TAX REFORM OPTIONS

Key Elements
1. Lower marginal personal income tax rates.
2. Preferential treatment for capital gains income.
3. Residential property tax relief.
4. Broad consumption tax.
5. Income tax relief for low income families.
6. Capital investment incentive.
7. Additional reserve fund revenue source?

Example based on Key Elements Changes starting 1-1-15	Revenue Impact 2015-17
	(in millions)
Personal Income Tax • Reduce rates to 2,4,7% • 7% rate starts @ $11,800 (S), $23,600 (J) • 50% exclusion for capital gains income. • Expand refundable earned income tax credit to 25% of federal.	-$5,329
Property Tax • Homestead exemption: $40K of assessed value.	-$1,314
Sales Tax • Standard tax base at 5% rate.	+$8,614
Corporate Income Tax • 25% refundable investment tax credit capped at $50 million per year.	-$100
Net Revenue Impact	+$1,871

LRO: 7-17-12

TAX REFORM: ALTERNATIVES FOR KEY ELEMENTS

- Key Element: Personal Income Tax Rates
  - Variation in tax rates

- Capital Gains Tax Treatment
  - Variation in exclusion amount
  - Limit to investment of physical capital in Oregon
  - Restrict preferential treatment to longer term investments

- Residential Property Tax Relief
  - Variation in homestead exemption level
  - Circuit breaker tax credit when property taxes exceed certain percentage of income
  - Renter relief

- Broad Consumption Tax
  - Variation in sales tax rate and base
  - Gross receipts base
  - Value added base

- Income Tax Relief for Low Income Families
  - Variation in proportion of federal earned income tax credit
  - Low income household tax credit based on income and family size
  - Increase personal exemption credit
  - Increase standard deduction

- Capital Investment Incentive
  - Vary investment tax credit amount, cap and eligibility

- Reserve Fund Revenue Source
  - Dedicate volatile General Fund revenue source to reserve fund
    - Income tax collections from capital gains
    - Estate tax
  - Kicker Reform