

State of Oregon 2009 - 11 Tax Expenditure Report

Oregon Department of Revenue

Presentation to House Revenue Committee by
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General Overview

- Budget Accountability Act (1995) requires tax expenditure report (biennial)
- "...are similar to direct expenditures" *
- "The tax expenditure report will allow tax expenditures to be debated in conjunction with online budgets..." *

* Oregon Laws 1995, Chapter 746

ORS 291.195

Statutory Definition of Tax Expenditure

“any law of the Federal Government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.” (Oregon Laws 1995, Chapter 746)

TYPES OF OREGON TAX EXPENDITURES

Tax Program	Number	Percent
Income (Personal and Corporate)	216	57%
Federal Exclusions	62	16%
Federal Adjustments/Deductions	54	14%
Oregon Subtractions	28	7%
Oregon Credits	64	17%
Other Oregon Provisions	8	2%
Property	123	32%
Full Exemption	87	23%
Partial Exemption	23	6%
Special Assessment	12	3%
Other Assessment	1	0%
Gas and Use Fuel	5	1%
Weight-Mile	7	2%
Cigarette & Other Tobacco	5	1%
Beer and Wine	2	1%
Other State Taxes	22	6%
All Taxes	380	100%

Oregon's Tax Expenditures

Tax Program	Number	Estimated Revenues 2009-11	Revenue Impact 2009-11
Income (Personal and Corporate)	216	\$13,900.0	\$11,151.7
Federal Exclusions	62		\$5,632.5
Federal Adjustments/Deductions	54		\$2,501.3
Oregon Subtractions	28		\$1,484.9
Oregon Credits	64		\$1,435.6
Other Oregon Provisions	8		\$97.4
Property	123	\$10,000.0	\$19,712.5
Full Exemption	87		\$19,124.1
Partial Exemption	23		\$191.8
Special Assessment	12		\$396.4
Other Assessment	1		\$0.2
Gas and Use Fuel	5	\$876.5	\$15.6
Weight-Mile	7	\$486.7	\$15.9
Cigarette & Other Tobacco	5	\$457.5	\$2.5
Beer and Wine	2	\$35.6	\$2.5
Other State Taxes	22	\$434.3	\$8.0
All Taxes	380	\$26,190.6	\$30,908.7

Top 10 2009-11 Income Tax Expenditures

Tax Expenditure	\$ (Million)	Percent
Employer Paid Medical Benefits	1,191	11%
Pension Contributions and Earnings	983	9%
Personal Exemption	975	9%
Home Mortgage Interest	905	8%
Capital Gains on Inherited Property	797	7%
Federal Income Tax Deduction	749	7%
Social Security Benefits (Federal)	482	4%
Cafeteria Plan Benefits	359	3%
Social Security Benefits (Oregon)	357	3%
Capital Gains on Home Sales	353	3%
Subtotal	7,150	64%
Other	4,001	36%
Total	11,152	100.0%

Top 10 2009-11 Property Tax Expenditures

	\$ (Million)	Percent
Intangible Personal Property	12,426	63%
Federal Property	1,759	9%
State and Local Property	1,594	8%
Personal Property for Personal Use	913	5%
Motor Vehicles and Trailers	884	4%
Inventory	639	3%
Western Private Standing Timber	349	2%
Farm Land	262	1%
Strategic Investment Program (SIP)	104	1%
Charitable, Literary, and Scientific Organizations	98	0%
Subtotal	19,027	97%
Other	687	3%
Total	19,715	100%

The Report Must Contain:

- List of all tax expenditures
 - Statutory authority
 - Purpose
 - Revenue loss estimates
 - Budget program or function
 - Evaluation – achieves purpose? fiscally effective?
 - Sunset recommendations - extend provision or allow to sunset

TAX EXPENDITURES SCHEDULED FOR SUNSET IN 2009–11

TAX EXPENDITURE	TYPE	SUNSET	2009-11 REVENUE IMPACT (\$000)	GOVERNOR'S RECOMMENDATION
1.402 Contributions of Computer Equipment	Income Tax Credit	12/31/09	Less than 50	Extend sunset
1.407 Volunteer Rural Emergency Medical Technicians	Income Tax Credit	12/31/10	200	Extend sunset
1.455 Mile-Based or Time-Based Motor Vehicle Insurance	Income Tax Credit	12/31/09	Less than 50	Extend sunset
2.016 Cargo Containers	Full Property Tax Exemption	06/30/10	300	Extend sunset
2.018 Leased Publicly Owned Shipyard Property	Full Property Tax Exemption	06/30/10	0	Extend sunset
2.031 Food Processing Equipment	Full Property Tax Exemption	06/30/11	2,700	Extend sunset
2.097 New Housing for Low-Income Rental	Partial Property Tax Exemption	12/31/09	1,400	Extend sunset
2.105 Historic Property	Partial Property Tax Exemption	06/30/10	19,800	Extend sunset
15.001 Type A and B Hospitals	Medical Provider Tax	09/30/09	0*	Extend sunset
15.002 Veterans Affairs and Pediatric Specialty Hospitals	Medical Provider Tax	09/30/09	0*	Extend sunset

**While there is no revenue loss, there is a shift from exempt hospitals to non-exempt hospitals. See the individual descriptions of these tax expenditures for those shift amounts.*

How to use the report

- Three indexes
 - ✓ By tax program (pg 9)
 - ✓ By budget program/function (pg 19)
 - ✓ By Title (pg 407)
- 18 Chapters by Tax:
 - Tax descriptions
 - Detail for each expenditure

Revenue Estimate Issues

- Static estimates
- Interactions between expenditures
- Different than potential yield
- Loss and shift (property tax estimates)
- Rapidly changing economic and revenue outlook

DOR's Role in Tax Expenditure Report

- Identify & describe new/modified/deleted expenditures
- Produce estimates of revenue loss
- Coordinate information flow among agencies, DAS Budget and Management, and the Governor's office to facilitate evaluations

TYPES OF OREGON TAX EXPENDITURES

Budget/Function	Number	Percent	Revenue Impact (\$million)	Percent
Education	20	5%	167	1%
Human Services	41	11%	4,728	15%
Economic and /Community Development	105	28%	3,229	10%
Natural Resources	100	26%	1,160	4%
Transportation	5	1%	927	3%
Consumer and Business Services	21	6%	423	1%
Subtotal	292	77%	10,634	34%
Other	88	23%	20,275	66%
Total	380	100%	30,909	100%

Summary

- The Tax Expenditure Report provides detailed information about Oregon's tax system
- Tax Expenditures are reported together with the budget because of similarity to direct spending
- Report is the result of the work of roughly 30 agencies
- Would appreciate feedback about usefulness