

## Options for Revenue Recovery (2020-2021)

Oregon has long-standing constitutional and statutory policies that result in a tax and revenue system that is inadequate to fund our needs when times are good and completely fails when times are not. Oregon’s tax system leaves low-income Oregonians paying a greater share of their income than the richest and underfunds programs that help Oregonians survive. There are long-term, structural reforms we need to make as well as short-term responses the legislature should consider enacting immediately to protect vital services and invest in the state’s overall recovery.

Before the legislature starts to cut services, it should hold harmless those budgets that serve Oregon’s most vulnerable people, especially when those investments will hasten the economic recovery. Federal assistance, reserves, and revenue options should first be used to lessen the shortfall. The following menu of revenue-raising options are opportunities for legislators to address the immediate budget gap and improve Oregon’s revenue structure for the future.

CONCEPT	REVENUE GAIN	WHO IS IMPACTED	DESCRIPTION / NOTES
Disconnect from tax breaks in CARES Act	\$250M (2019-21)	Depends on which is disconnected. Wealthy individuals and profitable businesses.	Beneficiaries of these tax breaks would still receive the federal benefit. For the full revenue benefit, <b>action must happen during a 2020 special session</b> . This estimate only includes disconnecting from the business loss limit, net operating losses, business interest limit, and expansion of charitable contributions.
Increase corporate income tax rates and add bracket over \$10M	\$320M (full biennium)	Profitable corporations	Increase the tax rate from 6.6% to 7.6% on the first \$1M in profits, add a bracket for \$1M to \$10M at 9.6%, and assess a rate of 11% on all profits above \$10M.
End preferential tax rates for pass-through businesses	\$151M (2021)	Profitable pass-through business owners, who are mostly wealthy	Owners of pass-through businesses pay lower tax rates on their first \$5M in annual profits than their employees pay.
Increase personal income tax on high-income earners	\$653M (full biennium)	High-income people	Increase PIT rates over \$250k (joint) to 11% and add a new rate of 13% on income of more than \$1M. Brackets should be halved for single filers.
Reinstate top personal income tax rates of 10.8% and 11%	\$156M (2021)	High-income people	Rates of 10.8% applied to \$250k-\$500k (joint) and 11% applied to over \$500k (joint) were previously in place in Oregon. Brackets should be halved for single filers.
Limit itemized deductions to \$50k	\$143M (2021)	Mostly high-income taxpayers and those with large deductions	Itemized deductions would be capped at \$50k on Oregon income taxes while the full benefit is still available at the federal level.
Disconnect from “Opportunity Zones”	\$8M (2021)	Investors in opportunity funds - almost entirely high-income	Disconnect Oregon from the federal opportunity zones capital gains tax cuts. See HB 4010 (2020 session) prior to amendment.
Mortgage interest deduction reform	\$160M (2021-23)	High-income people and those with a second home mortgage	Limit the mortgage interest deduction to low- and middle-income Oregonians and only allow it on the primary residence. See HB 3349 (2019 session).
Expedite tobacco tax increase	\$58M (2019-21)	People who purchase tobacco	Pass the tobacco tax currently slated for the November General Election immediately, which could start revenue collection an estimated three months sooner.
Temporarily suspend tax expenditures during a recession	Scales with budget cuts	Beneficiaries of tax expenditures	Reduces some tax expenditures not targeted to low-income families equal to the governor’s allotment cuts. It could be a one-time or permanent policy. <b>Action must happen during a 2020 special session.</b>

*The revenue gains listed are for varying time periods based on available data. The date indicated is for the revenue gain where we have available data and policy changes should not be limited to that time period. These estimates should be reassessed by the Legislative Revenue Office, although many of the estimates come from prior LRO estimates in Basic Facts or Revenue Impact Statements. For more information please contact Daniel Hauser: [dhauser@ocpp.org](mailto:dhauser@ocpp.org), (503) 970-4614.*

# Organizations encouraging the consideration of these options for revenue recovery:



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