

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
80th Oregon Legislative Assembly
2019 Regular Session
Legislative Revenue Office

| | |
|----------------------|-----------------------|
| Bill Number: | HB 3427 - 32 |
| Revenue Area: | State Finance |
| Economist: | Chris Allanach |
| Date: | 4-29-2019 |

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Creates a Corporate Activity Tax based on commercial activity conducted by businesses. The tax is \$250 plus 0.57% on taxable commercial activity above \$1 million. Includes a subtraction equal to 35 percent of the greater of input costs or labor costs. Reduces the Personal Income Tax rates for the three lower brackets from 5%, 7%, and 9% to 4.75%, 6.75%, and 8.75%. Defines terms. Creates the Fund for Student Success and allocates funds. The tax changes first take effect with tax year 2020. Takes effect on the 91st day following sine die.

Revenue Impact (in \$Millions):

| | Biennium | | |
|---------------------------------|----------------|----------------|----------------|
| | 2019-21 | 2021-23 | 2023-25 |
| Fund for Student Success | \$1,598 | \$2,810 | \$3,068 |
| General Fund | -\$423 | -\$699 | -\$762 |
| Net Impact | \$1,175 | \$2,111 | \$2,306 |

Impact Explanation:

The estimates for the Corporate Activity Tax (going into the Fund for Student Success) are based on historical Oregon tax return data augmented with published federal tax information. Growth rates used are based on the March 2019 Economic and Revenue forecast. The impact on the General Fund is from two sources: the reduction of the personal income tax rates and the interactive effects between the new tax and existing income taxes. Roughly 70 percent of the impact is due to the tax rate reductions.

Creates, Extends, or Expands Tax Expenditure: Yes No