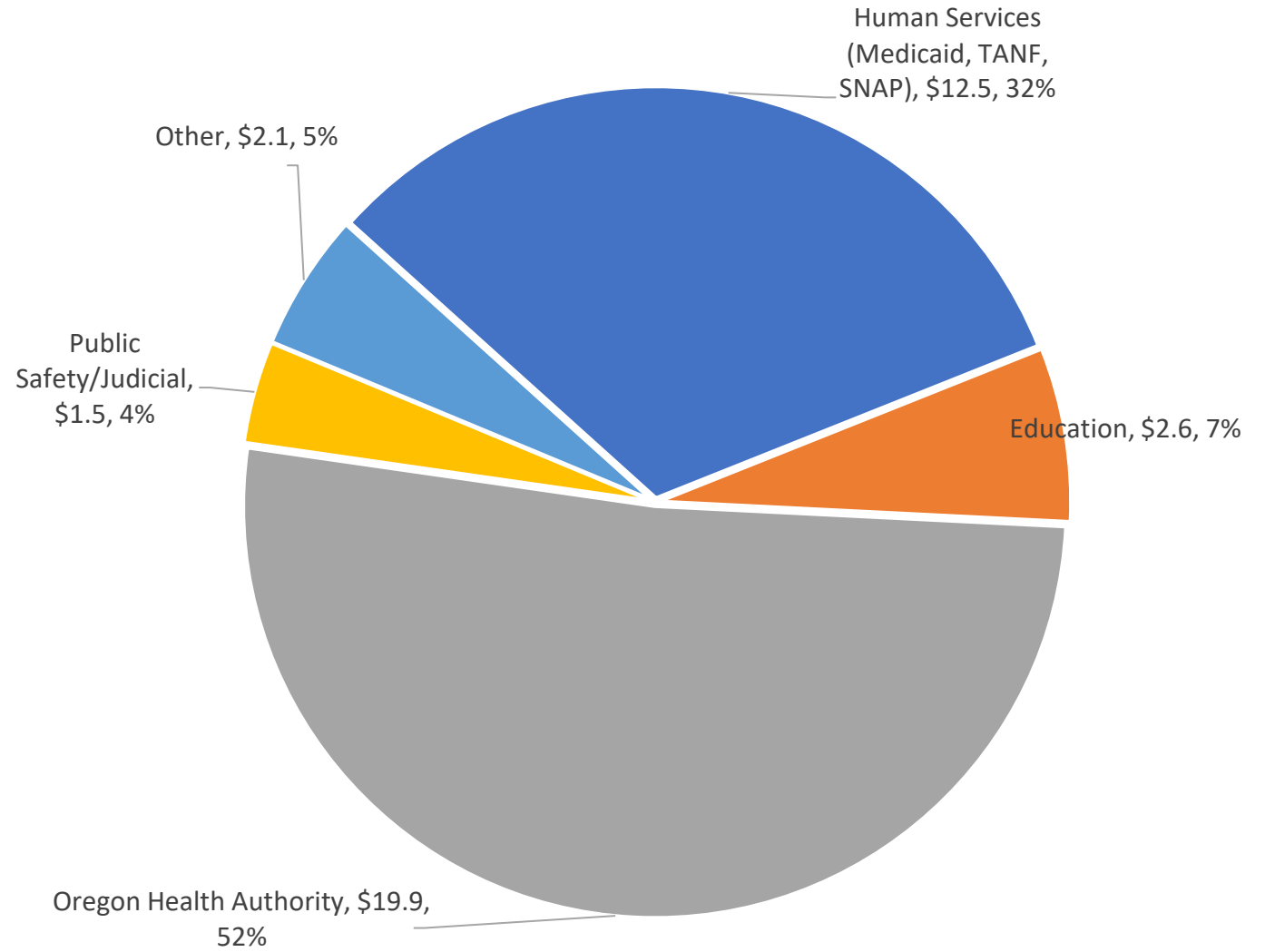


2023-25 Federal Funds

- \$38.6 Billion

- By Spending Category

Source:
LFO, 2019-21 Budget Highlights

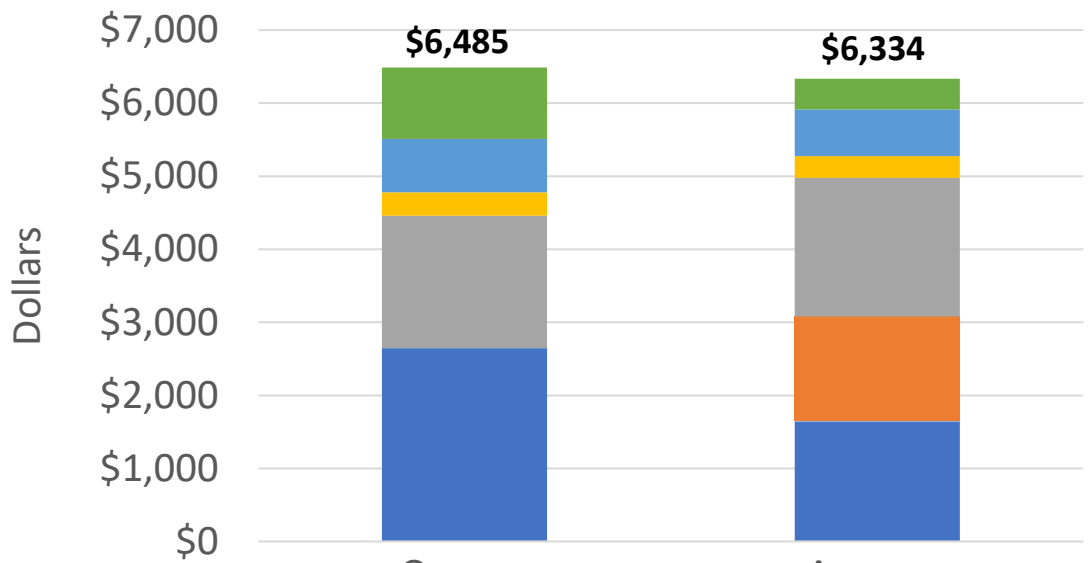




State and Local Tax Comparisons

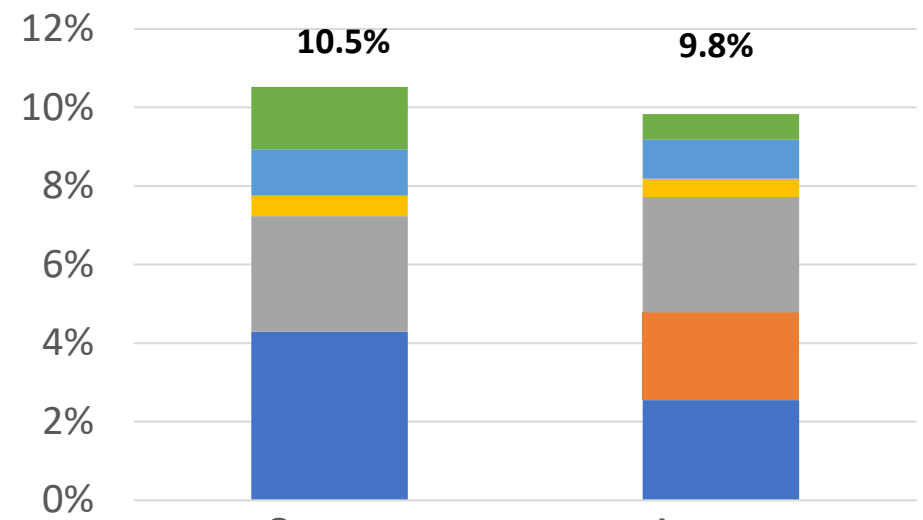
2021 Census of State and Local Government Finances

Per Capita



Other	\$977	\$420
Sel Sales	\$732	\$641
Corporate	\$319	\$297
Property	\$1,813	\$1,898
Gen Sales	\$0	\$1,437
Income	\$2,645	\$1,642

% of Income



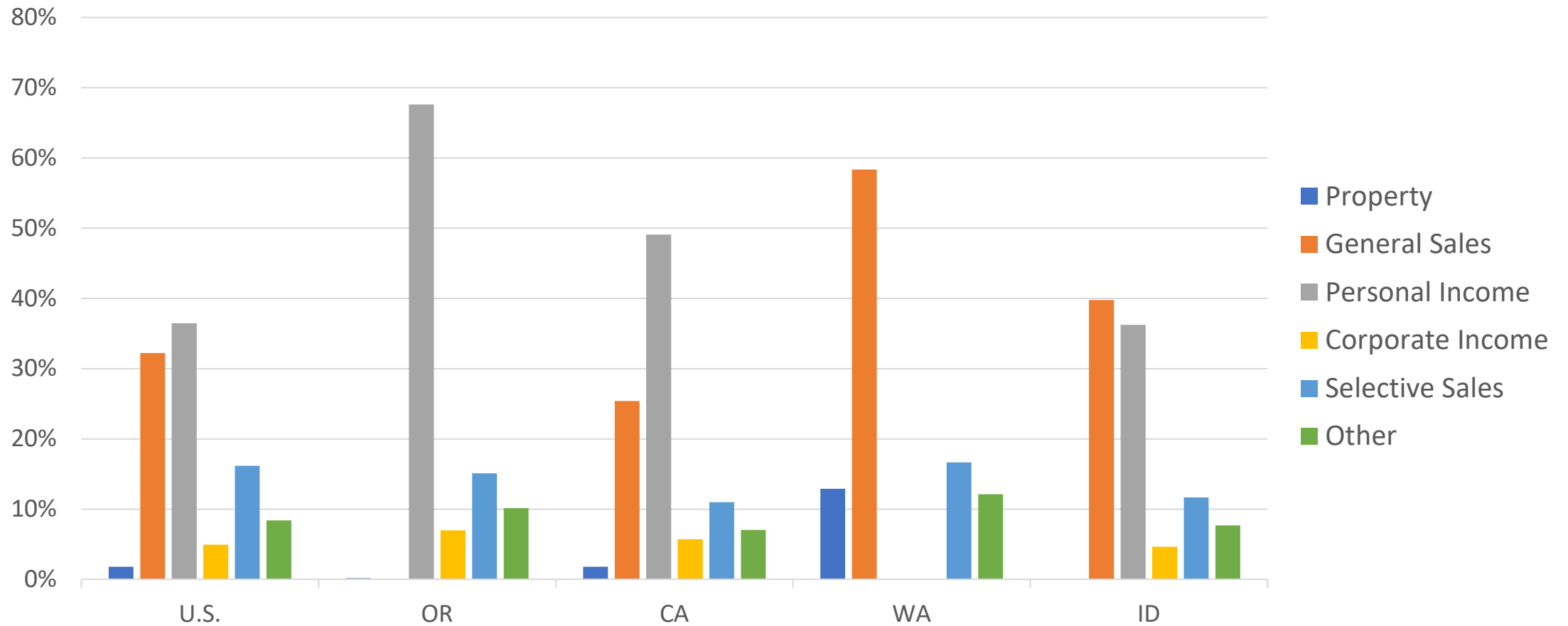
Other	1.6%	0.7%
Sel Sales	1.2%	1.0%
Corporate	0.5%	0.5%
Property	2.9%	2.9%
Gen Sales	0.0%	2.2%
Income	4.3%	2.5%





State (only) Taxes By Source

2021 Census of State and Local Government Finances





Tax System Details

2021 CENSUS DATA

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2023-25 Taxes

Tax	Type	FY24 (\$M)	FY25 (\$M)
Personal Income Taxes	General Fund	\$9,150	\$12,740
Employment Taxes	Other Funds	\$1,790	\$2,501
Transportation Taxes	Other Funds	\$2,046	\$2,065
Provider Taxes	Other Funds	\$1,246	\$985
Corporate Income Taxes	General Fund	\$1,622	\$1,490
CAT	Other Funds	\$1,339	\$1,344
Estate Taxes	General Fund	\$339	\$301
Cigarette and Tobacco Taxes	General & Other Funds	\$298	\$303
Marijuana	Other Funds	\$154	\$158
Insurance Taxes	General & Other Funds	\$85	\$99
Total		\$18,069	\$21,986





2023-25 Taxes

Plus Proposed Health Care Task Force Taxes

Tax	Type	FY24 (\$M)	FY25 (\$M)
Health Insurance Payroll Tax	Health Insurance	\$10,900	\$11,600
Health Insurance Income Tax	Health Insurance	\$6,700	\$7,200
Personal Income Taxes	General Fund	\$9,150	\$12,740
Employment Taxes	Other Funds	\$1,790	\$2,501
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Total		\$35,669	\$40,786





Personal Income Tax Rates

Joint Filers, 2024

Federal Base Rates	
Taxable Income	Tax Rate
Not over \$23,200	10.0%
\$23,200 to \$94,300	12.0%
\$94,300 to \$201,050	22.0%
\$201,050 to \$383,900	24.0%
\$383,900 to \$487,450	32.0%
\$487,450 to \$731,200	35.0%
Over \$731,200	37.0%

Personal Income Tax Rates	
Taxable Income	Tax Rate
Not over \$8,100	4.75%
\$8,100 to \$20,400	6.75%
\$20,400 to \$250,000	8.75%
Over \$250,000	9.90%

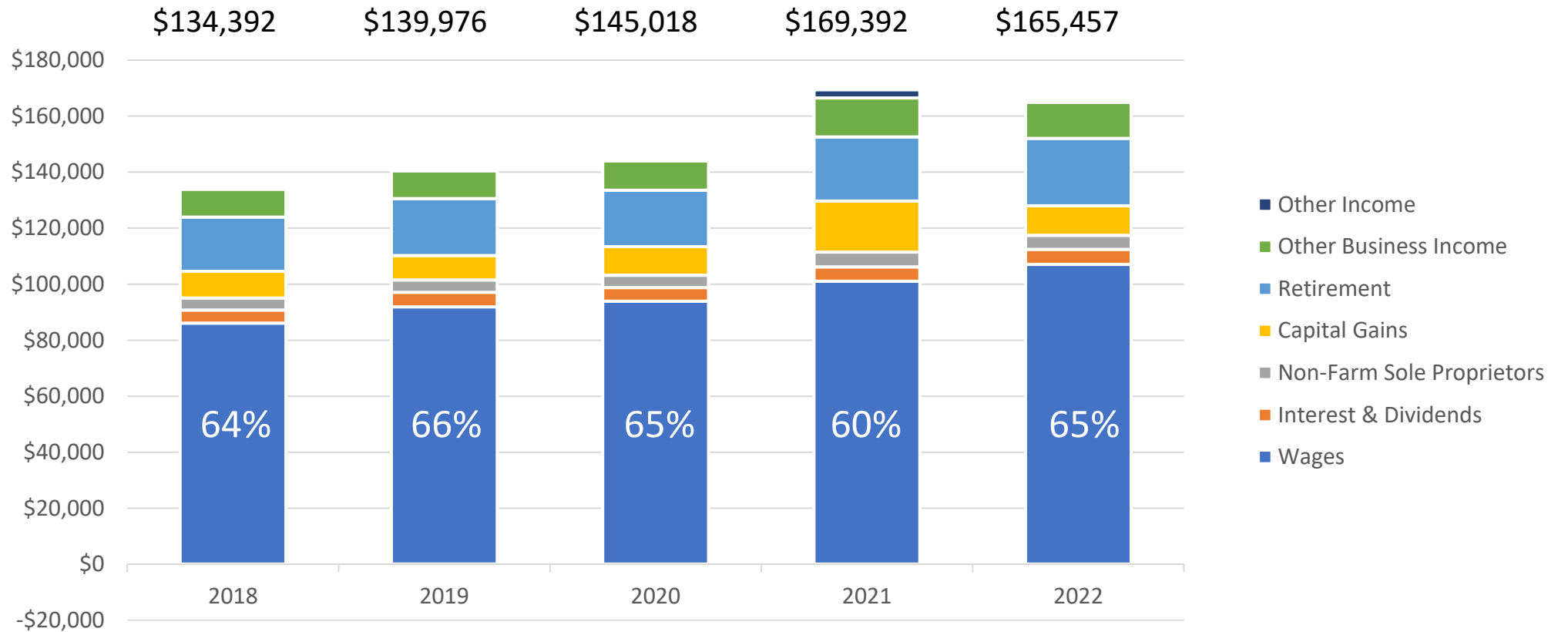
Health Care Income Tax	
Federal Poverty Level	Tax Rate
$\leq 200\%$	0.00%
200% - 250%	1.00%
250% - 300%	1.75%
300% - 400%	2.50%
$> 400\%$	8.20%

Payroll Tax	
Wages	Tax Rate
$\leq \$160,000$	7.25%
$> \$160,000$	10.50%





Personal Income Tax (Gross Income)



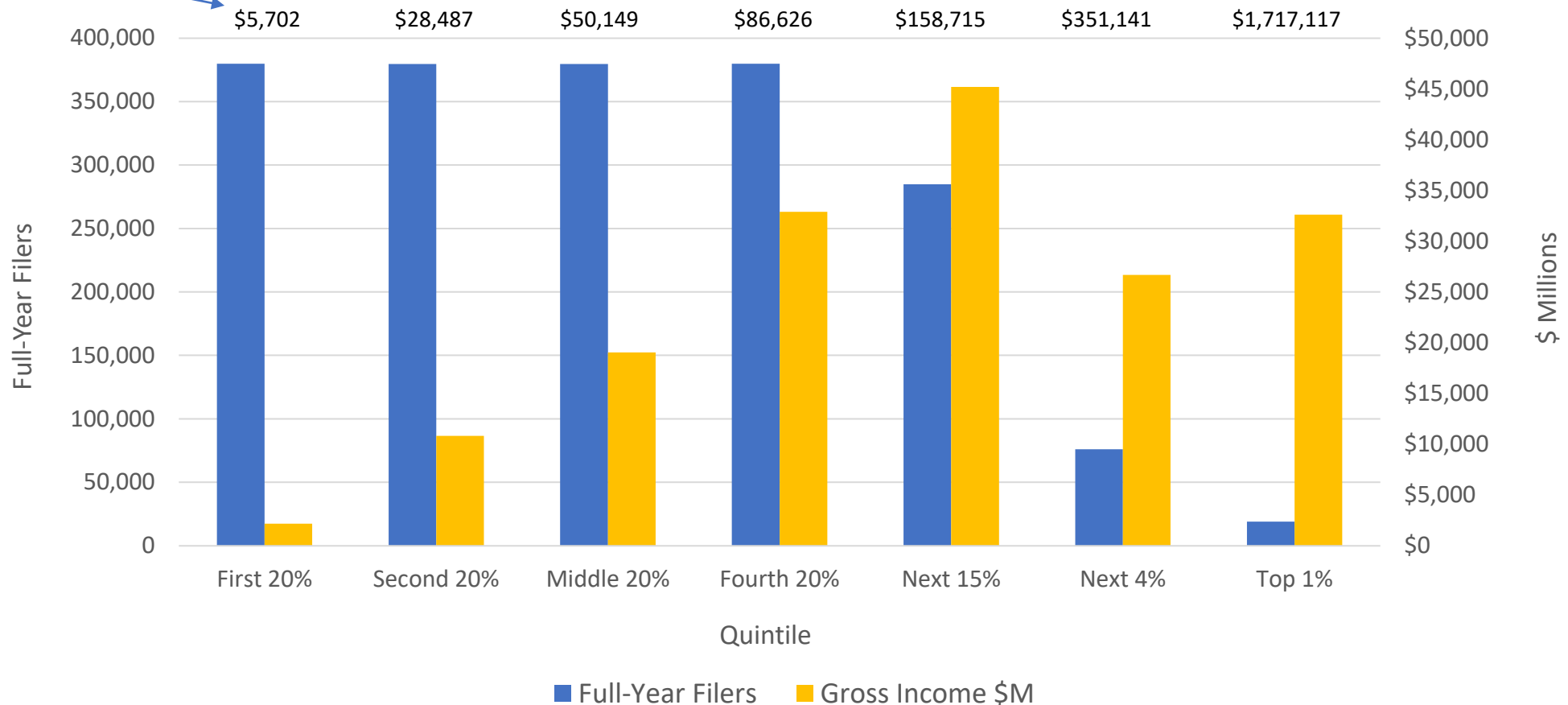
Data Source: Department of Revenue



Personal Income Tax, 2021

1,898,663 Full-Year Filers
\$169,392M of Gross Income

Average Income

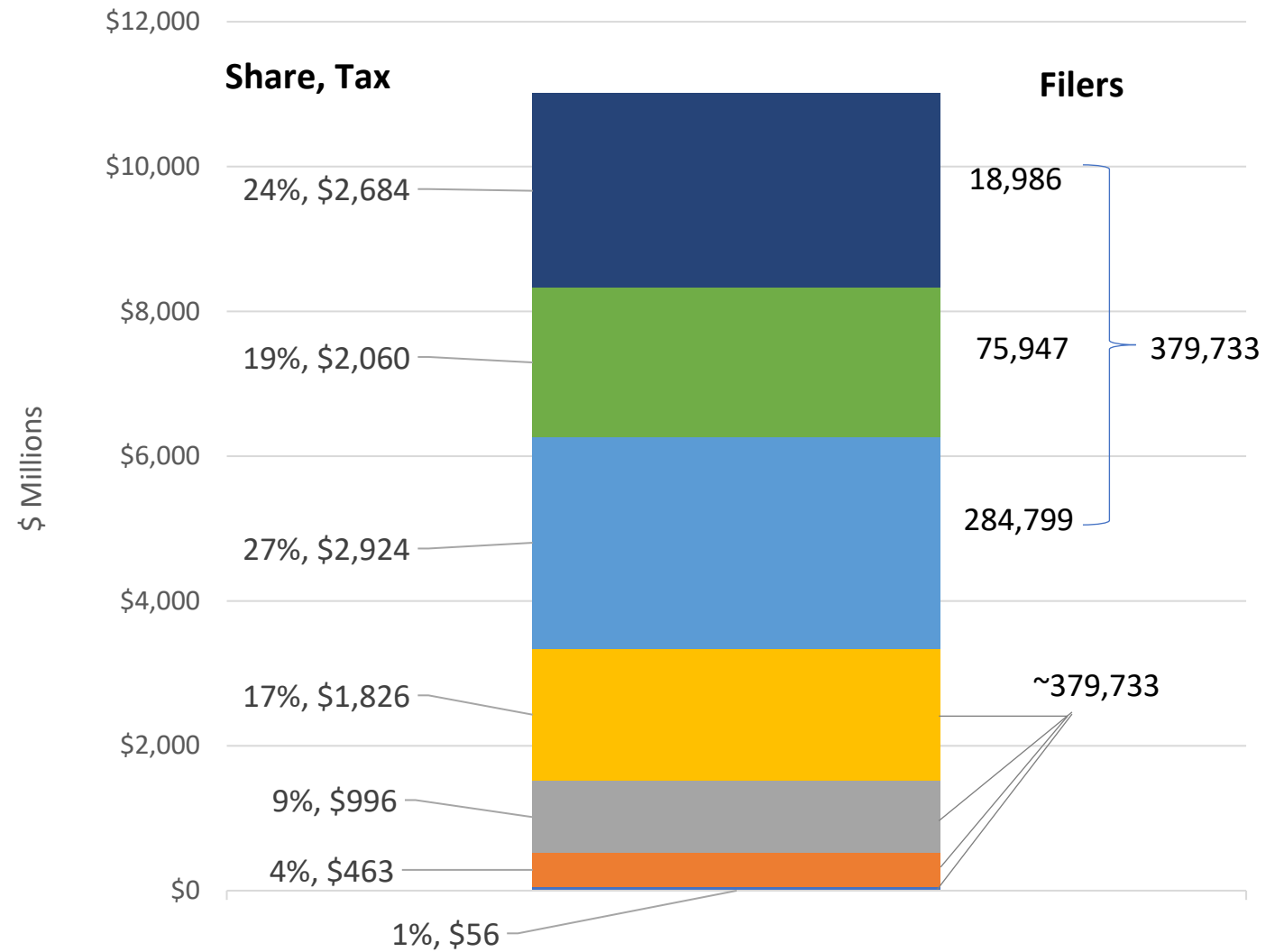




Personal Income Tax

Full-year filers, 2021
\$11,009M

Top 1%	over \$587,500
Next 4%	\$242,000-\$587,500
Next 15%	\$113,100-\$242,200
Fourth 20%	\$64,200-\$113,100
Middle 20%	\$37,600-\$64,200
Second 20%	\$18,700-\$37,600
First 20%	under \$18,700

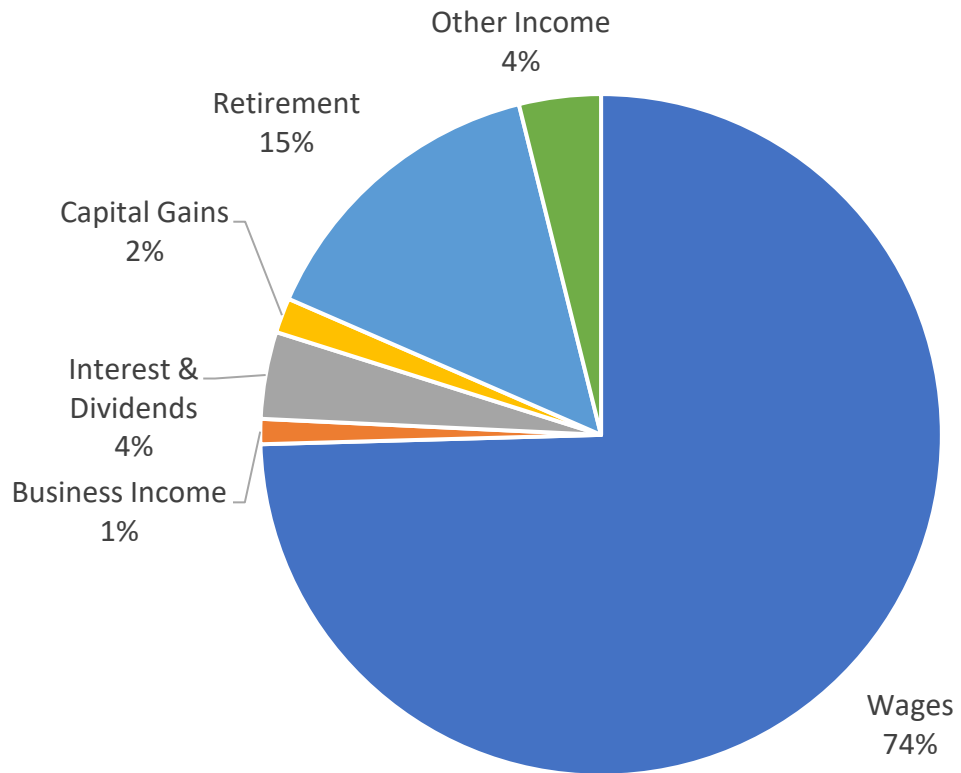




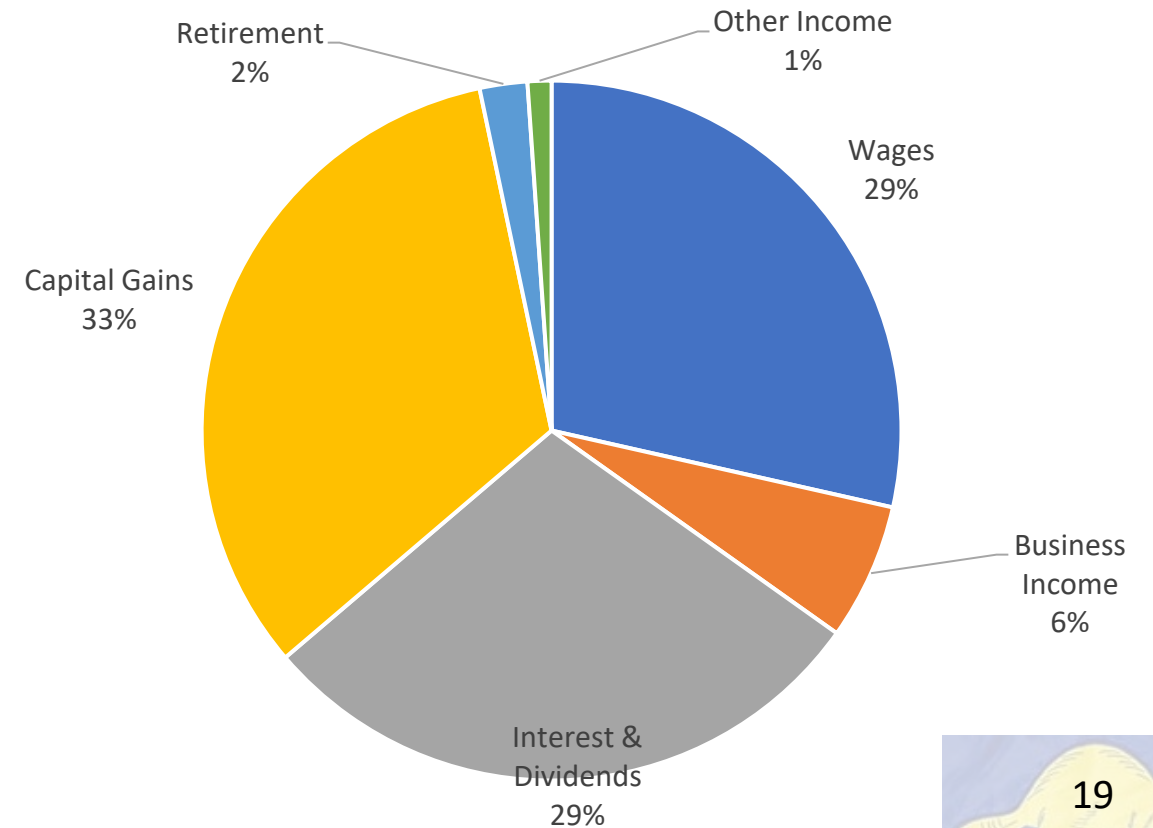
Personal Income Tax, 2021

Income Components by Income Level

Middle 20%



Top 1%

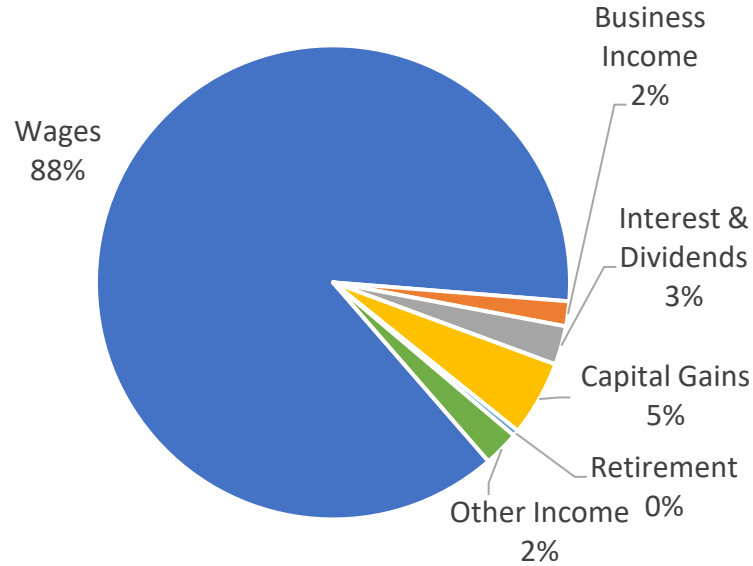




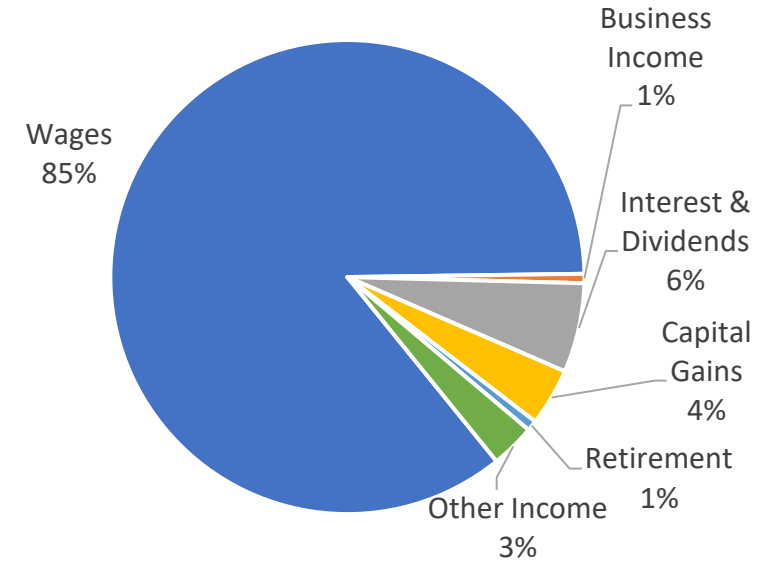
Personal Income Tax Income Components by Age

Full-year filers, 2021
\$11,009M

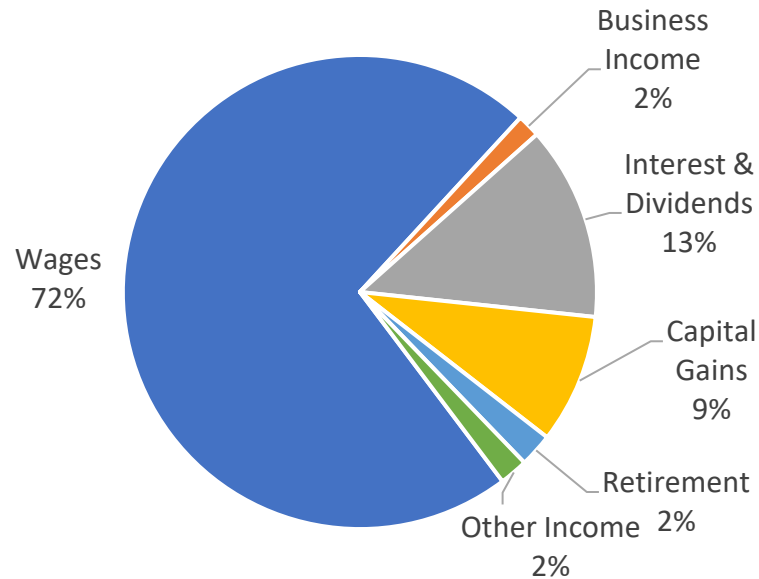
< 19 (\$1B)



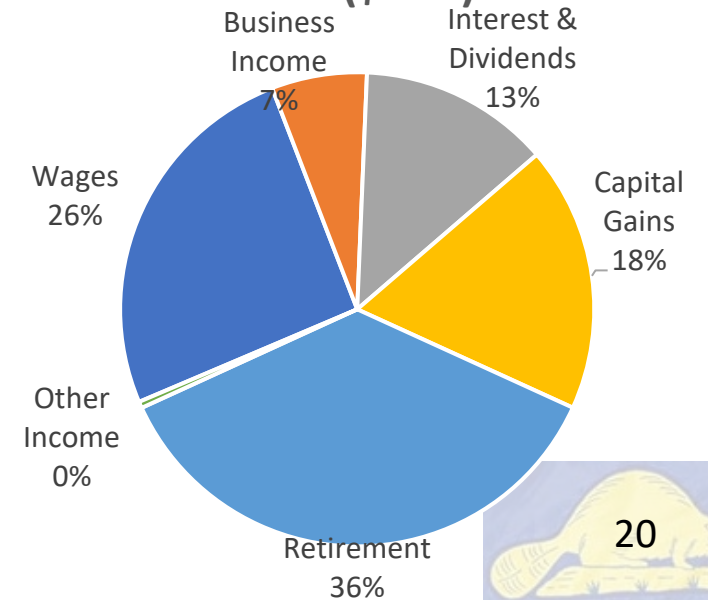
20-39 (\$42B)



40-59 (\$69B)



60+ (\$58B)





Other Considerations

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Health Related Tax Expenditures

2023-25

• Employer Paid Medical Benefits	\$1,770M
• Self-Employment Health Insurance	\$89M
• Health Savings Accounts	\$111M
• Medical and Dental Expenses	\$283M
• Medical Subtraction for Elderly	\$63M
• Rural Medical Credit	\$12M





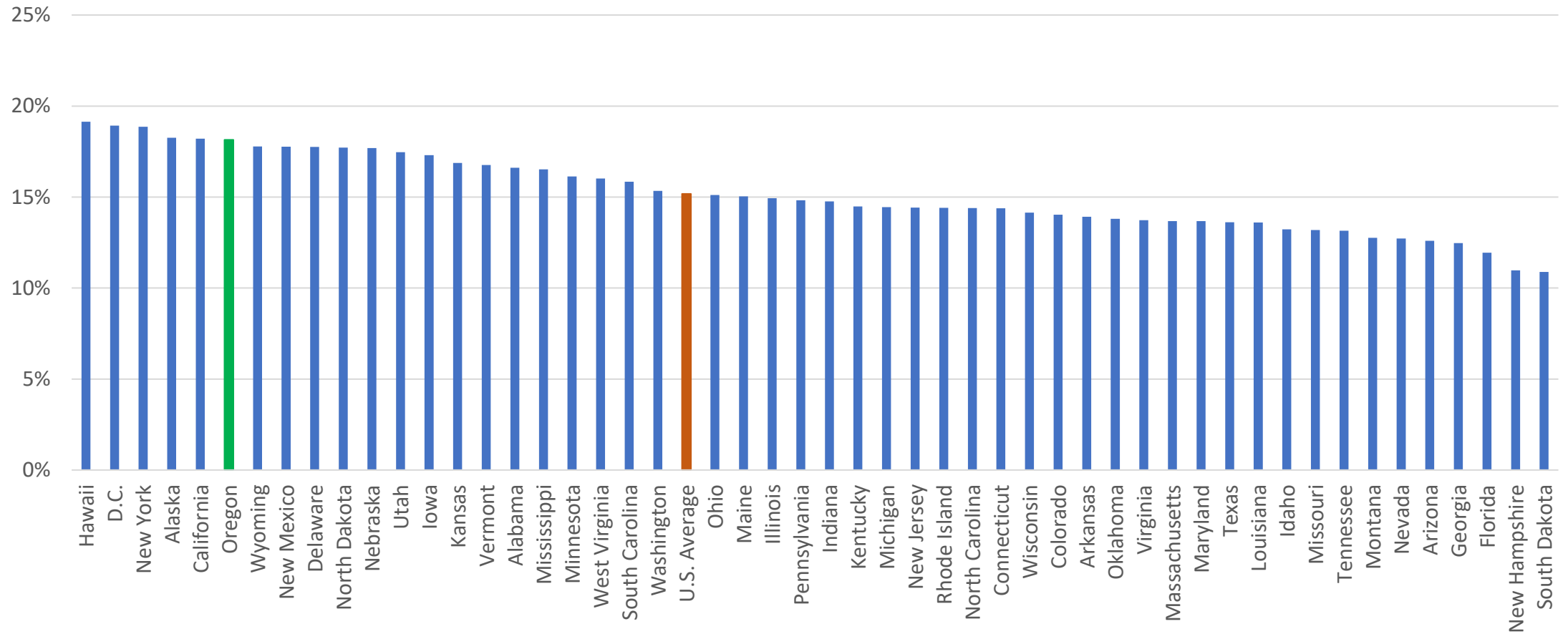
New or Increased Taxes (since 2020)

- Corporate Activity Tax (CAT)
 - \$250 + 0.57% of commercial activity
 - Effective 1.1.20
- Paid Medical Leave (PML)
 - 1% of payroll (40/60 split employer/employee)
 - Effective 1.1.22
- Tobacco Taxes
 - \$2 per pack of cigarettes
 - Inhalant delivery systems
 - \$0.50 per cigar
- Telecommunications
 - 911 increased to \$1.25 per line
 - 988 tax of \$0.40 per line
- FY 2023-24 Collections
 - CAT: \$1,344 Million
 - PML: \$841 Million
 - Tobacco: \$379 Million
 - M108 about \$150M/year
 - 911/988: \$87 Million
 - 988 collections for 3 months
 - Estimated \$25M/year





State & Local Revenue as a Percent of Personal Income

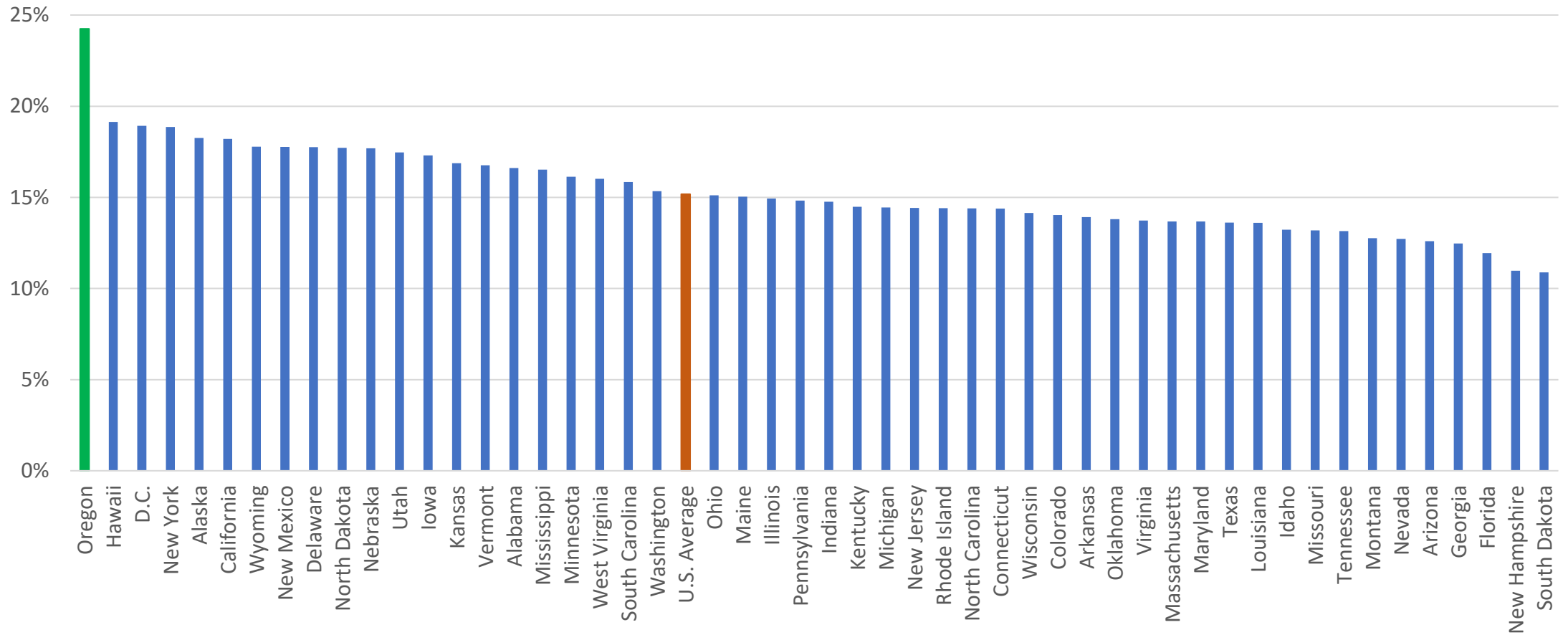


2021 Census data: own-source, utility, liquor, unemployment insurance, & workers' compensation





State & Local Revenue as a Percent of Personal Income, plus Health Care Taxes



2021 Census data: own-source, utility, liquor, unemployment insurance, & workers' compensation
Plus Health Care Task Force Income and Payroll Taxes





Revenue Volatility and the Kicker

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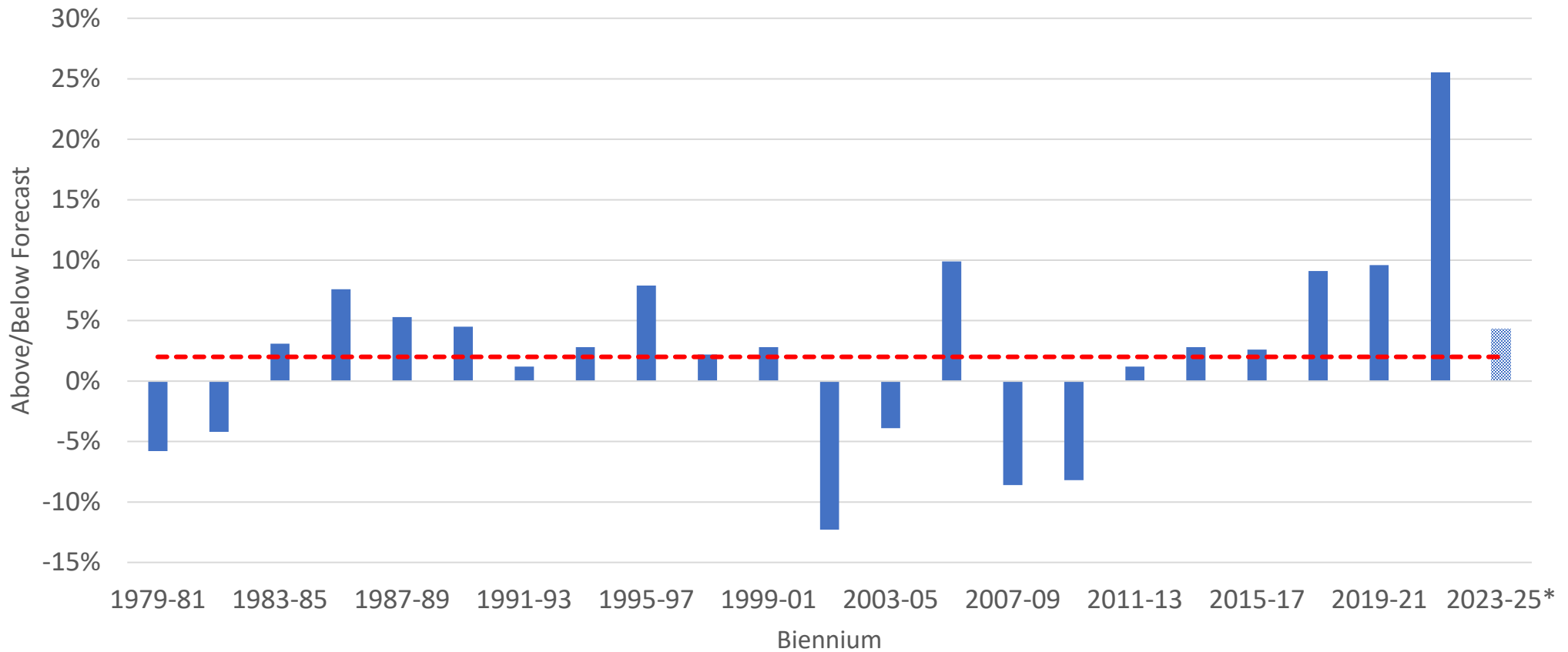
The Kicker

- 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
- Personal kicker has been triggered 14 times (suspended once) in 22 biennia since 1979
- Personal kicker has triggered for a total of \$12.9 billion between 1979 and 2023—an average of 3.6% of General Fund revenue for that period
- The 2023-25 projected kickers
 - Personal - \$987M
 - Corporate - \$883M





Kicker History and the 2% Threshold



For More Information

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

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