

# Universal Health Care: Revenue Options

UHPGB Finance and Revenue Committee Meeting

October 15<sup>th</sup>, 2024

State of Oregon

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LEGISLATIVE REVENUE OFFICE





# Presentation & Discussion Outline

- Revenue Policy Questions
- Tax Base Comparison
- Payroll Tax
- Income Tax
- Proposals from 2022 Task Force

*\*\*\*Disclaimer: Estimates originally provided to UHC joint task force. Many figures contained in this presentation are dated and subject to revision.*



# Core Policy Questions

- Who should bear the funding of Universal Health Care? Why?
- How should multiple revenue sources intersect and interact?
- What are the key revenue “levers”?
- Tax Base, Tax Rate, and Administration?



# Tax Base Comparisons





# Comparison of Tax Bases

- Respective tax bases
- Relative size

Tax Base 2021 - Billions						
Payroll	Personal Income Tax	Property Tax	Corporate Income Tax	Retail Sales	Comm. Activity Tax	Cigarettes (packs)
\$126	\$154	\$479	\$17	\$90	\$216	100M

- Larger tax base can raise more revenue with lower rate
- Constitutional implications of property tax, impact on local governments





# Comparison of Tax Bases

- Respective tax bases
- Relative size

Where task force focused in

Tax Base 2021 - Billions						
Payroll	Personal Income Tax	Property Tax	Corporate Income Tax	Retail Sales	Comm. Activity Tax	Cigarettes (packs)
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# Payroll Tax



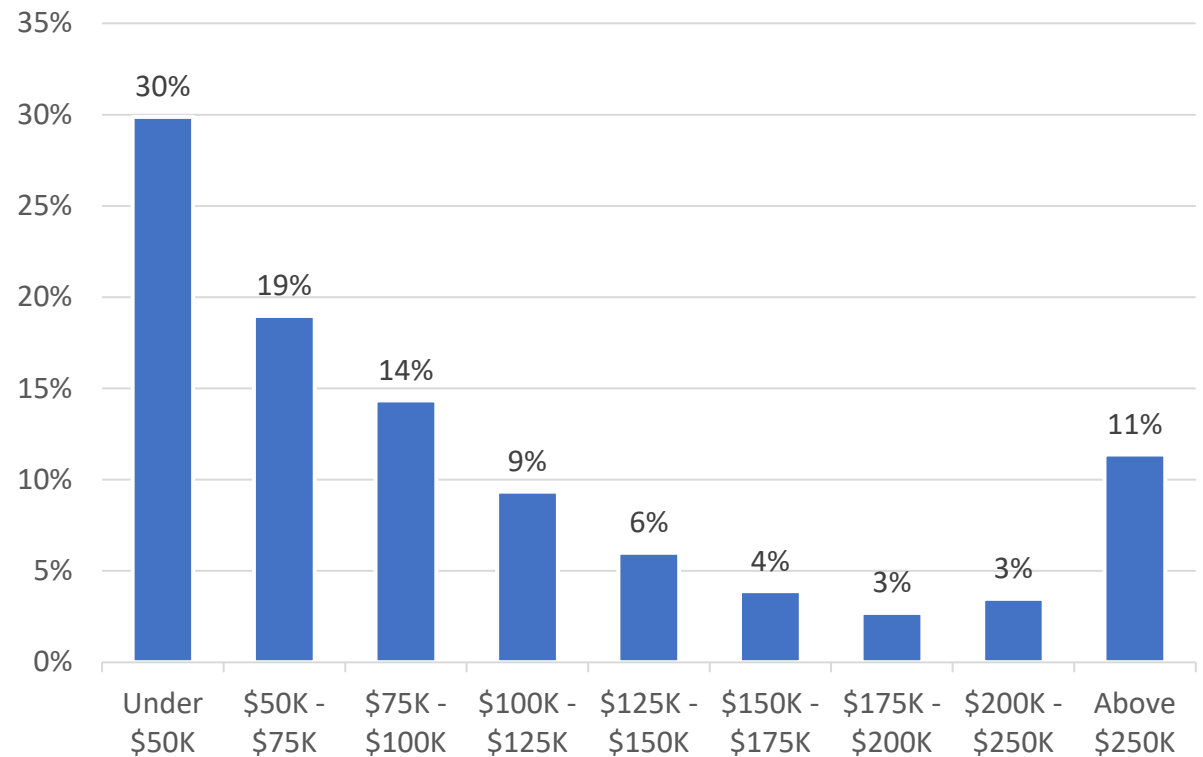


# Payroll Tax

- Tax Base = Wages + Self
  - Employees
  - Self-Employed
  - \$165B in 2026 (projected)
  - All employers, all sectors
- 2026 Revenue Estimate = \$12.3B

2026 Wages + Self. Emp. Inc.		Tax Rate
Up to	\$160,000	7.25%
Above \$160,000		10.5%

Wages

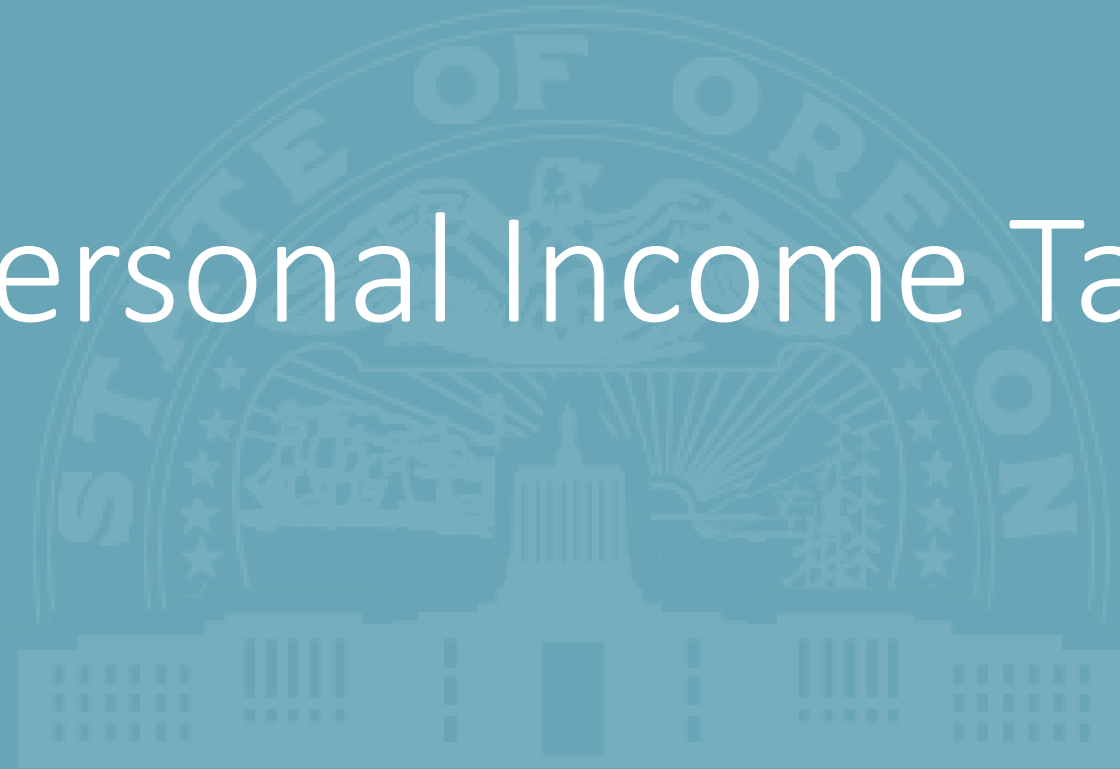


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# Personal Income Tax





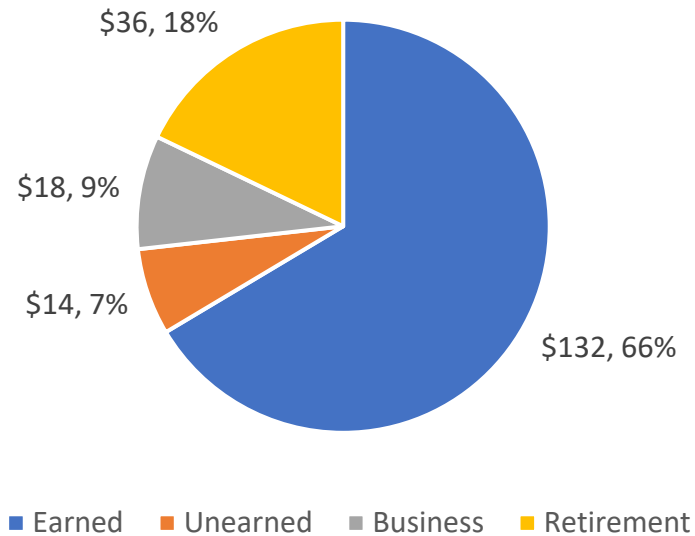
# Personal Income Tax Base - Preliminary

- Tax Base
  - Total = \$200B (2026)
  - Taxable = \$160B (2026)
- Income Categories
- Progressive definition
  - Dollar level
  - Federal Poverty Level (FPL)

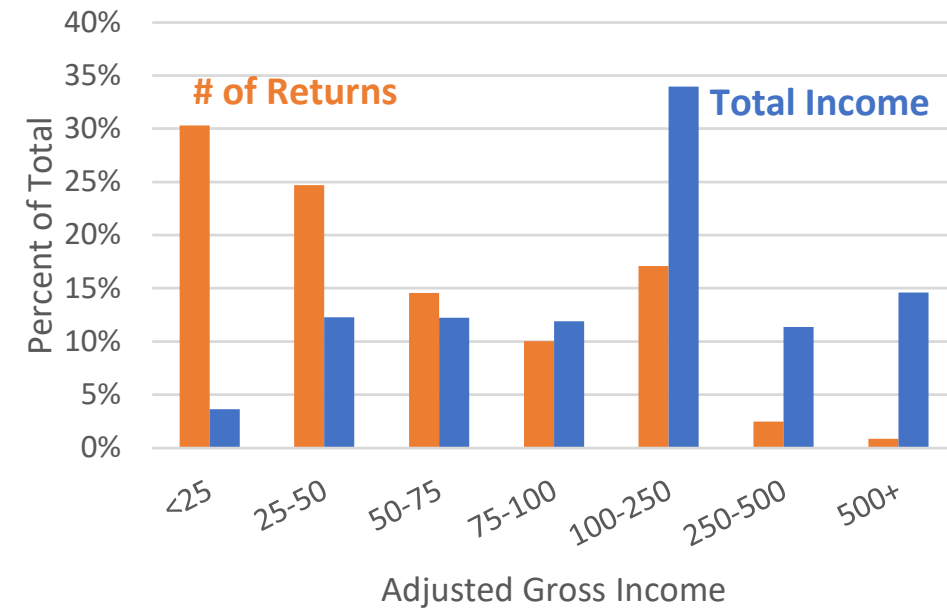
## Personal Income Tax

### Types of Income

Total = \$200B



### Distribution of PIT Returns & Total Income



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# UHC Income Tax: Rates / Brackets

## “Quasi” Federal Poverty Level (Q\_FPL)

- Based on income and number of individuals reported on tax return (differs from FPL which is a household computation)

HH Size	2022 Poverty			
	100% FPL	200% FPL	300% FPL	400% FPL
1	13,590	27,180	40,770	54,360
2	18,310	36,620	54,930	73,240
3	23,030	46,060	69,090	92,120
4	27,750	55,500	83,250	111,000
5	32,470	64,940	97,410	129,880
6	37,190	74,380	111,570	148,760
7	41,910	83,820	125,730	167,640
8	46,630	93,260	139,890	186,520

## Tax Rate Scenarios

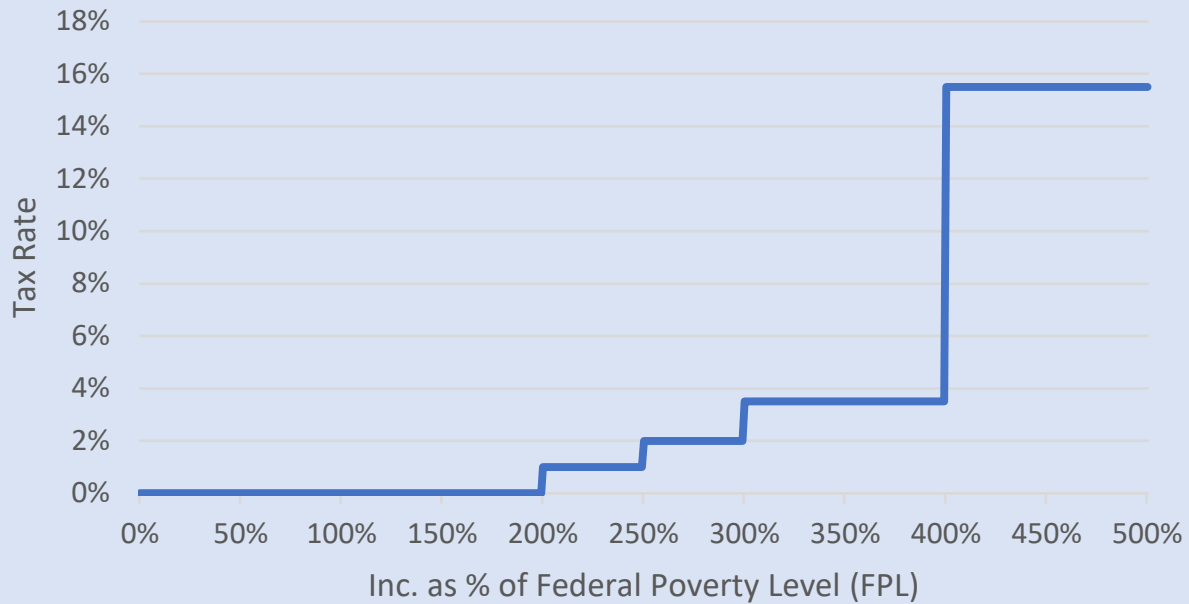
Inc. as % of Q_FPL	Premium Cap	No Cap
<150%	0%	0%
150-200%	0%	0%
200-250%	1%	1%
250-300%	2%	2%
300-400%	3.5%	3.5%
400%+	15.5%	9.3%



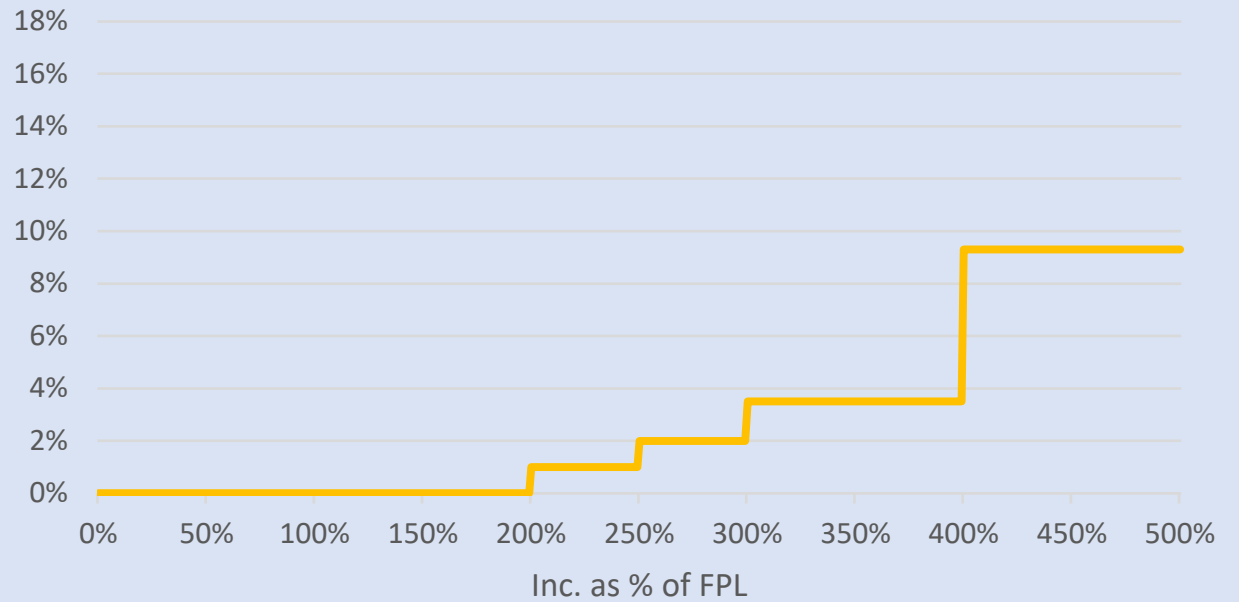


# UHC Income Tax Rates / Brackets

### Rate Proposals w/ Premium Cap



### Rate Proposals w/out Premium Cap

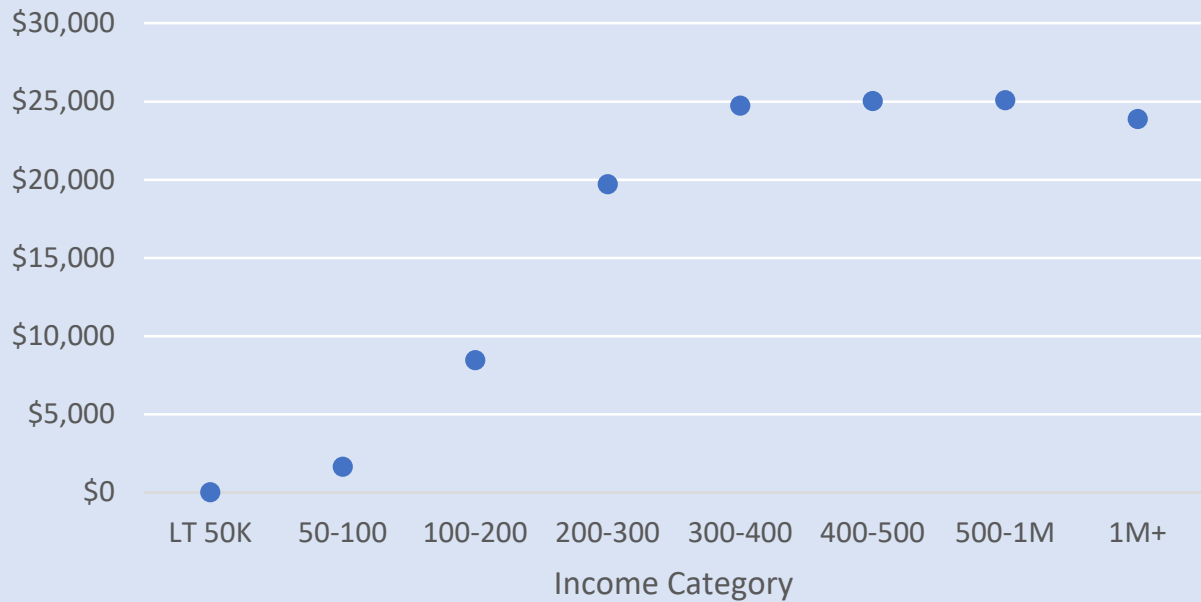




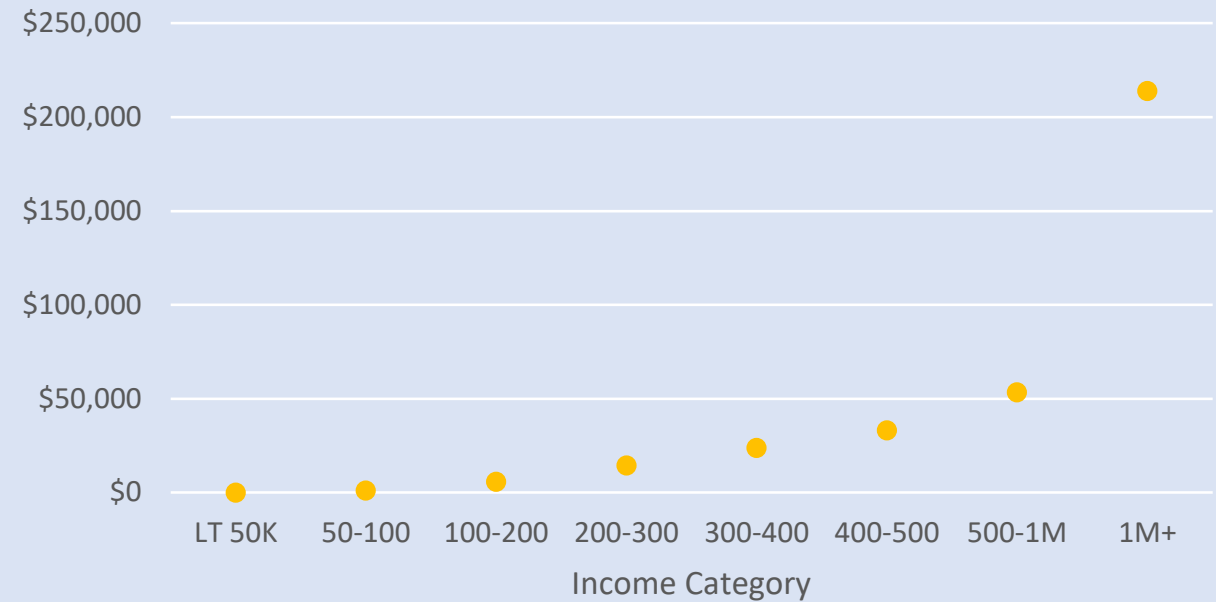
# Average Tax Liability

- Note the difference in vertical axis
- Effect of premium cap on higher income taxpayers

Average Tax Liability w/Premium Cap



Average Tax Liability w/out Premium Cap

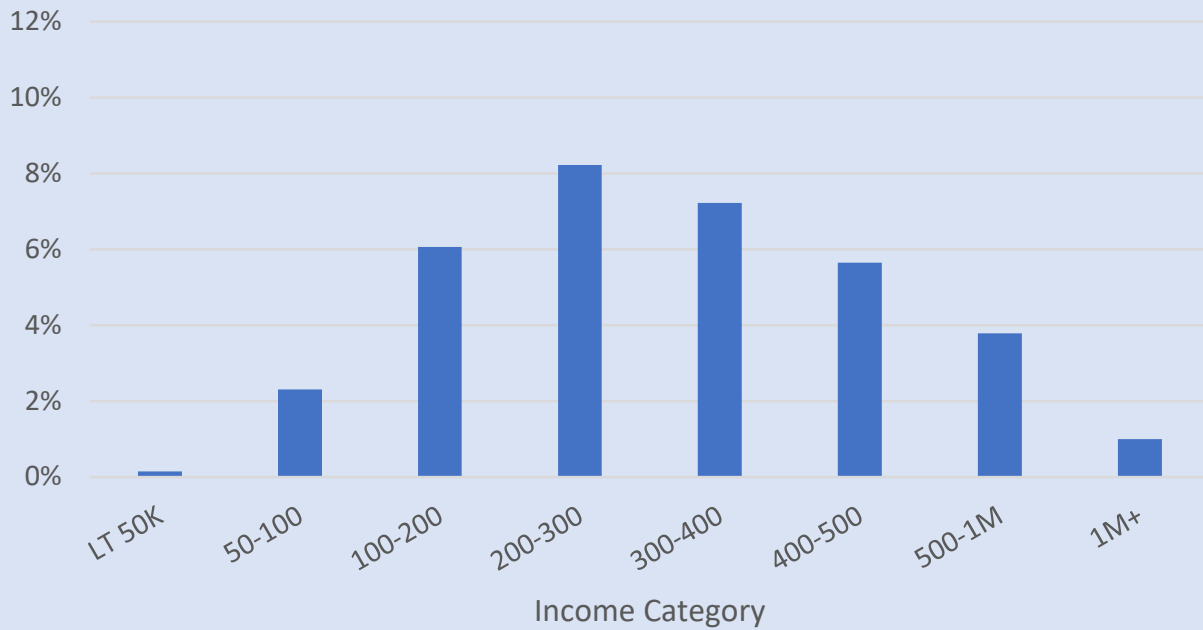




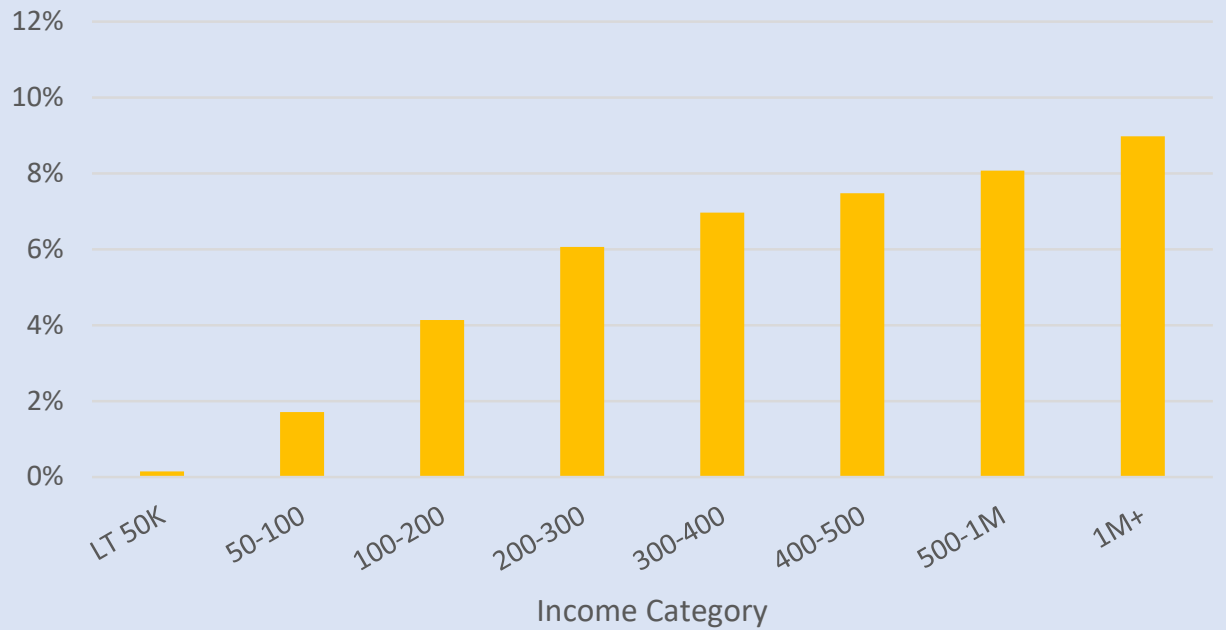
# Progressivity

$$\text{Effective tax rate} = \frac{\text{Tax Liability}}{\text{Income}}$$

Effective Tax Rates - w/Premium Cap



Effective Tax Rates - No Premium Cap





# 2022 UHC Task Force Revenue Tax Proposals



# Two Sources of Revenue

## Payroll Tax

Tax base:  
Payroll of private & public employers and self-employed

Tax Rates (marginal):  
≤160K      7.25%  
160K+      10.50%

Revenue in 2026:  
\$12.3 B

## Personal Income Tax (PIT)

Tax base:  
Federal PIT total income minus Social Security

Tax Rates (marginal, income as a % of federal poverty level):  
≤200%      0.00%  
200-250%   1.00%  
250-300%   1.75%  
300-400%   2.50%  
400%+      8.20%

Revenue in 2026:  
\$7.6 B

## Combined Total Revenue, 2026

\$19.9 B

Note: estimates are static

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# UHC Task Force - Final Report

**Table 11 – 2026 Revenue Estimates (in billions)**

Program / Population	2026 Baseline	Single Payer	Difference
Employer premium contribution	\$12.47	\$0.00	(\$12.47)
Charity	\$0.16	\$0.00	(\$0.16)
Employee / Individual Medicare premiums are only individual contributions under single payer	\$11.63	\$2.10	(\$9.52)
Federal Title XVIII (Medicare)	\$11.78	\$11.78	\$0.00
Federal Title XIX (Medicaid)	\$10.86	\$12.86	\$2.00
Federal Title XXI (CHIP)	\$0.43	\$0.43	\$0.00
Exchange Subsidies/SAMHSA	\$0.88	\$1.17	\$0.30
State Funds and Household contribution and employer payroll tax	\$6.35	\$26.29	\$19.93
PEBB/OEBB non-GF Revenue	\$1.06	\$0.00	(\$1.06)
<b>Total Expenditures</b>	<b>\$55.60</b>	<b>\$54.63</b>	<b>(\$0.98)</b>

Note: totals and differences may differ slightly due to rounding.

Source: Joint Task Force on UHC, Final Report and Recommendations (pg. 99)





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New revenue from payroll & personal income tax

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Employer/employee health insurance contributions, individual health costs

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# For More Information

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

State of Oregon

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