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LONG-TERM OPTIONS

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The long-term options chapter is designed to lay out a process for engaging the public in a discussion of tax reform and to develop a format for analyzing major proposals that the task force agrees have enough merit to be further evaluated by the Legislature.

Process

- Establish "Foundation for Oregon". The foundation should be patterned after the successful tax reform effort in Virginia.
- Foundation should be statutorily created.
- Foundation responsible for developing strategy and methods for accomplishing tax reform.

Major Revenue Restructure Proposals:

Format for Analyzing Proposals:

- Static revenue impact analysis
- Analysis of economic impacts
- Analysis of how proposal affects distribution of tax burden.
- Discussion of administrative issues associated with implementing plan.

Proposals for Consideration:

General Concept: Establish goods and services retail sales tax combined with significant personal income tax reductions and low income property tax relief.

Key Elements:

- Outlined in HB 2530 as introduced
 - Impose 5% goods & services tax
 - Exempt food, shelter, utilities, gas, machinery & agriculture inputs
 - Allow retailers to retain 1.5% of collections
 - Reduce Personal Income Taxes
 - Reduce rates to 2,4 & 6%
 - Cap capital gains rates @ 4%
 - Increase refundable earned income credit to 25% of federal
 - Establish homestead property tax exemption @ \$25,000 of assessed value
 - Provide low income renter relief
 - Raise estate tax filing threshold to \$2 million

General Concept: Establish goods and services retail sales tax combined with elimination of property taxes for nearly all property owners.

Key Elements:

- Impose 6% goods & services tax
 - Establish 6% retail sales tax on goods & services
 - Exempt food, shelter, utilities, gas, machinery & agriculture inputs
 - Allow retailers to retain 1.5% of collections
 - Exempt all property from property taxes up to \$1,000,000 in assessed value
 - Provide low income renter relief
 - Raise estate tax threshold to \$2 million

General Concept: Establish modified gross receipts tax combined with reductions in personal income tax and elimination of corporate income tax.

Key Elements:

- Establish broad based gross receipts tax with allowance for deductions of purchases from in-state vendors.
- Eliminate corporate income tax
- Reduce personal income tax through lowering top marginal rate, adjusting capital gains for inflation and providing low income credit.
- Modify methodology for calculating surplus kicker refunds and credits as included under short-term options.
- Establish new constitutional spending limit.

General Concept: Swap portion of property tax revenue and personal income tax revenue between state and cities/counties.

Key Elements:

- Redirect portion of state personal income tax collections to shared services fund. Allocate fund to cities and counties based on formula.
- Establish new statewide property tax.
- Establish lower statutory property tax rate for all cities and counties
- Develop series of statewide excise taxes to be used to fund state's infrastructure and higher education needs.

General Concept: Modify Measure 50 to allow for greater flexibility.

Key Elements:

- Examine statutory options for modifying change ratio calculation to reduce horizontal inequities
- Provide greater flexibility to change permanent rates under certain circumstances
- Establish minimum change ratio, e.g. 50%
- Reset property values to x% of real market value when properties are sold or transferred to new owners or when construction comes on rolls
- Develop more triggers for exception value
- Develop rolling index to adjust 3% annual value limit for changes in the inflation rate

General Concept: Broaden Personal Income Tax Base/Lower Rates.

Key Elements:

- Change federal connection point from taxable income to adjusted gross income
- Develop scaled down version of state income tax expenditures
- Lower marginal income tax rates

Other Options

- **Develop set of local revenue options for cities and counties and special districts to diversify their revenue base.**
- **Make incremental changes in state tax system that improve stability and shift the burden from income to consumption.**