

## Workgroup #2: Public and Active Transportation ODOT Follow-up Material

### Workgroup Session #1 – October 16, 2024

#### **1. What is the feasibility of making the employee payroll tax progressive based on tax bracket/taxable income, rather than a fixed rate for all employees?**

**Note:** *The following response is provided by the Oregon Department of Revenue. Please address follow up questions to the Department's Legislative Director, Marjorie Taylor - [marjorie.taylor@oregon.gov](mailto:marjorie.taylor@oregon.gov).*

The feasibility of making the Statewide Transit Tax progressive based on tax bracket/taxable income, rather than a fixed rate for all employees is not likely. The tax is generally calculated by the employer at each pay period, withheld from employee wages, and submitted to the Oregon Department of Revenue by the employer at least quarterly.

- Basing the progressivity on an individual's taxable income for the entire tax year would not be possible as the employer does not have the information necessary to know that, nor does the employee until the end of the year.
- Basing the progressivity on an hourly/weekly/bi-weekly/monthly amount that would match up with all the pay periods used by employers is also troublesome.

While employers know how much they are paying their employees, the department does not. This would be more complicated and resource intensive work for everyone, especially employers. When employers file their quarterly report, they report the amount paid and the number of hours worked during the quarter, however there is no reporting of what those amounts are made up of. The quarterly wage amount may reflect less than the full quarter, it may reflect pay changes during the quarter, bonuses, and taxable benefits.

There is no way for the department to know how much an employee is paid for any given period of time. Without accurate information, the department would be unable to perform compliance audits to ensure the employer is calculating the tax correctly without significantly more resources. This again puts the burden on employers to withhold the correct amount from each employee, in addition to the many other payroll taxes they must comply with.

The Personal Tax and Compliance Division also reports they are not able to administer this program and would rely on the Business Division—employer payroll withholding—to determine whether appropriate tax amounts would be withheld. To summarize, the feasibility is low because there is little the department could do to enforce a tiered structure within the realm of the payroll tax.

## **2. Are sidewalk improvement projects eligible for Statewide Transportation Improvement Funds (STIF)?**

As defined in STIF program guidance, an eligible project will have a “physical or functional relationship to transit,” and otherwise meets all other STIF program requirements.

The [STIF program guidebook](#) states:

Bicycle and pedestrian projects with a physical or functional relationship to public transit are also eligible to receive STIF Funding.... For the purposes of this program, to have a “physical or functional relationship to transit” a bicycle project must be within a three-mile radius of a transit station or bus stop, and a pedestrian project must be within a half-mile radius. Pedestrian and bicycle improvements beyond these distances may be eligible for STIF funding by demonstrating that the improvement is within the distance that people will travel by foot or by bicycle to use a particular stop or station.

Additionally, bike and pedestrian projects must meet all other STIF Formula or STIF Discretionary requirements, depending on which type of funding is sought.