

EFFECT OF TAX CHANGES

The table contains rough approximations of the static revenue impacts of selected tax changes. All figures are in millions of dollars. The estimates assume that the proposed change is fully phased in. Due to time lags in the tax system, a proposed change might not have the effect shown here in the first fiscal year.

TAX REDUCTIONS	Revenue Effect (in millions)		
	FY 2007-08	FY 2008-09	FY 2009-10
Property Tax			
Personal Property Tax Threshold (current law: accounts under \$12,500 in Assessed Value are exempt from Taxes) Increase the Tax Exempt Threshold to \$20,000 of Assessed Value	-2.80	-2.80	-2.90
Senior Homeowner Property Tax Freeze: Freeze property taxes on residences who are over the age of 65 and have income < \$35,000	-1.7	-3.9	-4.4
Personal Income Tax			
Earned Income Credit (EIC)			
Increase EIC to 10% of federal EIC	-17.0	-15.0	-15.3
Increase EIC to 12% of federal EIC	-24.3	-22.5	-23.0
Rate Reductions (current rates 5% – 7% – 9%)			
Reduce rates 1 percentage point (to 4 - 6 - 8%)	-736.2	-781.1	-828.9
Reduce rates 1/2 percentage point (to 4.5 - 6.5 - 8.5%)	-368.5	-391.0	-414.9
Reduce rates 1/4 percentage point (to 4.75 - 6.75 – 8.75%)	-184.4	-195.6	-207.5
Reduce rates 0.1 percentage point (to 4.9 - 6.9 - 8.9%)	-73.8	-78.3	-83.0
Tax Bracket Changes			
Double width of 5% and 7% brackets	-400.6	-421.8	-442.1
Widen 5% and 7% brackets by \$1,000 (\$2,000 on joint returns)	-183.3	-193.9	-203.7
Income Exemptions and Deductions			
Eliminate tax on unemployment income	-44.0	-44.6	-45.3
Double standard deduction (\$1,770 single; \$3,545 joint in 2005)	-146.4	-149.8	-153.0
Increase Maximum Federal Tax Subtraction to \$10,000	-124.1	-129.1	-134.9
No limit on maximum subtraction for federal income taxes	-651.2	-714.9	-785.3
Credits			
Increase personal exemption credit \$10	-31.9	-32.8	-33.6
Capital Gains (currently taxed at 5-7-9% rates)			
Reduce tax rate on capital gains to 5%	-236.2	-252.3	-271.3
Reduce tax rate on capital gains to 4%	-296.1	-316.2	-340.0
Estate Taxes			
Connect to 2001 Federal law changes and eliminate estate taxes in Oregon (currently connected to Federal Taxpayer Relief Act of 1997)	63.5	66.0	68.5
Corporate Income Tax			
Reduce corporate tax rate 0.1 percentage point (to 6.5%)	-6.2	-6.3	-6.1
Reduce corporate tax rate 1 percentage point (to 5.6%)	-61.6	-63.0	-61.3

TAX INCREASES/NEW TAXES	Revenue Effect (in millions)		
	FY 2007-08	FY 2008-09	FY 2009-10
Statewide Property Tax for School Districts			
Establish an additional tax rate of \$1 per \$1,000 of assessed value for all school districts statewide that is outside the Measure 5 limit	271.3	284.3	297.9
Personal Income Tax			
Increase All Rates 5% (5.25, 7.35, 9.45%)	308.4	327.6	348.0
Increase All Rates 10% (5.5, 7.7, 9.9%)	617.2	655.5	696.3
Increase All Rates 1 Percentage Point (6, 8, 10%)	739.1	784.0	831.9
Increase Top Tax Rate to 9.5%	285.0	303.5	323.4
Increase Rate to 10% for Income Above \$100,000 Joint (indexed)	176.5	191.1	207.4
Increase Rate to 10% for Income Above \$50,000 Joint (indexed)	307.3	330.4	355.9
Increase Rate to 10% for Income Above \$25,000 Joint (indexed)	471.5	503.2	537.9
Decrease Maximum Federal Tax Subtraction Limit to \$3,000 (2007 Federal Tax Subtraction is \$5,500)	122.1	132.4	144.4
1% Surtax	55.3	58.8	62.5
Reduce Personal Exemption Credit by \$10	32.1	33.0	33.8
Limit Property tax Deduction to \$2,500 if Income > \$100,000 Joint	65.3	77.0	88.4
Limit Mortgage Interest Deduction to \$15,000	34.4	37.6	41.0
Corporate Income Tax			
1% Surtax	4.1	4.2	4.0
Increase Rate One Percentage Point (to 7.6%)	61.2	63.0	61.3
Increase Corp. Min Tax to \$500	38.6	39.4	40.1
Increase Corp. Min Tax = \$500 - Corps. with Gross Sales < \$500,000 & Corp. Min Tax = \$1,000 - Corps. with Sales > \$500,000 and < \$1 million & Corp. Min Tax = \$3,000 - Corps. with Sales > \$1 million	80.4	81.8	83.2
Sales Taxes (begin 2008)			
Broad Retail Sales Tax – 1% Rate (exempts shelter & in-home food)	400.5	865.2	917.6
Restricted Retail Sales Tax – 1% Rate (exempts shelter, in-home food, public transport, health care, education, personal insurance, utilities, gasoline, tobacco products)	280.6	611.2	655.6
Broad Retail Sales Tax – 3% Rate (exempts shelter & in-home food)	1,201.9	2,630.8	2,786.7
Restricted Retail Sales Tax – 3% Rate (exempts same items as described in 1% restricted retail sales tax)	846.7	1,834.8	1,943.2
Broad Retail Sales Tax – 5% Rate (exempts shelter & in-home food)	2,012.0	4,342.5	4,605.9
Restricted Retail Sales Tax – 5% Rate (exempts same items as described in 1% restricted retail sales tax)	1,412.8	3,043.9	3,149.1
Business Activity Taxes (begin 2008)			
Washington Gross Receipts Tax (B&O) – .1% Rate (no income tax credit)	133.3	278.8	296.7
Business Activities Tax (first \$25,000 of tax base is exempt) – 1% rate	219.9	441.8	462.2
Excise Taxes (begin 2008)			
Washington Real Estate Transfer Tax – 1% Rate	268.5	287.2	301.6
Increase Cigarette Tax by 10¢ per Pack	13.9	15.1	15.2
Increase Other Tobacco Products by 10% of wholesale price	1.3	2.4	2.5
Increase Beer Tax by \$1 per barrel	1.4	2.7	2.7
Increase Wine Tax by 25¢ per gallon	1.5	2.7	2.8
Increase OLCC Mark-up by 10% (current = 101%)	5.5	10.8	11.1
Transient Lodging Tax – 1% Rate (no exemption amount)	4.3	8.8	8.9

Table 2. Breadth of Base, Reliance, and Statutory Rates, Fiscal 2007

	Sales Tax Reliance	Breadth of Base	Standard Rate 1-Jan-06	Standard Rate 1-Jan-07	Standard Rate 1-Jan-08
New England					
Connecticut	0.2359	0.2665	6%	6%	6%
Maine	0.2945	0.4749	5	5	5
Massachusetts	0.2049	0.2674	5	5	5
Rhode Island	0.3166	0.2996	7	7	7
Vermont	0.2071	0.3877	6	6	6
Mean	0.2518	0.3392			
Median	0.2359	0.2996			
Mid-Atlantic					
Maryland	0.2814	0.3286	5	5	5
New Jersey	0.2867	0.2790	6	7	7
New York	0.1614	0.2787	4.25	4	4
Pennsylvania	0.2809	0.2994	6	6	6
Mean	0.2526	0.2964			
Median	0.2811	0.2892			
Great Lakes					
Illinois	0.2648	0.2413	6.25	6.25	6.25
Indiana	0.3847	0.4238	6	6	6
Michigan	0.3347	0.3765	6	6	6
Ohio	0.3136	0.3538	6	5.5	5.5
Wisconsin	0.2871	0.4119	5	5	5
Mean	0.3170	0.3615			
Median	0.3136	0.3765			
Plains					
Iowa	0.2834	0.3504	5	5	5
Kansas	0.3252	0.4144	5.3	5.3	5.3
Minnesota	0.2814	0.3609	6.5	6.5	6.5
Missouri	0.3057	0.3832	4.225	4.225	4.225
Nebraska	0.3646	0.4169	5.5	5.5	5.5
North Dakota	0.3165	0.5064	5	5	5
South Dakota	0.6103	0.7099	4	4	4
Mean	0.3553	0.4489			
Median	0.3553	0.4489			
Southeast					
Alabama	0.2648	0.3915	4	4	4
Arkansas	0.3929	0.5681	6	6	6
Florida	0.6086	0.5166	6	6	6
Georgia	0.3424	0.4996	4	4	4
Kentucky	0.3263	0.4078	6	6	6
Louisiana	0.3205	0.5833	4	4	4
Mississippi	0.4945	0.5366	7	7	7
North Carolina	0.2301	0.4016	4.5	4.25	4.25
South Carolina	0.3747	0.4763	5	5	6
Tennessee	0.5962	0.4716	7	7	7
Virginia	0.1865	0.2775	4	4	4
West Virginia	0.2799	0.4057	6	6	6
Mean	0.3681	0.4613			
Median	0.3681	0.4613			
Southwest					
Arizona	0.4550	0.4811	5.6	5.6	5.6
New Mexico	0.3802	0.6384	5	5	5
Oklahoma	0.2211	0.3542	4.5	4.5	4.5
Texas	0.5894	0.4277	6.25	6.25	6.25
Mean	0.4114	0.4753			
Median	0.4176	0.4544			
Rocky Mountain					
Colorado	0.2410	0.3835	2.9	2.9	2.9
Idaho	0.3612	0.4552	6	6	6
Utah	0.3317	0.4985	4.75	4.75	4.65
Wyoming	0.3449	0.7726	4	4	4
Mean	0.3197	0.5274			
Median	0.3383	0.4768			
Far West					
California	0.2847	0.3440	6	6.25	6.25
Hawaii	0.4802	1.2144	4	4	4
Nevada	0.5096	0.4760	6.5	6.5	6.5
Washington	0.4494	0.4680	6.5	6.5	6.5
Mean	0.4310	0.6256			
Median	0.4648	0.4720			
National Mean	0.3424	0.4418	5.345	5.3506	5.3706
National Median	0.3166	0.4119	5.4225	5.5	5.5

Economic Impact of Tax Reform Plan A*

2008 Levels

	Baseline	New Equilibrium	Change From Baseline	Percent Change
Private Sector				
Personal Income (\$M)	137,900	136,376	-1,524.1	-1.1%
Employment	2,309,002	2,379,530	70,527.7	3.1%
Population	3,789,100	3,812,554	23,453.8	0.6%
Investment (\$M)	15,263	15,343	79.6	0.5%
Wage Index	100.0	96.5	-3.5	-3.5%
Return to Capital	100.0	100.5	0.5	0.5%
Public Sector				
State Spending (\$M)	18,986.8	19,730.3	743.5	3.9%
GF Revenue (\$M)	6,102.7	6,818.2	715.6	11.7%
OF Revenue (\$M)	12,884.1	12,912.0	28.0	0.2%
Local Govt Revenue (\$M)	10,329.8	9,927.4	-402.4	-3.9%
Federal Tax Paid by Oregonians (\$M)	27,636.5	28,170.8	534.3	1.9%

Static Revenue Impact (\$M)	227.2
GF Change (\$M)	715.6
OF Change (\$M)	28.0
LR Change (\$M)	-402.4
Dynamic RI (\$M)	113.9
Dynamic RI (%)	-50.1%

***Plan A consists of the following changes:**

	\$ Millions
Personal income tax rates of 2-4-6%	-\$2,250
Capital gains tax rate of 4%	
Personal	-\$109
Corporate	-\$25
Raise Inheritance tax threshold	-\$24
Refundable EIC = 25% of FEIC	-\$70
General sales tax	\$3,195
Property tax homestead exemption	-\$490
Total static impact	\$227

TAX REFORM/CONCEPTUAL BASIS FOR HB 2530
 UPDATED 2009-11 ESTIMATES

2009-11
 (MILLIONS OF \$)

PERSONAL INCOME TAX	
REDUCE RATES TO 2,4,6%	
CAPITAL GAINS @4%	
REFUNDABLE EITC @25%	
NET IMPACT	-5462
ESTATE TAX RELIEF	-46
HOMESTEAD EXEMPTION @ \$25,000	-772
RENTER RELIEF @ 20,10,5%	-305
CONSUMPTION TAX	
BROAD BASED GOODS & SERVICES TAX	7580
1.5% RETAILER COMP	-114
KEY EXEMPTIONS: FOOD, SHELTER, UTILITIES, CIGS, GAS, MACHINERY & AG	
NET CONSUMPTION TAX REVENUE	7466
NET REVENUE FROM PACKAGE	881
LRO: 4-25-07	
POTENTIAL CHANGES*	
CUT CAPITAL GAINS RATE TO 6% (INSTEAD OF 4%)	310
REMOVE INCREASE IN ESTATE TAX EXEMPTION LEVEL	46
CREATE 8% BRACKET STARTING AT TAXABLE SINGLE INCOME OF 65000 (S), 130000(J)	456.4
ELIMINATE RETAILER COMP	114

* ESTIMATED AS STAND ALONE CHANGE

UPDATED 3-30-07

TAX REFORM
PROPERTY TAX ELIMINATION

2009-11
(IN MILLIONS OF \$)

PERSONAL INCOME TAX	
REDUCE CAPITAL GAINS TAX TO 4%	-724
PROPERTY TAX	
EXEMPT ALL PROPERTY < \$1 MILLION AV	-6895
RENTER RELIEF	-305
ESTATE TAX	
RAISE THRESHOLD TO \$2 MILLION	-46
CONSUMPTION TAX	
BROAD BASED GOODS & SERVICES TAX @ 6%	9072
1.5% RETAILER COMP	136
NET CONSUMPTION TAX REVENUE	8936
NET REVENUE FROM PACKAGE	966

LRO: 5-21-07