

## HOUSE BILL 2649/PERSONAL INCOME TAX

The personal income tax was created in 1929 as property tax relief.

Current law:

- Since 1987 the marginal rates applied to taxable income are 5%-7%-9%, but they have varied over time. Originally they ranged from 1% to 5%; in 1955 and 1956 the highest rate was 11.6%; in 1982 to 1984, 10.8%; and in 1985 and 1986, 10%.
- The 2009 tax year rate schedule: Taxable income not over \$3,050 (single)/\$6,100 (joint) is 5%; single taxable income \$3,050 to \$7,600 is \$153 + 7% of income over \$3,050; joint \$6,100 to \$15,200 is \$305 + 7% of income over \$6,100; single over \$7,600 is \$471 + 9% of income over \$7,600; joint over \$15,000 is \$942 + 9% of income over \$15,000.

What HB 2649 does:

- For tax years 2009 through 2011, creates a 10.8% marginal tax bracket for joint filers with taxable income between \$250,000 and \$500,000 (between \$125,000 and \$250,000 if single); and an 11% marginal tax bracket for taxable income above \$500,000 (joint) and \$250,000 (single).
- For tax years 2012 and later, reduces the top rate to 9.9% for taxable income above \$250,000 (joint) and \$125,000 (single).
- Phases out the federal subtraction for joint filers with adjusted gross income above \$250,000 (above \$125,000 if single).
- For tax year 2009, excludes up to \$2,400 of unemployment compensation.

Revenue impact:

- For 2009-11 biennium, \$472 million.
- Of that, 92% comes from the higher marginal rates; eight percent is due to the phase-out of the federal tax subtraction; exclusion of unemployment compensation reduces revenue by \$32 million.

Ranking among States:

- Does not change Oregon's ranking in Personal Income Tax Per Capita from 5<sup>th</sup>.
- Changes Oregon's ranking in Personal Income Tax as Percentage of Income from 2<sup>nd</sup> to 1<sup>st</sup>.
- Both HB 2649 and 3405 change Oregon's ranking in total State and Federal Government Taxes Per Capita from 34<sup>th</sup> to 31<sup>st</sup>; and as Percent of Income from 38<sup>th</sup> to 32<sup>nd</sup>.

Policy: 10.8% tax rate at \$125,000 (S) / \$250,000 (J); 11% tax rate at \$250,000 (S) / \$500,000 (J); phase-out federal tax subtraction

**Distribution for tax year: 2009 (FY filers, \$000s)**

Income Class	Returns	Oregon Tax				Federal Tax		Total Income	Average \$ Change
		Current	Proposed	Change	% Change	Base	Change		
<b>All Returns</b>									
LESS THAN 10,000	236,915	9,515	9,515	0	0%	-40,150	0	62,266	0
10,000 TO 20,000	224,510	70,622	70,622	0	0%	-96,585	0	2,903,854	0
20,000 TO 30,000	194,300	152,143	152,143	0	0%	75,715	0	4,148,372	0
30,000 TO 40,000	153,455	196,008	196,008	0	0%	232,071	0	4,592,606	0
40,000 TO 50,000	121,854	210,745	210,745	0	0%	296,529	0	4,691,800	0
50,000 TO 70,000	193,922	463,784	463,784	0	0%	767,268	0	9,935,669	0
70,000 TO 100,000	200,643	739,572	739,572	0	0%	1,371,927	0	14,481,755	0
100,000 TO 200,000	170,716	1,145,217	1,149,048	3,831	0%	2,479,798	-479	19,326,007	22
200,000 TO 500,000	36,507	625,458	653,517	28,058	4%	1,898,686	-401	9,009,165	769
500,000 AND OVER	8,753	719,025	849,193	130,169	18%	2,873,600	-8,505	9,481,527	14,871
<b>TOTAL</b>	<b>1,541,576</b>	<b>4,332,087</b>	<b>4,494,162</b>	<b>162,074</b>	<b>4%</b>	<b>9,858,860</b>	<b>-9,385</b>	<b>78,633,022</b>	<b>105</b>
<b>Single Returns</b>									
LESS THAN 10,000	189,993	12,734	12,734	0	0%	-5,597	0	573,391	0
10,000 TO 20,000	146,567	72,285	72,285	0	0%	46,203	0	1,872,131	0
20,000 TO 30,000	111,985	118,145	118,145	0	0%	148,317	0	2,387,143	0
30,000 TO 40,000	81,637	126,378	126,378	0	0%	200,416	0	2,438,247	0
40,000 TO 50,000	59,343	117,232	117,232	0	0%	214,001	0	2,275,991	0
50,000 TO 70,000	69,510	183,436	183,436	0	0%	412,420	0	3,520,454	0
70,000 TO 100,000	42,974	171,507	171,507	0	0%	483,890	0	3,051,618	0
100,000 TO 200,000	20,544	140,554	144,356	3,802	3%	434,322	-479	2,285,122	185
200,000 TO 500,000	4,080	70,516	79,391	8,876	13%	252,223	-196	1,012,425	2,175
500,000 AND OVER	997	71,798	87,084	15,287	21%	368,215	-693	1,111,176	15,335
<b>TOTAL</b>	<b>727,630</b>	<b>1,084,583</b>	<b>1,112,560</b>	<b>27,977</b>	<b>3%</b>	<b>2,554,410</b>	<b>-1,368</b>	<b>20,527,699</b>	<b>38</b>
<b>Joint Returns</b>									
LESS THAN 10,000	46,922	-3,219	-3,219	0	0%	-34,553	0	-511,125	0
10,000 TO 20,000	77,943	-1,664	-1,664	0	0%	-142,787	0	1,031,723	0
20,000 TO 30,000	82,315	33,998	33,998	0	0%	-72,602	0	1,761,229	0
30,000 TO 40,000	71,818	69,630	69,630	0	0%	31,655	0	2,154,359	0
40,000 TO 50,000	62,512	93,514	93,514	0	0%	82,529	0	2,415,809	0
50,000 TO 70,000	124,413	280,348	280,348	0	0%	354,848	0	6,415,215	0
70,000 TO 100,000	157,668	568,065	568,065	0	0%	888,037	0	11,430,136	0
100,000 TO 200,000	150,172	1,004,663	1,004,663	0	0%	2,045,476	0	17,040,885	0
200,000 TO 500,000	32,427	554,943	574,125	19,183	3%	1,646,463	-205	7,996,740	592
500,000 AND OVER	7,756	647,227	762,109	114,882	18%	2,505,385	-7,812	8,370,351	14,811
<b>TOTAL</b>	<b>813,946</b>	<b>3,247,504</b>	<b>3,381,602</b>	<b>134,098</b>	<b>4%</b>	<b>7,304,450</b>	<b>-8,016</b>	<b>58,105,323</b>	<b>165</b>

## HOUSE BILL 3405/CORPORATE TAX

The corporate tax was created in 1929 as property tax relief.

Current law:

- A corporation doing business in Oregon is subject to the excise tax. A C-corporation (taxed at both the corporate and individual level) pays at a flat 6.6% rate on taxable income; at a minimum it pays the \$10 minimum tax. An S-corporation (income is passed-through to shareholders) pays the minimum tax of \$10.
- Any corporation not 'doing business in Oregon' but that derived income from Oregon (e.g., investment income) pays an 'income' tax on its taxable income equal to the excise tax rate of 6.6%, but no minimum tax.

What HB 3405 does:

- Creates a second marginal tax rate of 7.9% applied to taxable income greater than \$250,000 for tax years 2009 and 2010. Reduces the rate to 7.6% for tax years 2011 and 2012. For tax years after 2012, the top rate applies taxable income greater than \$10 million.
- For C-corporations, increases the minimum tax to a range from \$150 for less than \$500,000 in Oregon sales to \$100,000 for more than \$100 million in Oregon sales. [See table below]. For S-corporations, increases the minimum tax to \$150.
- Imposes a \$150 entity tax on entities filing a partnership return.
- Increases the Secretary of State filing from \$50 to \$100 for domestic corporations and to \$275 for foreign corporations.
- Increases the fee to file a 5-year uniform commercial code financing statement from \$10 to \$15.
- Increases the application fee for a four-year notary public commission from \$20 to \$40.

Revenue impact:

- For 2009-11 biennium, \$261 million.
- Of that, \$93 million is raised by the new minimum tax on C-corps.; \$108 million by the new marginal rate; \$17 million by new minimum tax on S-corps.; \$17 million by the partnership entity tax; \$26 million by increased Secretary of State filing fees.

Oregon Sales (\$)	Minimum Tax
< \$500,000	\$150
\$500,000 to \$1 Million	\$500
\$1 million to \$2 Million	\$1,000
\$2 Million to \$3 Million	\$1,500
\$3 Million to \$5 Million	\$2,000
\$5 Million to \$7 Million	\$4,000
\$7 Million to \$10 Million	\$7,500
\$10 Million to \$25 Million	\$15,000
\$25 Million to \$50 Million	\$30,000
\$50 Million to \$75 Million	\$50,000
\$75 Million to \$100 Million	\$75,000
\$100 Million or more	\$100,000

[Note on HB 2073:

- Beginning in the 2013-15 biennium, directs corporate tax revenue resulting from a marginal rate above 6.6% into the Oregon Rainy Day Fund.
- If the 7.6% rate under HB 3405 is in affect, an estimated \$69 million will be directed into the RDF in the 2013-15 biennium.]

Ranking among States after HB 3405:

- Changes Oregon's ranking in Corporate Income Tax Per Capita from 32<sup>nd</sup> to 17<sup>th</sup>.
- Changes Oregon's ranking in Corporate Income Tax as Percentage of Income from 29<sup>th</sup> to 16<sup>th</sup>.
- Together HB 3405 and 2649 change Oregon's ranking in total State and Federal Government Taxes Per Capita from 34<sup>th</sup> to 31<sup>st</sup>; and as Percent of Income from 38<sup>th</sup> to 32<sup>nd</sup>.

## Estimated Distributional Impact

(Tax Year 2009)

Oregon Sales (\$)	Returns	Minimum Tax			Marginal Tax Rate		
		Amount (\$M)	Average	% Affected	Amount (\$M)	Average	% Affected
< \$500,000	20,338	\$2.4	\$139	84%	\$1.8	\$18,651	0%
\$500,000 to \$1 Million	3,611	\$1.2	\$476	69%	\$0.1	\$2,832	1%
\$1 to \$2 Million	2,601	\$1.5	\$916	62%	\$0.2	\$3,616	3%
\$2 to \$3 Million	1,707	\$1.5	\$1,362	63%	\$0.4	\$3,767	6%
\$3 to \$5 Million	1,703	\$1.8	\$1,825	58%	\$0.7	\$3,851	10%
\$5 to \$7 Million	789	\$1.5	\$3,530	55%	\$0.9	\$6,278	18%
\$7 to \$10 Million	645	\$2.6	\$6,412	63%	\$1.0	\$7,125	21%
\$10 to \$25 Million	1,189	\$9.2	\$13,338	58%	\$5.2	\$12,585	34%
\$25 to \$50 Million	488	\$7.1	\$27,093	54%	\$6.7	\$32,682	42%
\$50 to \$75 Million	160	\$4.1	\$46,213	55%	\$3.1	\$44,306	44%
\$75 to \$100 Million	131	\$4.9	\$67,364	56%	\$3.8	\$66,185	44%
> \$100 Million	232	\$9.1	\$88,698	44%	\$25.8	\$221,567	50%
<b>Total</b>	<b>33,593</b>	<b>\$46.8</b>	<b>\$2,058</b>	<b>68%</b>	<b>\$49.6</b>	<b>\$31,460</b>	<b>5%</b>

October 6, 2009

To: Governance Steering Committee  
Fr: Morgan Cowling, Policy Manager

Re: Public Health Benefit Purchasers Committee Update

No Requested Action

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The following memo was sent out to the AOC Governance Steering Committee, County Human Resource Directors, County Administrators and City/ County Insurance Services. In the memo I requested names of people interested in sitting on the Public Health Benefit Purchasers Committee. As of October 6<sup>th</sup> I received several names from interest counties including:

- Mina Hanssen, Risk Manager, Marion County
- Madilyn Zike, Human Resources Manager, Marion County
- Ralph Wyatt, County Administrator, Linn County
- Caren Cox, Multnomah County Employee Benefits Office
- Earl Fisher, Columbia County Commissioner
- Ronda Conner, Deschutes County

AOC will be submitting all of the following names (and any more we may receive before October 9<sup>th</sup>) for the two possible seats on the committee. The Oregon Health Policy Board will choose who and how many members representing counties will actually sit on the committee. My understanding is that the committee meetings will be open and counties who are interested will still have an opportunity to participate even if they are not specifically chosen for a seat on the committee.

The League of Oregon Cities (LOC) will also be working to fill the two seats reserved for those purchasing health care benefits for cities. LOC has decided to put forward Lynn McNamara, Director, CIS, as one of their names. AOC has been asked to support Ms. McNamara's appointment to the committee. When we submit our names we will also include support of the appointment of Ms. McNamara for one of the cities' spots.

Also, I have included the actual language from HB 2009 after the memo for those that are interested in reading the language that created the committee.

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To: AOC Governance Committee, County Human Resource Directors, County Administrators, CIS:  
Fr: Morgan Cowling, AOC Policy Manager for Health and Human Services  
Re: Public Health Benefit Purchasers Committee Recruitment

As many of you know HB 2009, which past last legislative session, created a Public Health Benefit Purchasers Committee. AOC has been working and talking to those connected with setting up this committee and has asked to have two seats on the committee: one representing self-insured counties and one representing those participating in CIS. AOC has been asked to put names forward very quickly. Once the Oregon Health Policy Board is confirmed by the Senate they will appoint committee members at their first meeting (probably early October).

Please let me know if you are interested in participating in this committee. We need a practitioner involved who can participate very regularly and dedicate the time to this committee. I believe many changes for how counties provide benefits to their employees may be initiated at this committee.

Below you will find additional information about the timeline and work load of this committee.

This committee will comprise of individuals who purchase healthcare for PEBB, OEGB, PERS, city governments, county governments, special districts and any private non-profits that receive the majority of its funding from the state and requests to participate.

The duties of this committee will be to:

- identify and make specific recommendations to achieve uniformity across all public health benefit plan designs
- continuous review/report to the Oregon Health Policy Board on progress
- develop action plan for ongoing collaboration to implement benefit design
- identify uniform provisions for state and local public contracts for health benefit plans (in collaboration with the Oregon Health Policy Board) including:
  - Steps to implement joint contract provisions
  - Schedule for implementation of contract changes
  - Review process to protect against unintended cost shifts

Deadlines:

October 2, 2010 - proposals and plans completed

December 31, 2010 proposals and plans due to Health Policy Board for possible referral to Legislature

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**SECTION 7. (1) The Oregon Health Policy Board shall establish the committees described in subsections (2) and (3) of this section.**

**(2)(a) The Public Health Benefit Purchasers Committee shall include individuals who purchase health care for the following:**

**(A) The Public Employees Benefit Board.**

**(B) The Oregon Educators Benefit Board.**

**(C) Trustees of the Public Employees Retirement System.**

**(D) A city government.**

**(E) A county government.**

**(F) A special district.**

**(G) Any private nonprofit organization that receives the majority of its funding from the state and requests to participate on the committee.**

**(b) The Public Health Benefit Purchasers Committee shall:**

**(A) Identify and make specific recommendations to achieve uniformity across all public health benefit plan designs based on the best available clinical evidence, recognized best practices for health promotion and disease management, demonstrated cost-effectiveness and shared demographics among the enrollees within the pools covered by the benefit plans.**

**(B) Develop an action plan for ongoing collaboration to implement the benefit design alignment described in subparagraph (A) of this paragraph and shall leverage purchasing to achieve benefit uniformity if practicable.**

**(C) Continuously review and report to the Oregon Health Policy Board on the committee's progress in aligning benefits while minimizing the cost shift to individual purchasers of insurance without shifting costs to the private sector or the Oregon Health Insurance Exchange.**

**(c) The Oregon Health Policy Board shall work with the Public Health Benefit Purchasers Committee to identify uniform provisions for state and local public contracts for health benefit plans that achieve maximum quality and cost outcomes. The board shall collaborate with the committee to develop steps to implement joint contract provisions. The committee shall identify a schedule for the implementation of contract changes. The process for implementation of joint contract provisions must include a review process to protect against unintended cost shifts to enrollees or agencies.**

**(d) Proposals and plans developed in accordance with this subsection shall be completed by October 1, 2010, and shall be submitted to the Oregon Health Policy Board for its approval and possible referral to the Legislative Assembly no later than December 31, 2010.**