



2009 OREGON PUBLIC FINANCE: BASIC FACTS

Research Report #1-09

**LEGISLATIVE REVENUE
OFFICE**

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Overview of Oregon's Revenue System

Comparative Analysis

The most comprehensive way to compare Oregon's current revenue system with other states is to examine the most recent U.S. Census Bureau statistics on state and local government finance. These data include all state and local revenue sources (and expenditures) collected on a consistent basis from all states. The most recent data are for the 2005-06 fiscal year, released in June of 2008.

Census divides state and local revenue sources into five categories. These categories are:

- Taxes
- Revenue from the Federal Government
- Charges—consisting of direct payments for services from governments. The largest components of this category are higher education (tuition & fees) and payments for health-hospital services.
- Miscellaneous Revenue—the largest component of this category is interest earnings on government balances. Also included in this category are asset sales, system development charges and net revenue from lottery.
- Government Enterprises—consisting of gross revenue from government operated enterprises such as liquor sales and public utilities.
- Insurance Trust Revenue—is made up of current revenue generated by public employee retirement funds (mostly earnings on retirement funds), state operated workers' compensation funds and unemployment trust funds.

The Census combines all these sources to get total revenue for the state and local revenue system. Insurance trust revenue and gross revenue from government enterprises is subtracted to get general revenue. General revenue is a better gauge of revenue available for provision of public services because most enterprise revenue goes back into the operation and trust revenue is for specific future beneficiaries such as unemployed workers and public retirees. Finally the Census Bureau defines own-source revenue as general revenue minus transfers from the federal government. This measure is the best overall reflection of the state and local government revenue burden born by the residents of a state.

Census data for Oregon's 2005-06 revenue categories can be found in Table 1. The information is presented in a dollar per person format with Oregon's rank among the 50 states. A rank of 50 means lowest per capita revenue.

Table 1: ALL OREGON STATE AND LOCAL GOVERNMENT REVENUE

REVENUE CATEGORIES	\$ PER PERSON	RANK AMONG THE STATES
<i>SUMMARY CATEGORIES</i>		
TOTAL REVENUE	\$9,794	9
GENERAL REVENUE	\$6,930	27
OWN SOURCE REVENUE	\$5,462	29
<i>REVENUE SOURCES</i>		
TAXES	\$3,360	34
FEDERAL REVENUE	\$1,468	27
CHARGES	\$1,328	10
MISCELLANEOUS	\$774	14
GOVERNMENT ENTERPRISES	\$451	11
INSURANCE TRUST REVENUE	\$2,412	3

Oregon's overall state and local revenue ranks 9th highest among the states at \$9,794 per person in 2005-06. However, this relatively high ranking is due to a large amount of revenue in the insurance trust category. The state's high ranking reflects issuance of pension obligation bonds during this period (revenue from the bond sales is included) and the existence of a state operated workers' compensation fund. When only general revenue is considered (excluding the insurance trust and government enterprise categories), Oregon's revenue totals \$6,930 for a ranking of 27th. Pulling out federal revenue, leaves state and local own source revenue of \$5,462 for a ranking of 29th.

Table 1 also breaks down Oregon's revenue sources by category. Roughly 1/3 (34.3%) of Oregon total state and local revenue comes from taxes. Only two states (Alaska & Mississippi) have a smaller percentage of their revenue derived from taxes. Oregon state and local governments collected \$3,360 per person in taxes in the 2005-06 fiscal year. This ranked the state 34th in overall per person tax burden. Oregon ranks near the middle of the states with \$1,468 in federal revenue (this category does not include federal revenue going directly to individuals such as Social Security benefits). Oregon is relatively dependent on charges for services, ranking 10th with \$1,328 in per person revenue. Oregon also ranks relatively high in the miscellaneous and government enterprise categories. The state's extensive use of lottery revenue accounts for the former while the existence of a state run liquor monopoly is a major factor in the latter.

Table 2 narrows the Oregon revenue system down to taxes only. Taxes play a particularly important role in state and local revenue systems because they are the primary source of revenue for general public goods such as education and public safety. Taxes also potentially have the largest impact on economic activity because they represent a direct extraction of resources from the private sector for use by the public sector.

Table 2: OREGON'S TAX REVENUE

REVENUE CATEGORIES	\$ PER PERSON	RANK AMONG THE STATES
TOTAL TAXES	\$3,360	34
PERSONAL INCOME TAX	\$1,500	5
CORPORATE INCOME TAX	\$133	32
PROPERTY TAX	\$998	30
GENERAL SALES TAX	0	47*
SELECTIVE SALES TAXES	\$292	45
OTHER TAXES	\$437	13

* tied with 3 other states.

Oregon's overall state and local tax burden ranks 34th on a per person basis. However, the state personal income tax burden is among the highest in the nation at \$1,500 per person. The ranking for corporate income taxes and property taxes is similar to the overall rank for taxes. The state tax burden on consumption (general sales plus selective sales) is the lowest in the country. In addition to being one of five states without a general sales tax, Oregon ranks 45th in selective sales tax collections per person. Selective sales taxes include gasoline taxes, tobacco taxes, taxes on alcoholic beverages, real estate transfer taxes and other excise taxes on specific purchases. The other tax category includes severance taxes and certain transportation taxes such as Oregon's weight mile tax on heavy vehicles.

Another way to look at this same comparative revenue data is to divide the revenue numbers by total state resident income instead of population. This measure accounts for the size of the state economy rather than simply population size. In some cases the two measures can give very different rankings. For example the state of Mississippi ranks near the bottom (49th) of the states in tax collections per capita but ranks near the middle (31st) as a percentage of resident income because the state's per capita income is relatively low. Table 3 shows the Oregon 2005-06 total revenue data as a percentage of state personal income for 2005.

Table 3: ALL STATE AND LOCAL GOVERNMENT REVENUE AS % OF PERSONAL INCOME

REVENUE CATEGORIES	% of TOTAL PERSONAL INCOME	RANK AMONG THE STATES
<i>SUMMARY CATEGORIES</i>		
TOTAL REVENUE	29.4%	7
GENERAL REVENUE	20.8%	24
OWN SOURCE REVENUE	16.4%	19
<i>REVENUE SOURCES</i>		
TAXES	10.1%	38
FEDERAL REVENUE	4.4%	27
CHARGES	4.0%	8
MISCELLANEOUS	2.3%	10
GOVERNMENT ENTERPRISES	1.4%	10
INSURANCE TRUST REVENUE	7.2%	2

Oregon's rankings change slightly in different directions depending on the category. The state ranking moves higher in the overall categories, from 9th to 7th in total revenue and from 29th to 24th in general revenue, because Oregon's per capita income is below the national average. This is also true for most of the individual categories, for example charges and miscellaneous revenue. However, in terms of tax burden the state's ranking falls from 34th to 38th when personal income is substituted for population. This is due to the combination of states with similar tax burdens.

Table 4 converts Table 2 from a per capita comparison to a percentage of personal income basis for state and local taxes. The rankings remain generally the same with the notable exception of the state's personal income tax burden which moves from a ranking of 5th on a per person basis to 2nd as a percentage of personal income.

Table 4: OREGON'S TAX REVENUE AS A % OF PERSONAL INCOME

REVENUE CATEGORIES	COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME	RANK AMONG THE STATES
TOTAL TAXES	10.1%	38
PERSONAL INCOME TAX	4.5%	2
CORPORATE INCOME TAX	0.4%	29
PROPERTY TAX	3.0%	27
GENERAL SALES TAX	0%	47*
SELECTIVE SALES TAXES	0.9%	45
OTHER TAXES	1.3%	12

*tied with 3 other states.

The comparative analysis based on the most recent U.S. Census data leads to the following conclusions:

- Oregon's state and local revenue ranks relatively high among the states primarily due to the state's extensive use of insurance trust funds.
- When trust funds and government enterprises are excluded leaving only general revenue, Oregon's state and local revenue ranks near the middle of the states on both a per person basis and on a percentage of personal income basis.
- Oregon ranks in the lower half of states in overall tax burden.
- Oregon's state and local revenue system is relatively more dependent on charges for services and miscellaneous revenue (including lottery) compared to other states.

- Oregon's property tax burden ranks in the middle among the states.
- Oregon's personal income tax burden is among the highest in the country.
- Oregon's consumption tax burden (general sales plus selective sales taxes) is the lowest in the country.

Oregon's Revenue System over Time

This section uses the U.S. Census data for the 1985-86, 1995-96 and 2005-06 fiscal years to show how Oregon's revenue system has evolved over the past 20 years.

Table 5: OREGON'S STATE AND LOCAL PER PERSON GENERAL REVENUE OVER TIME

REVENUE CATEGORIES	1985-86		1995-96		2005-06	
	\$ PER PERSON	RANK	\$ PER PERSON	RANK	\$ PER PERSON	RANK
GENERAL REVENUE	\$2,739	18	\$5,000	10	\$6,930	27
TAXES	\$1,436	22	\$2,259	31	\$3,360	34
FEDERAL REVENUE	\$528	12	\$1,225	5	\$1,468	27
CHARGES	\$361	19	\$842	9	\$1,328	10
MISCELLANEOUS	\$413	7	\$673	4	\$774	14

Table 5 shows how Oregon's state and local general revenue and its major categories compare with 20 years ago and 10 years ago. The dollar amounts for all the categories have risen as per capita income has increased but there have been significant changes in the relative rankings of the totals and individual categories. Between 1985-86 and 1995-96, Oregon's relative tax burden declined as Measure 5 property tax levy limits were put into place. However, the state's general revenue per capita rank rose in this period as state and local governments rapidly diversified into non-tax revenue sources. The state's per capita reliance on federal revenue, charges and miscellaneous revenue all increased during the 10-year period. The high miscellaneous revenue ranking was due to a large jump in lottery revenue associated with the introduction of video poker.

Oregon's relative ranking for general revenue and all of its major components have fallen between 1995-96 and 2005-06. The state's general revenue rank dropped from 10th to 27th while the overall tax burden declined from 31st to 34th. Federal revenue dropped sharply while revenue from charges remained essentially unchanged compared to other states. Miscellaneous revenue declined as interest earnings dropped compared to other states. The 2005-06 Census data is prior to the introduction of lottery line games which triggered a recent surge in state lottery revenue.

Table 6: OREGON'S STATE AND LOCAL GENERAL REVENUE AS A % OF PERSONAL INCOME OVER TIME

REVENUE CATEGORIES	1985-86		1995-96		2005-06	
	REVENUE AS % OF PERSONAL INCOME	RANK	REVENUE AS % OF PERSONAL INCOME	RANK	REVENUE AS % OF PERSONAL INCOME	RANK
GENERAL REVENUE	20.2%	14	22.6%	11	20.8%	24
TAXES	10.6%	18	9.7%	47	10.1%	38
FEDERAL REVENUE	3.9%	16	5.5%	9	4.4%	27
CHARGES	2.7%	20	3.6%	13	4.0%	8
MISCELLANEOUS	3.0%	8	3.0%	5	2.3%	10

Table 6 shows how Oregon's major revenue components have changed over time compared to the total personal income for residents of the state. Oregon's tax burden reached a low point in 1995-96 as Measure 5 rate limits were fully phased in and substantial surplus kicker refunds and credits were

returned to personal and corporate income taxpayers. Despite the low tax burden Oregon general revenue rose as a percentage of personal income between 1985-86 and 1995-96. Over the most recent 10 years Oregon's general revenue has declined relative to both personal income and other states. Over the longer 20 year period, Oregon' state and local general revenue increased slightly compared to personal income but the tax burden in the state declined. The declining tax burden is primarily due to the effects of Measures 5 and 50 on property tax collections.

Changes in the components of the tax system can be seen in Table 7. Table 7 presents overall taxes and the major taxes on a per person basis and as a percent of personal income. Oregon's consistently high personal income tax burden and falling property tax burden is confirmed in Table 7. Table 7 shows how Oregon taxes have changed relative to other states over the past twenty-five years. Oregon's tax burden consistently ranked between #10 and #20 from 1982-83 through 1993-94, slightly lower on a per capita basis. The phase in of lower property tax rates under Measure 5 (passed in 1990) and lower assessed values under Measure 50 (1997) eventually pushed the state's tax burden to #45 in 1998-99. These measures lowered Oregon's property tax burden rank from #5 in 1989-90 (as a % of income) to #28 in 1998-99. Oregon's personal income tax burden has consistently been among the highest in the country while its corporate income tax burden has fluctuated around the middle. The state's overall tax burden has crept up slightly in the rankings over the past 5 years.

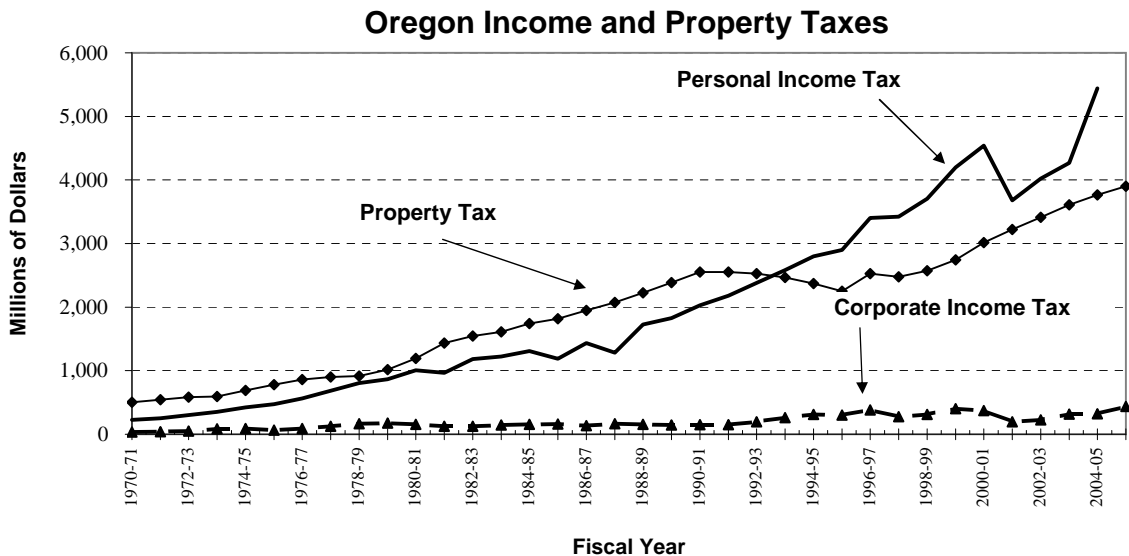
Table 7: HISTORY RANKING OF OREGON TAXES

	OREGON RANK							
	TOTAL TAXES		PERSONAL INCOME TAXES		CORPORATE INCOME TAXES		PROPERTY TAXES	
	% of Income	Per Capita	% of Income	Per Capita	% of Income	Per Capita	% of Income	Per Capita
1982-83	13	18	3	6	23	21	9	13
1983-84	14	21	5	8	26	22	4	10
1984-85	14	20	3	7	28	25	5	10
1985-86	19	23	7	8	23	22	4	8
1986-87	11	21	4	7	34	30	5	8
1987-88	19	27	7	8	28	26	3	8
1988-89	10	21	3	6	35	35	4	7
1989-90	13	19	3	6	32	33	5	7
1990-91	12	20	3	6	34	35	6	11
1991-92	13	22	2	7	37	36	8	12
1992-93	15	24	1	6	26	24	13	16
1993-94	18	24	2	4	24	19	15	16
1994-95	26	27	2	5	24	21	19	20
1995-96	37	32	2	7	29	25	24	26
1996-97	33	27	1	5	21	17	24	17
1997-98	41	33	1	5	32	31	25	28
1998-99	45	33	2	4	27	23	28	30
1999-00	39	29	2	4	18	17	25	29
2001-02	46	41	3	6	35	34	25	27
2003-04	42	32	2	5	24	22	28	22
2004-05	44	36	2	5	27	29	25	28
2005-06	38	34	2	5	29	32	27	30

The history of revenue collections from personal income taxes, corporate income taxes and property taxes over the past 4 decades can be seen in Table 8. A listing of all taxes can be found in Table 9.

Table 8
HISTORY OF TAX COLLECTIONS - BY MAJOR TAX SOURCE
(millions of dollars)

FISCAL YEAR	PERSONAL INCOME TAX		CORPORATE INCOME TAX		PROPERTY TAX	
	Receipts	% Change	Receipts	% Change	Receipts	% Change
1968-69	\$204.3		\$37.5			
1969-70	213.1	4.3%	39.9	6.2%		
1970-71	226.2	6.2%	36.5	-8.4%	\$503.2	
1971-72	251.2	11.0%	40.6	11.1%	541.3	7.6%
1972-73	300.6	19.6%	51.1	25.9%	583.9	7.9%
1973-74	352.4	17.2%	85.7	67.7%	595.3	2.0%
1974-75	424.0	20.3%	90.7	5.8%	687.1	15.4%
1975-76	472.1	11.4%	67.2	-25.9%	778.5	13.3%
1976-77	561.9	19.0%	91.2	35.6%	860.0	10.5%
1977-78	686.2	22.1%	125.6	37.7%	901.0	4.8%
1978-79	807.0	17.6%	166.0	32.2%	916.0	1.7%
1979-80	868.0	7.6%	177.4	6.9%	1,014.4	10.7%
1980-81	1,005.1	15.8%	155.5	-12.4%	1,191.3	17.4%
1981-82	968.3	-3.7%	124.2	-20.1%	1,435.6	20.5%
1982-83	1,181.7	22.0%	125.1	0.8%	1,543.6	7.5%
1983-84	1,220.8	3.3%	144.8	15.7%	1,612.3	4.5%
1984-85	1,310.7	7.4%	153.9	6.3%	1,740.0	7.9%
1985-86	1,188.0	-9.4%	161.8	5.1%	1,819.2	4.6%
1986-87	1,435.8	20.9%	135.7	-16.1%	1,946.5	7.0%
1987-88	1,283.7	-10.6%	167.0	23.1%	2,072.9	6.5%
1988-89	1,725.3	34.4%	157.0	-6.0%	2,223.7	7.3%
1989-90	1,827.6	5.9%	146.8	-6.5%	2,386.0	7.3%
1990-91	2,026.3	10.9%	149.1	1.6%	2,550.6	6.9%
1991-92	2,178.7	7.5%	150.9	1.2%	2,549.9	0.0%
1992-93	2,383.2	9.4%	198.0	31.2%	2,529.0	-0.8%
1993-94	2,583.5	8.4%	262.8	32.7%	2,466.4	-2.5%
1994-95	2,797.6	8.3%	311.8	18.6%	2,369.8	-3.9%
1995-96	2,901.7	3.7%	300.0	-3.8%	2,248.1	-5.1%
1996-97	3,401.7	17.2%	384.4	28.1%	2,527.9	12.4%
1997-98	3,420.7	0.6%	279.2	-27.4%	2,476.5	-2.0%
1998-99	3,702.4	8.2%	309.9	11.0%	2,617.9	5.7%
1999-00	4,197.3	13.4%	405.2	30.8%	2,801.5	7.0%
2000-01	4,539.7	8.2%	373.0	-7.9%	3,014.0	7.6%
2001-02	3,677.7	-19.0%	195.2	-47.7%	3,251.9	7.9%
2002-03	4,021.9	9.4%	224.9	15.2%	3,414.6	5.0%
2003-04	4,268.6	6.1%	317.5	41.2%	3,611.1	5.8%
2004-05	4,723.0	10.6%	323.3	1.8%	3,763.9	4.2%
2005-06	5,443.6	15.3%	438.2	35.5%	3,899.1	3.6%
2006-07	5,596.7	2.8%	405.9	-7.4%	4,077.4	4.6%
2007-08	4,973.3	-11.1%	440.7	8.6%	4,470.4	9.6%



**TABLE 9
SUMMARY OF OREGON TAXES**

STATE	1999-00	2005-06	2007-08	2006 to 08
	COLLECTIONS	COLLECTIONS	COLLECTIONS	% CHANGE
PERSONAL INCOME TAX	\$4,126,282,123	\$5,443,646,000	\$4,973,331,592	-8.6%
UNEMPLOYMENT INSURANCE TAXES	515,573,900	725,549,000	617,409,000	-14.9%
GASOLINE AND USE FUEL TAXES	394,167,788	413,804,582	398,400,000	-3.7%
CORPORATE INCOME TAX	405,220,686	438,225,000	440,732,480	0.6%
WEIGHT MILE TAX	224,954,955	238,866,837	241,202,988	1.0%
CIGARETTE TAX	163,960,272	238,695,926	222,203,100	-6.9%
INSURANCE TAXES	59,602,111	60,945,000	44,412,232	-27.1%
OTHER LABOR TAXES	104,213,309	87,069,432	76,054,010	-12.7%
TIMBER SEVERANCE TAXES	32,843,222	1,059,368	506,613	-52.2%
INHERITANCE TAX	47,684,649	89,283,000	109,548,647	22.7%
WORKERS' COMP INSURANCE TAXES	42,293,900	53,707,630	41,513,471	-22.7%
TELEPHONE EXCHANGE ACCESS TAX	26,320,757	35,988,179	39,430,934	9.6%
OTHER TOBACCO PRODUCTS TAX	20,374,525	31,226,297	32,755,866	4.9%
REAL ESTATE RECORDING TAX	20,636,689	25,841,406	23,854,302	-7.7%
BEER & WINE TAXES	12,377,350	14,840,000	16,086,956	8.4%
FOREST PRODUCTS HARVEST TAXES	11,110,002	12,017,001	10,180,177	-15.3%
ELECTRIC COOP TAX	6,715,185	5,241,431	6,708,415	28.0%
PHONE ACCESS SURCHARGE	3,143,941	4,430,786	2,667,384	-39.8%
AMUSEMENT DEVICE TAX	1,817,543	2,565,471	405,289	-84.2%
HAZARDOUS SUBSTANCE TAXES	2,406,331	2,623,504	2,716,458	3.5%
AVIATION GAS AND JET FUEL TAXES	1,978,104	2,362,240	2,386,120	1.0%
PETROLEUM LOADING FEE	1,272,955	1,051,236	1,106,029	5.2%
BOXING TAX	69,034	123,794	50,256	-59.4%
PRIVATE RAIL CAR TAX	100,589	267,911	292,218	9.1%
OIL & GAS SEVERANCE TAX	128,445	89,819	363,525	304.7%
DRY CLEANERS TAX	695,302	0	0	NM
STATE LODGING TAX	0	9,237,512	11,842,270	28.2%
LOCAL TAXES	1999-00	2005-06	2007-08	2006 to 08
	COLLECTIONS	COLLECTIONS	COLLECTIONS	% CHANGE
PROPERTY TAXES*	2,800,781,460	3,869,754,503	4,470,400,000	15.5%
TRANSIT PAYROLL & SELF EMPLOYMENT TAXES	163,488,288	207,342,819	239,150,468	15.3%
FRANCHISE TAXES	115,617,000	201,689,265	183,180,260	-9.2%
HOTEL-MOTEL	64,150,000	76,800,000	96,600,000	25.8%
PORTLAND BUSINESS LICENSE TAX	50,794,774	44,418,253	64,531,784	45.3%
MULTNOMAH COUNTY BUSINESS INCOME TAX	40,846,593	50,980,000	65,650,000	28.8%
MOTOR FUEL TAXES	9,837,758	14,819,935	16,011,723	8.0%
WASHINGTON COUNTY REAL ESTATE TRANSFER TAX	2,840,473	6,673,430	4,186,965	-37.3%
OTHER TAXES AND LICENSES	237,878,000	370,221,883	471,949,068	27.5%

2 % SURPLUS KICKER

Another unique feature of Oregon's revenue system is the 2% surplus kicker. The kicker was approved by the 1979 Legislature as part of an overall fiscal reform package. The package, which included property tax relief, was approved by voters in the spring of 1980. A complete listing of revenue related votes over the past 30 years can be found in section L1-L2. In 2000, voters acting on a legislative referral put a large portion of the 2% surplus kicker statute into the state constitution (Article IX, Section 14). For a detailed discussion of the history and fiscal impacts of the kicker see LRO Research Report #2-07.

How it Works

The kicker law divides all General Fund money into two pots: (1) corporate taxes and (2) personal income taxes plus all other revenues. At the end of each biennium, if the actual collections in either of these two pots are more than 2% higher than was forecast at the close of the regular session, then a refund or credit must be paid. If a kicker is triggered in a pot then all the money in that pot in excess of the close of session forecast, including the 2%, is returned to taxpayers.

Surpluses in the corporate pot fund a corporate tax credit. The credit is calculated as a proportional reduction in the taxes of each corporate taxpayer. The credit is based on corporate tax liability, before credits, in the year prior to the year in which the biennium ends.

Surpluses in the "all other" pot fund a personal income tax refund. Taxpayers receive a check by December 15th of the year the biennium ends. The amount refunded is an identical proportion of each taxpayer's personal income tax liability, prior to state credits, for the prior year. For example, if the kicker refund is 5% and the taxpayer had a liability before credits of \$1,000, he or she would receive a refund of \$50.

The estimate upon which the kicker calculation is based can be increased, thereby reducing or eliminating the kicker refund/credit, on a one-time basis if an emergency is declared and approved by a 2/3 vote in each chamber of the Legislative Assembly prior to the end of the biennium upon which the kicker calculation is based.

History

Table 10 shows the history of the surplus kicker. A severe recession dropped revenues far short of the forecast in the first two biennia after enactment. The table actually understates the recession's effect. If the Legislature had not increased taxes in special session the shortfall would have been much larger than shown in the table.

Faced with Measure 5 budget problems, the Legislature suspended the kicker in 1991 and 1993. Kickers would have triggered in just one of the two pots in each of those biennia. The 1995 personal income tax refund was the first one paid by check. Prior to 1995, the personal kicker was paid through a tax credit like the corporate kicker.

Large corporate kicker credits were applied following the 1993-95 and 1995-97 biennia. Corporations were not eligible for a surplus credit for 3 biennia following the 1995-97 biennium. Corporate income tax collections exceeded the forecast by \$101 million in the 2003-05 biennium leading to a 35.9% credit on 2005 corporate income tax returns. The excess corporate revenue occurred despite the defeat of Measure 30 in January 2004. The revenue from Measure 30 was included in the close of session forecast and therefore part of the base for the kicker calculation.

Personal income tax kicker refunds were distributed four biennia in a row starting with the 1993-95 biennium. These refunds averaged 7.8% with the largest (14.4%) following the 1995-97 biennium. The 2001 recession depressed non-corporate General Fund revenue well below forecast in 2001-03 and the failure of Measure 30 held non-corporate revenue \$401 million below the close of session projection for the 2003-05 biennium.

Table 10: 2% KICKER (1979/81 – 2007/09)

SURPLUS KICKER HISTORY					
Biennium	Tax Year	Personal		Corporate	
		Surplus/ Shortfall (\$ million)	Credit/ Refund (% of liability)	Surplus/ Shortfall (\$ million)	Credit (% of liability)
1979-81	1981	-141	None	-25	None
1981-83	1983	-115	None	-110	None
1983-85	1985	89	7.7%	13	10.6%
1985-87	1987	221	16.6%	7	6.2%
1987-89	1989	175	9.8%	36	19.7%
1989-91	1991	186	Suspended	-23	None
1991-93	1993	60	None	18	Suspended
1993-95	1994/5	163	6.27%	167	50.1%
1995-97	1996/7	432	14.4%	203	42.2%
1997-99	1998/9	167	4.6%	-69	None
1999-01	2000/1	254	6.0%	-44	None
2001-03	2002/03	-1,249	None	-439	None
2003-05	2004/05	-401	None	101	35.9%
2005-07	2006/07	1,071	18.6%	344	Suspended
2007-09*	2008	-197	None	-64	None

* December 2008 Forecast

The 2007 Legislature made a number of statutory changes that affected the kicker. First, using the constitutional exception process that allows the estimate to be changed with a 2/3 vote, the Legislature redirected the corporate kicker credit to the newly established Rainy Day Fund. The Legislature also modified the personal income tax refund process by basing the calculation on before credits tax liability rather than after credit liability. This change affected the distribution of the refund but did not affect the amount. Finally, the Legislature changed the tax year the corporate credit is based on from the current year to the prior year. This brings the corporate calculation into line with the personal refund calculation.

The largest personal kicker refund was returned to taxpayers following the 2005-07 biennium. The refunds totaled \$1.071 billion or 18.6% of pre-credit tax liability in the 2006 tax year. The refunds were mailed out in the fall of 2007.

For the 14 biennia in which the kicker has been in effect (1979-81 through 2005-07), the personal income tax trigger has been exceeded nine times. Kicker refunds/credits were distributed on eight occasions and suspended once. Five times revenue has fallen short of the 2% personal income tax trigger. For the corporate calculation, actual collections have exceeded the trigger eight times and fallen below six times. Of the eight times in which the corporate trigger was exceeded, the kicker was credited to corporate taxpayers six times and suspended twice.

STATE REVENUE AND EXPENDITURES

Recent state budget history is shown in Table 11. The table shows state General Fund revenue and expenditures and state All Funds revenue and expenditures for the 1991-2007 period. All Funds revenue is not shown for the 2007-09 biennium because reliable estimates are not available. The table also shows values for total personal income of Oregon residents, total Oregon population and the consumer price index for comparison purposes.

TABLE 11
STATE BUDGET HISTORY: 1991-2009*

GENERAL FUND BUDGET (IN MILLIONS)								
PROGRAM AREA	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09
EDUCATION	\$3,572.3	\$4,131.0	\$5,096.0	\$5,852.6	\$5,210.9	\$5,921.0	\$6,417.5	\$7,457.1
HUMAN RESOURCES	\$1,618.1	\$1,872.8	\$1,924.0	\$2,282.1	\$2,387.4	\$2,327.4	\$2,781.0	\$3,400.3
PUBLIC SAFETY	\$608.4	\$769.7	\$1,000.5	\$1,185.4	\$1,231.2	\$1,228.7	\$1,528.1	\$1,846.7
ECON. & COMM. DEV. + CONS & BUS. SERV.	\$29.0	\$31.1	\$42.0	\$44.7	\$29.4	\$29.7	\$33.7	\$47.6
NAT. RES.	\$104.1	\$101.3	\$162.8	\$150.6	\$144.5	\$115.3	\$142.6	\$166.4
TRANS.	\$0.1	\$0.3	\$0.8	\$20.0	\$17.1	\$3.9	\$8.6	\$4.5
ADMIN.	\$114.7	\$119.2	\$119.8	\$141.4	\$149.3	\$142.0	\$168.7	\$188.6
LEGISLATURE	\$36.5	\$38.6	\$42.4	\$53.6	\$52.6	\$53.9	\$63.2	\$83.2
JUDICIAL	\$261.8	\$283.1	\$316.3	\$366.3	\$374.0	\$401.3	\$465.8	\$530.7
MISC.	\$65.0	\$80.0	\$80.0	\$0.0	\$0.0	\$0.0	\$0.0	\$223.9
TOTAL	\$6,410.1	\$7,426.9	\$8,784.5	\$10,096.7	\$9,596.4	\$10,223.2	\$11,609.2	\$13,949.0

GENERAL FUND RESOURCES (IN MILLIONS)								
	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09**
BEGINNING BALANCE	366.4	496.3	800.1	338.1	363.0	113.5	308.5	1436.7
PERSONAL INCOME TAXES	5381.1	6303.4	7123.1	8737.0	7699.5	8991.6	11040.3	10982.5
CORPORATE INCOME TAXES	575.8	684.4	589.1	754.9	420.1	640.8		538.0
OTHER TAXES	398.7	428.2	336.8	325.0	350.7	344.6	407.5	410.7
OTHER REVENUE	180.6	315.6	275.6	305.0	895.7	461.3	450.1	439.0
TOTAL	6902.5	8227.9	9124.7	10460.0	9729.0	10551.8	12206.4	13806.9

ALL FUNDS BUDGET (IN MILLIONS)								
PROGRAM AREA	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09
EDUCATION	\$6,295.3	\$6,889.2	\$8,481.6	\$9,498.0	\$10,277.0	\$10,926.9	\$12,036.2	\$13,834.1
HUMAN RESOURCES	\$4,420.5	\$5,196.4	\$6,323.8	\$7,702.2	\$9,068.4	\$9,201.7	\$9,990.5	\$11,777.0
PUBLIC SAFETY	\$901.2	\$1,811.7	\$1,579.5	\$1,959.0	\$2,128.1	\$1,970.9	\$2,183.5	\$2,698.5
ECON. & COMM. DEV. + CONS & BUS. SERV.	\$3,743.5	\$4,178.0	\$4,020.1	\$3,998.6	\$5,778.6	\$5,680.2	\$4,854.5	\$5,896.5
NAT. RES.	\$865.7	\$707.0	\$956.6	\$1,152.7	\$1,166.9	\$1,214.7	\$1,324.3	\$1,573.4
TRANS.	\$1,513.5	\$1,559.8	\$1,783.5	\$1,660.8	\$1,871.4	\$2,656.4	\$2,890.8	\$3,518.5
ADMIN.	\$1,929.9	\$2,466.2	\$3,715.5	\$4,058.8	\$4,765.7	\$6,004.5	\$6,449.6	\$7,517.9
LEGISLATURE	\$42.6	\$43.7	\$46.5	\$57.9	\$59.8	\$58.2	\$69.7	\$123.8
JUDICIAL	\$264.7	\$286.7	\$321.6	\$374.2	\$393.1	\$436.5	\$498.8	\$585.1
MISC.	\$65.0	\$80.0	\$80.0	\$0.0	\$0.0	\$0.0	\$0.0	\$223.9
TOTAL	\$20,041.9	\$23,218.7	\$27,308.7	\$30,462.2	\$35,509.0	\$38,150.0	\$40,297.9	\$47,748.7

ALL FUNDS REVENUE (IN MILLIONS)							
	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07
TAXES	\$8,951.3	\$10,228.4	\$11,363.3	\$13,168.9	\$11,912.3	\$14,265.6	\$16,870.2
FEDERAL FUNDS	\$4,688.5	\$5,197.4	\$6,488.6	\$7,352.3	\$9,604.1	\$10,287.8	\$10,060.3
INTEREST EARNINGS	\$4,206.6	\$5,127.4	\$9,238.6	\$4,247.9	\$801.9	\$11,970.1	\$21,545.2
DONATIONS&CONTRIB.	\$1,522.1	\$1,681.9	\$1,950.8	\$2,917.5	\$5,073.7	\$5,105.9	\$3,695.0
BOND SALES	\$573.3	\$1,277.8	\$1,316.5	\$1,768.1	\$2,486.4	\$2,756.9	\$2,902.8
LIQUOR & OTHER SALES	\$361.2	\$383.7	\$430.6	\$412.8	\$469.6	\$553.5	\$632.6
LOAN REPAYMENTS	\$1,243.5	\$934.2	\$945.3	\$673.4	\$790.2	\$727.8	\$570.5
CHARGES	\$964.4	\$1,037.4	\$1,243.0	\$1,283.9	\$1,491.7	\$1,992.5	\$2,432.6
LICENSES & FEES	\$510.6	\$547.6	\$664.2	\$665.6	\$1,021.6	\$1,143.1	\$1,331.7
LOTTERY	\$447.0	\$576.4	\$608.1	\$630.6	\$738.1	\$780.6	\$1,087.7
OTHER	\$450.0	\$537.4	\$550.1	\$1,136.9	\$2,463.7	\$1,526.4	\$1,537.2
TOTAL	\$23,918.5	\$27,529.6	\$34,799.1	\$34,257.9	\$36,853.3	\$51,110.2	\$62,665.8

GROWTH MEASURES								
	1994	1996	1998	2000	2002	2004	2006	2008**
OREGON PERSONAL INC.(MILL.)	\$65,735	\$75,975	\$85,269	\$96,402	\$101,902	\$109,700	\$123,700	\$136,500
OREGON POPULATION(MILL.)	3.121	3.247	3.352	3.431	3.505	3.583	3.691	3.791
U.S. CONSUMER PRICE INDEX	148.2	156.9	163	172.2	179.9	188.9	201.6	216.4

*Some historical expenditure numbers are subject to revision. 2007-09 revenues are estimates. 2007-09 expenditures are based on Legislatively Approved Budget.

**Based on December 2008 revenue forecast.

EFFECT OF TAX CHANGES

The table contains rough approximations of the static revenue impacts of selected tax changes. All figures are in millions of dollars. The estimates assume that the proposed change is fully phased in. Due to time lags in the tax system, a proposed change might not have the effect shown here in the first fiscal year.

TAX REDUCTIONS	Revenue Effect (in millions)		
	FY 2009-10	FY 2010-11	FY 2011-12
Property Tax			
Personal Property Tax Threshold (current law: accounts under \$12,500 in Assessed Value are exempt from Taxes) Increase the Tax Exempt Threshold to \$20,000 of Assessed Value	-3.4	-3.6	-3.8
Senior Homeowner Property Tax Freeze: Freeze property taxes on residences who are over the age of 65 and have income < \$35,000	-2.8	-8.8	-15.3
Personal Income Tax			
Earned Income Credit (EIC)			
Increase EIC to 12% of federal EIC	-24.0	-24.5	-24.9
Increase EIC to 18% of federal EIC	-48.1	-49.1	-49.9
Rate Reductions (current rates 5% – 7% – 9%)			
Reduce rates 1 percentage point (to 4 - 6 - 8%)	-737.2	-798.9	-862.1
Reduce rates 1/2 percentage point (to 4.5 - 6.5 - 8.5%)	-368.9	-399.8	-431.4
Reduce rates 1/4 percentage point (to 4.75 - 6.75 – 8.75%)	-184.5	-200.0	-215.8
Reduce rates 0.1 percentage point (to 4.9 - 6.9 - 8.9%)	-73.8	-80.0	-86.3
Tax Bracket Changes			
Double width of 5% and 7% brackets	-375.0	-395.7	-416.7
Widen 5% and 7% brackets by \$1,000 (\$2,000 on joint returns)	-171.0	-181.2	-190.7
Income Exemptions and Deductions			
Eliminate tax on unemployment income	-27.8	-28.3	-28.7
Double standard deduction (\$1,945 single; \$3,895 joint in 2005)	-144.6	-148.1	-151.4
Increase Maximum Federal Tax Subtraction to \$10,000	-109.5	-116.2	-122.7
No limit on maximum subtraction for federal income taxes	-738.5	-824.3	-927.5
Credits			
Increase personal exemption credit \$10	-26.6	-27.4	-28.0
Capital Gains (currently taxed at 5-7-9% rates)			
Reduce tax rate on capital gains to 5%	-217.4	-251.5	-265.4
Reduce tax rate on capital gains to 4%	-279.5	-323.4	-341.2
Estate Taxes			
Connect to 2001 Federal law changes and eliminate estate taxes in Oregon (currently connected to Federal Taxpayer Relief Act of 1997)	45	94.1	96.8
Corporate Income Tax			
Reduce corporate tax rate 0.1 percentage point (to 6.5%)	-6.1	-6.5	-7.3
Reduce corporate tax rate 1 percentage point (to 5.6%)	-61.4	-65.3	-73.5

TAX INCREASES/NEW TAXES	Revenue Effect (in millions)		
	FY 2009-10	FY 2010-11	FY 2011-12
Statewide Property Tax for School Districts			
Establish an additional tax rate of \$1 per \$1,000 of assessed value for all school districts statewide that is outside the Measure 5 limit	270	275.2	281.3
Personal Income Tax			
Increase All Rates 5% (5.25, 7.35, 9.45%)	310.3	337.1	364.5
Increase All Rates 10% (5.5, 7.7, 9.9%)	621.0	674.6	729.5
Increase All Rates 1 Percentage Point (6, 8, 10%)	740.0	801.9	865.3
Increase Top Tax Rate to 9.5%	290.9	318.0	345.8
Increase Rate to 10% for Income Above \$100,000 Joint (indexed)	207.5	236.9	268.4
Increase Rate to 10% for Income Above \$50,000 Joint (indexed)	343.6	383.9	425.7
Increase Rate to 10% for Income Above \$25,000 Joint (indexed)	498.6	548.3	599.2
Decrease Maximum Federal Tax Subtraction Limit to \$3,000 (2009 Federal Tax Subtraction is \$5,850)	130.6	146.1	165.3
1% Surtax	56.1	61.1	66.3
Reduce Personal Exemption Credit by \$10	26.8	27.5	28.2
Limit Property tax Deduction to \$2,500 if Income > \$100,000 Joint	39.7	44.2	48.9
Limit Mortgage Interest Deduction to \$15,000	59.0	64.6	70.6
Corporate Income Tax			
1% Surtax	4.1	4.3	4.9
Increase Rate One Percentage Point (to 7.6%)	61.4	65.3	73.5
Increase Corp. Min Tax to \$500 (C- and S-corporations)	41.1	42.1	43.1
C-Corp. Min Tax = \$500 if OR Sales < \$500,000; = \$1,000 if OR Sales > \$500,000 and < \$1 million; = \$3,000 if OR Sales > \$1 million	25.7	25.3	24.7
Sales Taxes (begin 2008)			
Broad Retail Sales Tax – 1% Rate (exempts shelter & in-home food)	400	865	917
Restricted Retail Sales Tax – 1% Rate (exempts shelter, in-home food, public transport, health care, education, personal insurance, utilities, gasoline, tobacco products)	280	611	655
Broad Retail Sales Tax – 3% Rate (exempts shelter & in-home food)	1,201	2,630	2785
Restricted Retail Sales Tax – 3% Rate (exempts same items as described in 1% restricted retail sales tax)	846	1,830	1,941
Broad Retail Sales Tax – 5% Rate (exempts shelter & in-home food)	2,012	4,342	4,605
Restricted Retail Sales Tax – 5% Rate (exempts same items as described in 1% restricted retail sales tax)	1,411	3,040	3,140
Business Activity Taxes (begin 2008)			
Washington Gross Receipts Tax (B&O)– .1% Rate (no income tax credit)	133.3	278.8	296.7
Business Activities Tax (first \$25,000 of tax base is exempt) – 1% rate	220	441	462
Excise Taxes (begin 2008)			
Washington Real Estate Transfer Tax – 1% Rate	226.5	237.0	246.6
Increase Cigarette Tax by 10¢ per Pack	6.5	10.6	10.6
Increase Other Tobacco Products by 10% of wholesale price	2.2	4.0	4.0
Increase Beer Tax by \$1 per barrel	1.6	2.8	2.8
Increase Wine Tax by 25¢ per gallon	1.5	2.8	2.9
Increase OLCC Mark-up by 10% (current = 101%)	6.0	10.5	11.0
Transient Lodging Tax – 1% Rate (no exemption amount)	6.3	10.0	10.1

OREGON INCOME TAXES

Oregon's primary source of revenue is from income taxes – both personal and corporate. Together they account for roughly 93 percent of the General Fund. The personal income tax is imposed on all the income of residents (full-year filers) and the income earned in Oregon by non-residents (non-resident filers). The tax is also imposed on part-year residents for the portion of the year in which lived in Oregon. Corporations doing business in Oregon are subject to the excise tax while those that only have income from Oregon sources are subject to the income tax. Over 99 percent of corporations are excise tax filers.

Personal Income Tax

Oregon tax rates range from 5% to 9% of taxable income. Taxable income is adjusted gross income (AGI) plus Oregon additions less Oregon subtractions and deductions (standard or itemized). See page C5 for the tax calculation. Because taxable income is generally less than AGI, the average effective tax rate is roughly 5.7% of AGI. Since 1993, the income tax brackets have been indexed to changes in the U.S. Consumer Price Index. The rate schedule for tax year 2009 is shown below:

2009 TAX YEAR RATE SCHEDULE

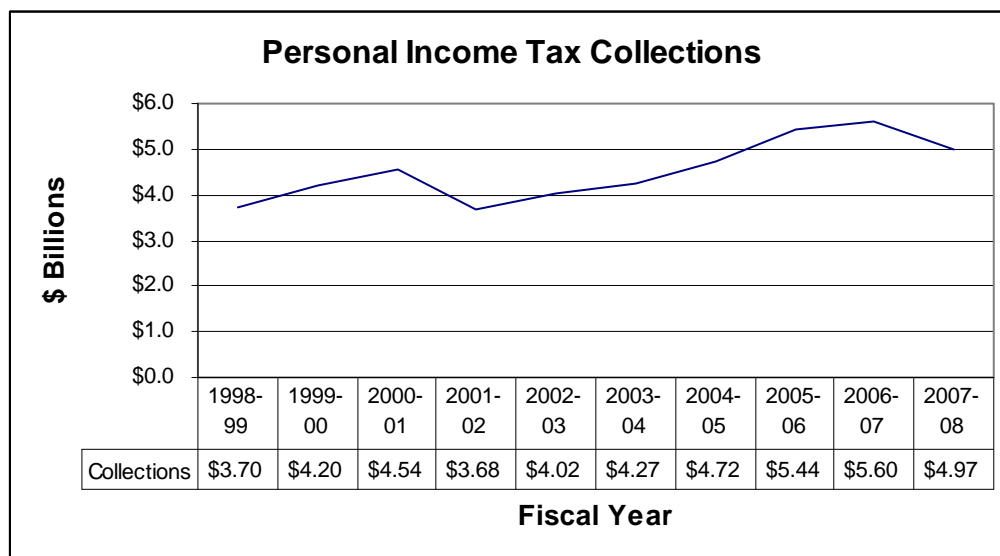
SINGLE RETURNS		JOINT RETURNS	
Taxable Income	Tax Before Credits	Taxable Income	Tax Before Credits
Not over \$3,050	5% of taxable income	Not over \$6,100	5% of taxable income
\$3,050 to \$7,600	\$153 + 7% of income over \$3,050	\$6,100 to \$15,200	\$305 + 7% of income over \$6,100
Over \$7,600	\$471 + 9% of income over \$7,600	Over \$15,200	\$942 + 9% of income over \$15,200

In 2006, all personal income tax returns reported a total adjusted gross income of \$90.2 billion. The average adjusted gross income for all returns was \$51,387, an increase of 5% from 2005. Oregon taxpayers had a total tax liability of \$5.2 billion, an increase of 7.6% from 2005. This increase follows the strong growth years of 2004 (10%) and 2005 (12.7%). The average Oregon tax liability was \$3,088, up 4.1% from the prior year.

The Oregon standard deductions for tax year 2009 are \$3,895 on joint returns, \$1,945 on single and married-filing-separate returns and \$3,135 for head-of-household returns. Blind or elderly (65+) taxpayers get an extra \$1,200 standard deduction on a single return and an extra \$1,000 per eligible person on a joint return. In 2006, the average total deduction per tax return was \$9,183, an increase of 7.3% from 2005. A personal exemption credit is allowed for most taxpayers and dependents. This credit is indexed for inflation and is \$176 in 2009. The average total credits per tax return taken in 2006 was \$374, an increase of 5.5% over 2005.

Oregon also taxes some business income through the personal income tax system. Owners and shareholders of small businesses, like sole proprietors and S-corporations, pay personal income taxes on the profits from these businesses. In 2006, the total number of returns reporting either income or a loss from a sole proprietorship was 240,983, a 2.6% increase from prior year, and the total number of S-corporations was 54,771. The total amount of income that sole proprietors reported on 2006 full-year returns was \$3.2 billion (4% of total income). Recent trends in Oregon's small businesses can be seen on pages C25 and C26. Between 2000 and 2006, the number of sole proprietor returns increased by 15.6% and S-corporations by 24.3%. On average over this time period, the number of sole proprietors grew annually at 2.6% and S-corporations by 4%.

Personal income tax collections are the largest source of state tax revenue. Personal income tax collections are projected to comprise 89% of the total General Fund revenues in the 2009-11 biennium. (They were 86% of the total general fund revenues in the 2007-09 biennium.) The following chart shows the personal income tax collections since fiscal year 1998-99.



History

In 1917 the Oregon Constitution was amended to allow a progressive income tax. In 1923 an income tax was adopted by the legislature and approved by a state wide vote. The tax was collected for only one year. A successful initiative petition repealed it in 1924.

Subsequent to 1924 three initiative petitions and a legislative referral failed at the polls. The 1929 legislature adopted an income tax dedicated to reducing the state property tax. The tax was brought to a vote by referendum. It was approved by the voters in 1930. By 1938 the state property tax was completely offset by income tax collections, and except for 1940, no state property tax has been collected since.

Here are some major changes in the tax since 1929:

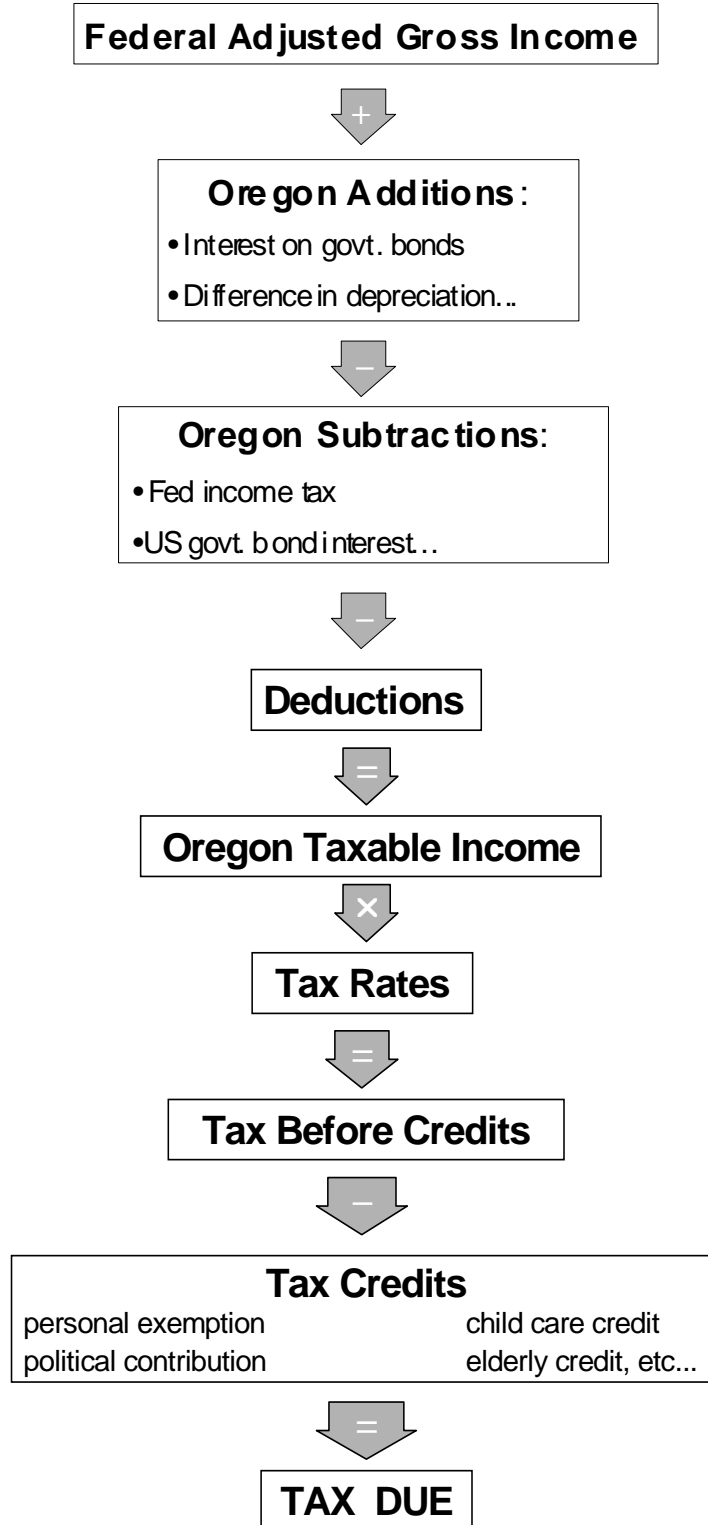
- 1933 First rate and exemption change, designed to offset depression revenue losses, increased bottom rate from 1% to 2% and top rate from 5% to 7%.
- 1939 Rates changed again, top rate still 7% but hit at \$4,000 rather than \$5,000.
- 1943 "Walker Plan" adopted, designed to cope with additional revenue from increased wartime economic activity, reduced tax liability 5% for each extra \$1 million in taxes collected. The "Walker Plan" was modified in 1945, suspended in 1947 and repealed in 1949.
- 1947 Withholding on wages begins. Rates changed, additional bracket added at 8% for income over \$8,000.
- 1953 Income tax placed into general fund rather than property tax relief account. Personal exemption set equal to federal exemption.

- 1955 45% surcharge imposed, in effect for 1955 and 1956.
- 1957 Rate structure changed, ranges from 3% at bottom to 9.5% for income over \$8,000.
- 1959 Special capital gains treatment begins.
- 1969 Federal income tax base adopted. Rate schedule adjusted, 4% to 10% for income over \$5,000.
- 1971 Planned federal increases in the personal exemption and standard deduction threaten Oregon revenue. Oregon freezes to IRC as of December 31, 1971.
- 1975 Oregon reconnects to federal code but maintains separate standard deduction and personal exemption.
- 1979 9% income tax refund for 1978 taxes. 2% surplus kicker created. Personal exemption increased and indexed for inflation.
- 1981 Federal changes threaten state revenue, Oregon freezes to federal code as of December 31, 1980. Personal exemption indexing delayed.
- 1982 Rates increased, 4.2% to 10.8%.
- 1983 Federal conformity updated to December 31, 1982, except for ACRS. \$85 personal tax credit replaces personal exemption.
- 1985 Rates revert to 4% to 10% structure. Oregon law fixed to federal code as of December 31, 1984.
- 1987 Federal conformity updated to December 31, 1986, connects Oregon to the 1986 federal tax reforms (including full taxation of capital gains). Tax rates reduced (5% to 9% over \$5,000), standard deduction increased.
- 1989 Federal conformity updated to December 31, 1988. Double weighted sales in apportionment formula.
- 1991 Federal conformity updated to December 31, 1990. Tax brackets indexed beginning in 1993. Taxed all pension income, with new retirement credit. Allows nonresident credit for tax paid to other states.
- 1993 Federal conformity updated to December 31, 1992.
- 1995 Federal conformity updated to April 15, 1995.
- 1997 Federal conformity updated to December 31, 1996 and permanently reconnected to future changes. Earned income credit adopted. Lottery jackpots subject to tax.
- 1998 Federal pensions excluded from taxable income. Credit for long-term care insurance adopted.
- 2000 Federal tax subtraction increased from 3,000 to 5,000 effective 1/1/2002. Indexed for inflation beginning 2003.
- 2001 Standard deductions changed to \$1,640 for single filers and \$3,280 for joint filers effective 1/1/2002. Indexed for inflation beginning 2003. Working Family Childcare credit made refundable effective 1/1/2003.
- 2002 Phase-in the implementation of the higher federal tax subtraction. In 2002, the federal tax subtraction is \$3,250, in 2003 it is \$3,500, in 2004 it is \$4,000, in 2005 it is \$4,500, in 2006 it is \$5,000 and in 2007 it is \$5,500. Beginning in 2008 it is indexed to inflation.

- 2003 Federal conformity updated to December 31, 2002, except for changes in depreciation, 179 expensing, deferred compensation plans, pension, employee stock ownership, deferred compensation, individual retirement plans, medical savings accounts, qualified tuition savings accounts or other tax-exempt savings programs. Eliminates the “rolling reconnect” for changes in federal tax law for 3 years until December 31, 2005. Re-establishes the “rolling reconnect” for changes in federal law pertaining to taxable income for federal tax law changes after December 31, 2005.
- 2005 Oregon’s earned income credit is increased to 6% of the federal credit beginning January 1, 2008. It is also made refundable for tax years 2006 through 2010. The residential energy tax credit is also expanded. New credits are created for volunteer emergency medical technicians and taxpayers who contribute to an individual development account.
- 2007 New compliance measures were passed pertaining to the use of listed and reportable transactions. A variety of tax credits were either created or modified, including a credit for donations to university venture development funds or the Oregon Production Investment Fund; producer and consumer biofuels credits; the business and residential energy credits; mobile home closure credit; and diesel truck engine credits. The refundability of the earned income credit was extended through tax year 2013 and the credit for donations to the Child Care Division was extended through 2012. Tax provisions pertaining to the military, veterans, and College Savings Accounts were also enacted. The personal exemption credit was reduced for higher income filers. Withholding was established for certain nonresidents who sell Oregon real property.
- 2008 Clarifying language was added to the ORS for the business energy tax credit, the withholding requirement for nonresidents who sell Oregon real property, and the TRICARE tax credit.

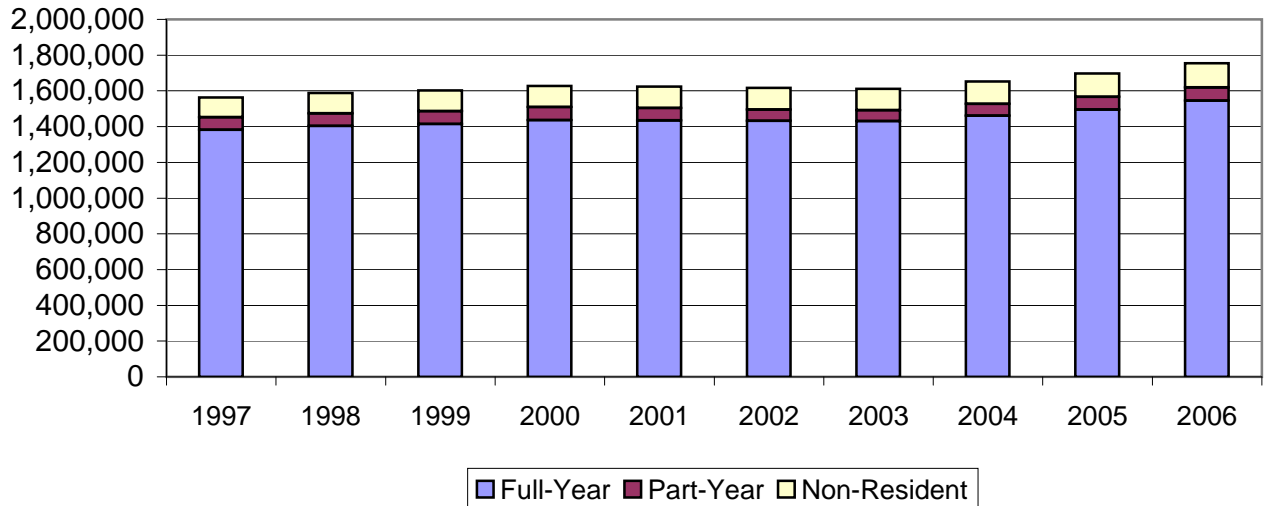
Calculation of Oregon Personal Income Tax

(Full-Year Filers)



Oregon Personal Income Tax Returns, 1990-2006

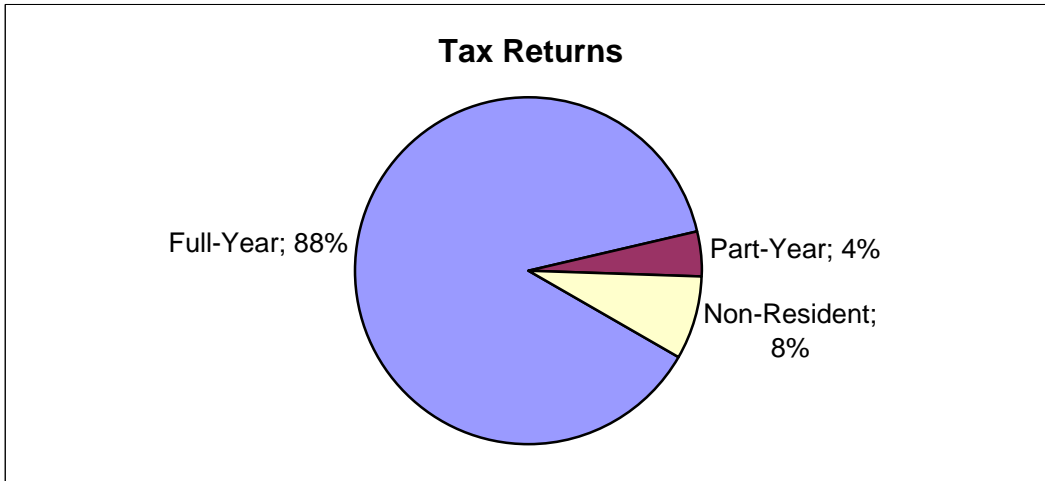
Number of Returns



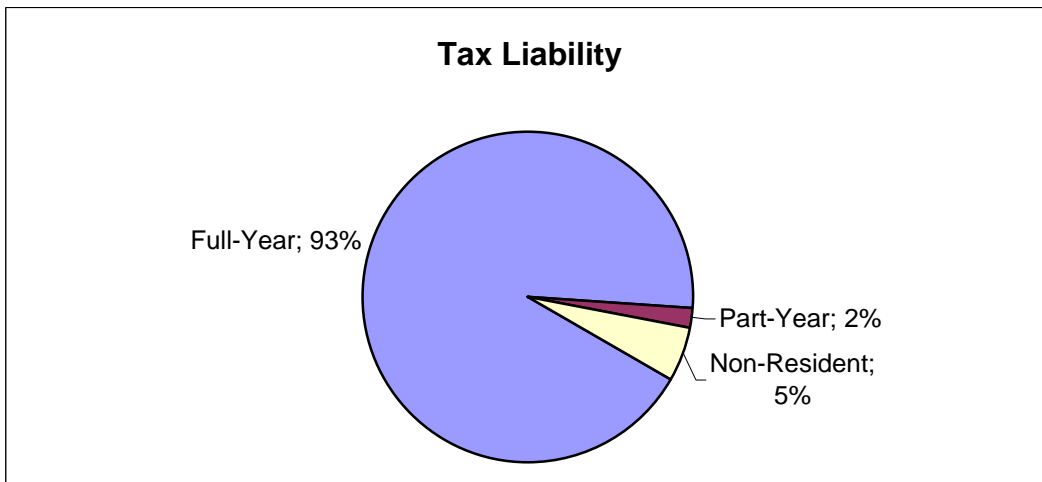
	Full-Year		Part-Year		Non-Resident		Total	
	Returns	Percent Change	Returns	Percent Change	Returns	Percent Change	Returns	Percent Change
1990	1,176,920		55,875		71,327		1,304,122	
1991	1,194,895	1.5%	53,748	-3.8%	75,044	5.2%	1,323,687	1.5%
1992	1,211,927	1.4%	54,073	0.6%	86,559	15.3%	1,352,559	2.2%
1993	1,235,970	2.0%	56,293	4.1%	89,569	3.5%	1,381,832	2.2%
1994	1,267,485	2.5%	60,338	7.2%	93,048	3.9%	1,420,871	2.8%
1995	1,302,656	2.8%	64,101	6.2%	100,257	7.7%	1,467,014	3.2%
1996	1,345,533	3.3%	68,560	7.0%	105,891	5.6%	1,519,984	3.6%
1997	1,381,479	2.7%	71,244	3.9%	110,416	4.3%	1,563,139	2.8%
1998	1,403,128	1.6%	70,983	-0.4%	113,288	2.6%	1,587,399	1.6%
1999	1,414,966	0.8%	70,617	-0.5%	117,267	3.5%	1,602,850	1.0%
2000	1,435,203	1.4%	73,812	4.5%	119,398	1.8%	1,628,413	1.6%
2001	1,434,864	0.0%	68,518	-7.2%	120,611	1.0%	1,623,993	-0.3%
2002	1,432,971	-0.1%	62,719	-8.5%	121,010	0.3%	1,616,700	-0.4%
2003	1,430,750	-0.2%	60,535	-3.5%	120,500	-0.4%	1,611,785	-0.3%
2004	1,461,735	2.2%	65,632	8.4%	125,836	4.4%	1,653,203	2.6%
2005	1,495,091	2.3%	71,005	8.2%	131,070	4.2%	1,697,166	2.7%
2006	1,546,097	5.8%	71,711	9.3%	137,760	9.5%	1,755,568	6.2%

Oregon Tax Returns and Tax Liability

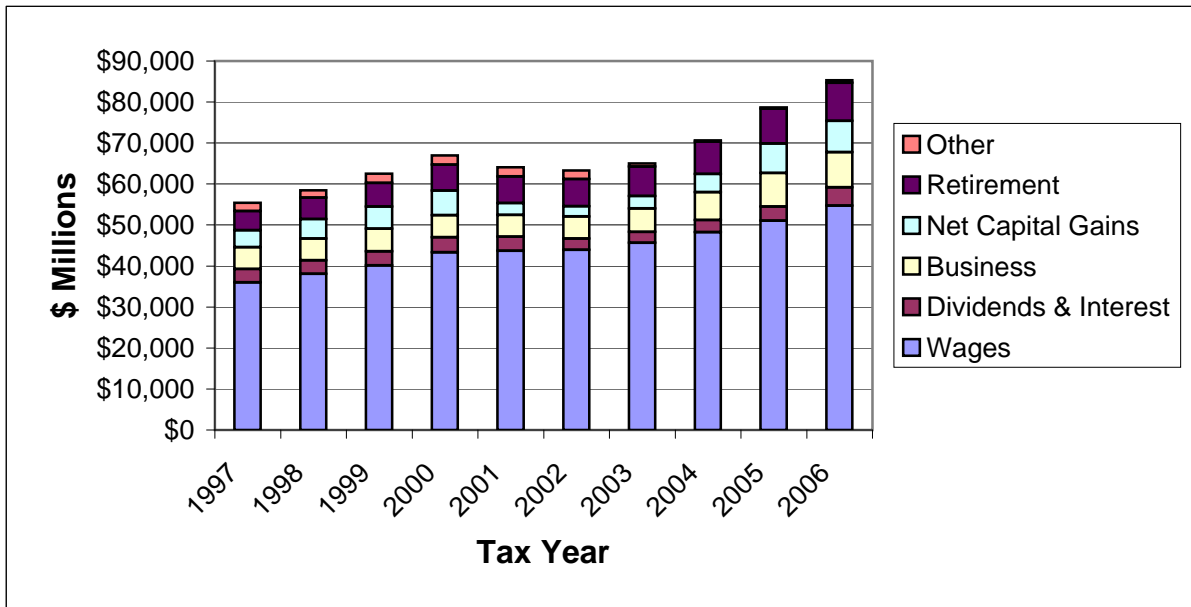
Tax Year 2006, by Type of Return



	Oregon Income		Tax Liability	
	Amount	Share	Amount	Share
Full-Year	1,546,097	88.1%	\$4.8	92.7%
Part-Year	71,711	4.1%	\$0.1	2.1%
Non-Residents	137,760	7.8%	\$0.3	5.2%
	1,755,568	100.0%	\$5.2	100.0%



Components of Income, 1990-2006 (Full-Year Returns)



	Wages	Dividends & Interest	Business	Net Capital Gains	Retirement	Other ¹	Gross Income
1990	\$22,993	\$3,023	\$2,859	\$1,183	\$2,164	\$810	\$33,031
1991	\$24,195	\$2,891	\$2,959	\$1,172	\$2,444	\$836	\$34,497
1992	\$25,867	\$2,547	\$3,503	\$1,450	\$2,654	\$971	\$36,992
1993	\$27,317	\$2,450	\$4,044	\$2,109	\$2,863	\$898	\$39,681
1994	\$29,004	\$2,418	\$4,418	\$1,970	\$3,223	\$1,014	\$42,046
1995	\$31,036	\$2,923	\$4,578	\$2,178	\$3,585	\$1,353	\$45,653
1996	\$33,546	\$3,142	\$4,936	\$2,913	\$3,944	\$1,452	\$49,934
1997	\$35,958	\$3,299	\$5,303	\$4,127	\$4,666	\$2,077	\$55,430
1998	\$38,072	\$3,336	\$5,301	\$4,747	\$5,190	\$1,839	\$58,485
1999	\$40,094	\$3,461	\$5,560	\$5,408	\$5,716	\$2,272	\$62,510
2000	\$43,294	\$3,733	\$5,370	\$5,987	\$6,304	\$2,295	\$66,983
2001	\$43,677	\$3,441	\$5,323	\$2,914	\$6,458	\$2,279	\$64,092
2002	\$43,926	\$2,724	\$5,413	\$2,494	\$6,620	\$2,136	\$63,313
2003	\$45,671	\$2,624	\$5,687	\$3,109	\$7,136	\$825	\$65,052
2004	\$48,222	\$2,949	\$6,796	\$4,502	\$7,849	\$291	\$70,609
2005	\$51,051	\$3,431	\$8,235	\$7,158	\$8,497	\$285	\$78,657
2006	\$54,698	\$4,466	\$8,579	\$7,650	\$9,330	\$570	\$85,292

¹ A technical change in 2003 resulted in the majority of "other" income being assigned to the listed categories

2006 TOTAL INCOME AND TAX (\$000)

AGI Distribution	Full-Year Returns										Part-Year and Nonresident Returns		
	AGI Level (\$000)	Number of Returns	Number of Exemptions	Adjusted Gross Income	Additions	Subtractions	Deductions	Taxable Income	Gross Tax	Credits	Net Tax	Number of Returns	Taxable Income
Less than zero	18,020	29,457	-941,511	15,917	19,692	200,808	2,863	247	131	116	8,430	965	73
0-5	119,609	93,494	319,872	2,544	7,076	325,324	110,882	5,638	3,519	2,119	54,470	89,723	4,315
5-10	129,302	153,526	964,328	3,456	27,677	446,992	576,288	33,646	19,116	14,530	28,227	150,145	6,686
10-15	124,924	195,047	1,562,253	3,878	78,072	554,309	1,016,067	67,303	32,190	35,113	18,837	172,558	9,009
15-20	123,747	219,498	2,160,877	4,089	144,811	601,651	1,477,321	104,436	40,069	64,367	14,454	185,378	10,462
20-25	110,174	207,268	2,473,617	4,644	199,724	575,593	1,745,227	129,643	39,565	90,078	11,767	195,455	11,791
25-30	97,265	190,175	2,670,086	4,320	252,476	572,029	1,885,256	144,363	36,095	108,268	9,966	203,051	12,936
30-35	85,316	171,518	2,768,697	4,623	292,751	569,546	1,941,000	151,856	31,006	120,850	8,467	203,565	13,447
35-40	75,540	157,635	2,828,712	4,843	324,961	571,673	1,960,176	155,454	27,582	127,872	7,518	210,108	14,356
40-45	67,502	145,753	2,865,586	4,767	353,620	576,610	1,961,272	157,185	25,254	131,931	6,538	208,190	14,547
45-50	60,851	136,033	2,887,739	5,165	372,729	580,227	1,957,165	158,171	23,466	134,705	5,778	204,508	14,531
50-60	105,405	248,639	5,782,421	10,365	776,721	1,146,802	3,898,379	318,207	42,650	275,557	8,831	365,500	26,572
60-70	87,574	219,350	5,678,241	10,959	744,243	1,097,063	3,868,750	319,462	38,064	281,398	6,562	324,163	24,086
70-80	70,932	183,871	5,305,950	10,291	675,609	994,086	3,661,892	305,371	32,286	273,085	4,527	262,005	19,814
80-90	56,169	149,992	4,763,259	9,305	562,638	855,011	3,362,917	282,972	26,605	256,367	3,187	211,730	16,094
90-100	43,433	118,220	4,115,924	8,717	440,166	712,589	2,977,662	252,514	21,485	231,029	2,366	176,375	13,472
100-250	143,751	399,241	20,129,267	56,456	1,532,347	3,026,305	15,639,541	1,355,638	83,980	1,271,658	7,590	881,221	67,241
250-500	18,392	52,008	6,165,159	32,490	221,778	654,003	5,323,701	472,502	18,507	453,995	1,190	356,958	26,247
500+	8,191	22,824	11,330,194	100,230	190,730	960,761	10,281,415	922,460	40,338	882,122	766	1,048,503	70,257
Quintile Distribution													
First 20%	309,226	338,996	801,567	23,230	74,340	1,158,045	981,710	58,132	32,491	25,641	41,897	40,710	2,522
Second 20%	309,215	545,363	5,555,759	10,923	386,935	1,506,428	3,817,790	273,016	99,453	173,563	41,889	150,329	6,252
Middle 20%	309,215	626,896	10,268,578	17,161	1,109,045	2,119,757	7,161,989	561,171	113,525	447,646	41,895	436,038	22,916
Fourth 20%	309,225	737,285	17,675,636	32,785	2,318,829	3,466,223	12,005,654	983,593	127,361	856,232	41,896	974,523	64,197
Next 15%	231,913	628,163	22,837,810	48,684	2,357,172	3,893,727	16,665,531	1,417,645	116,312	1,301,333	31,421	1,496,546	111,038
Next 4%	61,843	173,212	12,409,182	47,644	692,201	1,626,857	10,142,190	890,437	43,758	846,679	8,379	936,654	70,963
Top 1%	15,460	43,634	14,282,139	116,633	279,299	1,250,344	12,872,908	1,153,074	49,006	1,104,068	2,094	1,415,301	98,051
Total	1,546,097	3,093,549	83,830,670	297,059	7,217,820	15,021,381	63,647,772	5,337,067	581,907	4,755,160	209,471	5,450,101	375,938

2006 AVERAGE INCOME AND TAX

AGI Distribution	Full-Year Returns										Part-Year and Nonresident Returns		
	AGI Level (\$000)	Number of Returns	Number of Exemptions	Adjusted Gross Income	Additions	Subtractions	Deductions	Taxable Income	Gross Tax	Credits	Net Tax	Number of Returns	Taxable Income
Less than zero	18,020	1.6	-52,248	883	1,093	11,144	159	14	7	6	8,430	114	9
0-5	119,609	0.8	2,674	21	59	2,720	927	47	29	18	54,470	1,647	79
5-10	129,302	1.2	7,458	27	214	3,457	4,457	260	148	112	28,227	5,319	237
10-15	124,924	1.6	12,506	31	625	4,437	8,133	539	258	281	18,837	9,161	478
15-20	123,747	1.8	17,462	33	1,170	4,862	11,938	844	324	520	14,454	12,825	724
20-25	110,174	1.9	22,452	42	1,813	5,224	15,841	1,177	359	818	11,767	16,610	1,002
25-30	97,265	2.0	27,452	44	2,596	5,881	19,383	1,484	371	1,113	9,966	20,374	1,298
30-35	85,316	2.0	32,452	54	3,431	6,676	22,751	1,780	363	1,416	8,467	24,042	1,588
35-40	75,540	2.1	37,447	64	4,302	7,568	25,949	2,058	365	1,693	7,518	27,947	1,910
40-45	67,502	2.2	42,452	71	5,239	8,542	29,055	2,329	374	1,954	6,538	31,843	2,225
45-50	60,851	2.2	47,456	85	6,125	9,535	32,163	2,599	386	2,214	5,778	35,394	2,515
50-60	105,405	2.4	54,859	98	7,369	10,880	36,985	3,019	405	2,614	8,831	41,388	3,009
60-70	87,574	2.5	64,839	125	8,498	12,527	44,177	3,648	435	3,213	6,562	49,400	3,671
70-80	70,932	2.6	74,803	145	9,525	14,015	51,625	4,305	455	3,850	4,527	57,876	4,377
80-90	56,169	2.7	84,802	166	10,017	15,222	59,871	5,038	474	4,564	3,187	66,436	5,050
90-100	43,433	2.7	94,765	201	10,134	16,407	68,558	5,814	495	5,319	2,366	74,546	5,694
100-250	143,751	2.8	140,029	393	10,660	21,052	108,796	9,430	584	8,846	7,590	116,103	8,859
250-500	18,392	2.8	335,209	1,767	12,058	35,559	289,457	25,691	1,006	24,684	1,190	299,965	22,056
500 +	8,191	2.8	1,383,249	12,237	23,285	117,295	1,255,209	112,619	4,925	107,694	766	1,368,803	91,719
Quintile Distribution													
First 20%	309,226	1.1	2,592	75	240	3,745	3,175	188	105	83	41,897	972	60
Second 20%	309,215	1.8	17,967	35	1,251	4,872	12,347	883	322	561	41,889	3,589	149
Middle 20%	309,215	2.0	33,209	55	3,587	6,855	23,162	1,815	367	1,448	41,895	10,408	547
Fourth 20%	309,225	2.4	57,161	106	7,499	11,209	38,825	3,181	412	2,769	41,896	23,261	1,532
Next 15%	231,913	2.7	98,476	210	10,164	16,790	71,861	6,113	502	5,611	31,421	47,629	3,534
Next 4%	61,843	2.8	200,656	770	11,193	26,306	163,999	14,398	708	13,691	8,379	111,786	8,469
Top 1%	15,460	2.8	923,812	7,544	18,066	80,876	832,659	74,584	3,170	71,414	2,094	675,884	46,825
Total	1,546,097	2.0	54,221	192	4,668	9,716	41,167	3,452	376	3,076	209,471	26,018	1,795

2006 SOURCES OF INCOME (\$000)

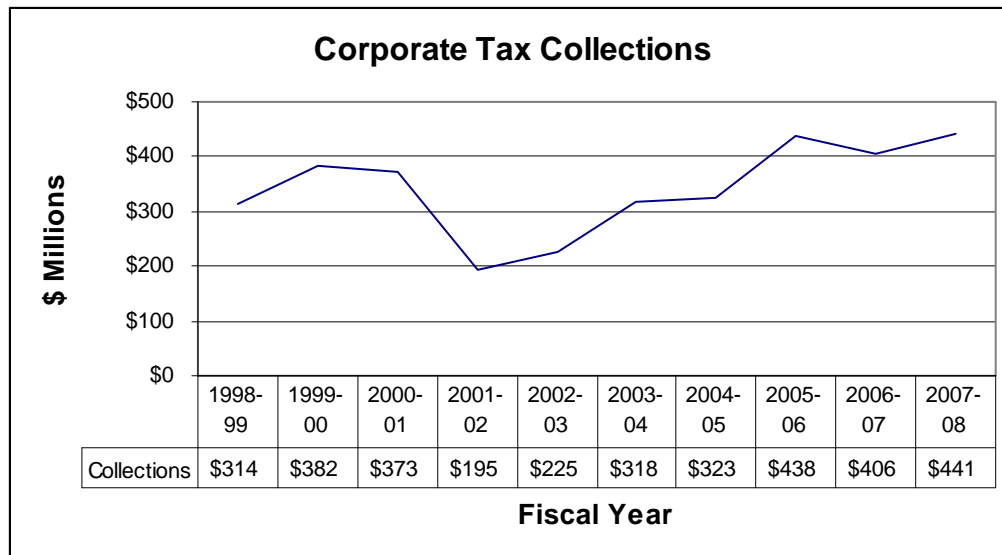
AGI Distribution	Full-Year Returns											
AGI Level (\$000)	Number of Returns	Wages, Salaries, Tips	Taxable Dividends and Interest	Schedule C Income/Loss	Capital Gains / Loss	Taxable Pensions	Schedule E Income/Loss ¹	Schedule F Income/Loss	All Other Income ²	Gross Income	Adjustments	Adjusted Gross Income
Less than zero	18,020	109,768	87,103	-80,586	115,251	35,079	-397,162	-76,091	-714,195	-920,833	20,678	-941,512
0-5	119,609	282,577	32,952	22,395	2,793	24,418	-10,466	-5,232	-5,466	343,972	24,100	319,872
5-10	129,302	721,241	67,580	73,851	12,426	107,962	-2,019	-6,174	23,582	998,450	34,123	964,328
10-15	124,924	1,102,553	99,780	108,220	22,869	224,590	4,876	-7,586	41,270	1,596,572	34,318	1,562,253
15-20	123,747	1,603,164	108,387	108,302	29,542	297,621	9,373	-8,658	52,473	2,200,204	39,327	2,160,877
20-25	110,174	1,926,931	97,271	105,318	34,206	296,219	7,799	-8,188	55,718	2,515,274	41,657	2,473,617
25-30	97,265	2,097,844	94,444	107,005	32,931	318,992	14,583	-7,088	55,899	2,714,609	44,523	2,670,086
30-35	85,316	2,191,739	91,744	99,014	35,205	328,664	18,021	-7,443	55,427	2,812,371	43,675	2,768,697
35-40	75,540	2,226,877	91,374	96,570	36,445	352,304	21,718	-7,143	56,507	2,874,651	45,939	2,828,712
40-45	67,502	2,235,542	92,139	100,459	43,887	370,961	23,109	-8,768	55,502	2,912,832	47,246	2,865,586
45-50	60,851	2,227,012	97,170	97,070	47,160	393,861	24,453	-7,637	55,838	2,934,928	47,189	2,887,739
50-60	105,405	4,370,775	197,802	186,280	106,943	851,461	67,143	-14,638	106,536	5,872,302	89,881	5,782,421
60-70	87,574	4,269,188	190,561	169,299	121,646	845,774	79,593	-14,050	97,728	5,759,738	81,498	5,678,241
70-80	70,932	3,913,560	183,011	164,846	134,623	815,393	91,011	-10,488	87,043	5,379,001	73,051	5,305,950
80-90	56,169	3,513,591	164,915	143,010	137,553	702,046	102,472	-9,421	73,969	4,828,135	64,876	4,763,259
90-100	43,433	3,025,398	147,130	135,260	141,342	577,451	101,304	-8,005	61,139	4,181,019	65,095	4,115,924
100-250	143,751	13,239,929	965,578	937,863	1,523,077	2,313,073	1,322,969	-37,137	266,938	20,532,291	403,025	20,129,266
250-500	18,392	2,970,545	433,043	368,371	1,075,996	315,683	1,064,747	-10,126	93,627	6,311,886	146,727	6,165,159
500 +	8,191	2,669,672	1,223,881	232,521	3,995,959	158,386	2,860,305	-17,471	321,378	11,444,631	114,436	11,330,195
Quintile Distribution												
First 20%	309,226	1,434,138	219,552	51,295	136,646	231,698	-408,283	-89,893	-683,724	891,429	89,863	801,567
Second 20%	309,215	4,169,388	266,908	277,302	78,299	733,286	19,756	-21,426	133,253	5,656,765	101,006	5,555,759
Middle 20%	309,215	8,079,231	341,144	375,304	133,098	1,258,027	70,461	-27,923	206,988	10,436,330	167,753	10,268,578
Fourth 20%	309,225	13,369,373	599,181	560,782	349,797	2,572,715	216,803	-44,174	318,267	17,942,745	267,109	17,675,636
Next 15%	231,913	16,469,178	867,214	776,278	921,705	3,176,259	707,028	-43,145	333,607	23,208,122	370,312	22,837,810
Next 4%	61,843	7,155,500	736,328	729,475	1,480,985	1,083,043	1,371,592	-21,203	157,826	12,693,547	284,366	12,409,181
Top 1%	15,460	4,021,099	1,435,538	404,633	4,549,324	274,911	3,426,472	-23,578	374,694	14,463,094	180,956	14,282,138
Total	1,546,097	54,697,908	4,465,865	3,175,069	7,649,854	9,329,938	5,403,828	-271,342	840,913	85,292,034	1,461,364	83,830,670

¹Schedule E income includes: rental real estate, royalties, partnerships, S corporations, and trusts.

²All other income includes: taxable state income tax refunds, alimony received, unemployment compensation, and other income.

Corporate Excise Tax

C-Corporation net income attributable to Oregon is taxed under the corporate excise tax at the rate of 6.6%. The corporate excise tax is the second largest tax source for the state General Fund. The corporate tax revenue is projected to provide 5.4% of General Fund revenues in the 2009-11 biennium. (They were 6.7% of the total general fund revenues in the 2007-09 biennium.) Oregon uses federal taxable income, with some modifications, as its tax base. The following chart shows the corporate tax collections since fiscal year 1998-99.



Corporations pay taxes only on income attributable to Oregon. For multi-state C-corporations, a three-factor formula using property, payroll and sales has been historically used to apportion income to Oregon. Over the past 15 years the formula weights have changed from an equally weighted formula (used prior to 1991) to a one-hundred percent weighted sales formula (for tax years beginning on or after July 1, 2005) that is used by most corporations.¹ The following table contains the corporate apportionment formula weights for each factor and their effective dates.

Corporate Apportionment Formula Weights by Tax Year and Factor

Tax Year Beginning	Sales	Payroll	Property
12/31/1990 and earlier	33%	33%	33%
1/1/1991 to 4/30/2003	50%	25%	25%
5/1/2003 to 6/30/2005	80%	10%	10%
7/1/2005 to current	100%	0%	0%

C-corporations can be divided into two groups: corporations which do business only in Oregon and those which do business in multiple states. In 2006, the total number of Oregon only corporate returns was 20,837 (63% of all 33,130 C-corporations) and the total number of multi-state corporations was 12,293 (37% of all 33,130 C-corporations). The total taxable income of multi-state corporations was \$6.9 billion (90% of total taxable income) and total taxable income of

¹ There are two exceptions: certain wood products corporations must use the double-weighted sales formula and utilities and telecommunications corporations may elect to use the double-weighted sales formula.

Oregon only corporations was \$0.8 billion (10% of total taxable income). Page C20 illustrates the trends in the Oregon only and multi-state corporations between 1997 and 2006. During this time period, the number of Oregon only corporations has declined by 25% while the number of multi-state corporations has increased by 12%. The Department of Revenue processes roughly 34,000 C-corporation returns annually.

S-corporations do not pay tax at the entity level, but are required to file a corporate tax return. Roughly 55,000 S-corporations currently file tax returns, with nearly all (99.4%) paying the minimum tax of \$10. The remaining 0.6% of S-corporations have a tax liability greater than the minimum due to built-in capital gains or net excess passive income.

History

The corporate excise tax was enacted in 1929 with the Personal Income Tax. Initially the Corporate Excise Tax was intended to not only raise revenues to alleviate the State Property Tax but also to provide a means of imposing a state tax on national banks, which had been declared exempt from state property taxes in 1925.²

Here are some major changes, excluding changes to tax deductions and credits, in the income and excise corporate tax law since its enactment:

- | | |
|------|---|
| 1929 | The legislature passed a law titled the Corporate Excise of 1929 which enacted a corporate excise tax on corporations doing business within the state of Oregon. The tax rate was set at 5%, with a few corporations being exempt. The corporate minimum tax was set at \$25. The excise tax was measured by net income in order to circumvent the federal prohibition against taxation of income from federal securities. Because the tax was designed to furnish property tax relief and also be a state tax imposed upon national banks, corporations were allowed to offset 90% of their tax liability by the amount of personal property tax paid. The corporate apportionment formula was to be decided by tax commission regulations. Generally, the tax commission adopted a three factor formula based on the amount of property, payroll and sales of the corporation in Oregon equally weighted. |
| 1931 | Tax rate increased to 8%. Corporate minimum tax was reduced to \$10. |
| 1933 | Personal property offset reduced from 90% to 75% of State Excise Tax liability. |
| 1939 | A law change added segregated accounting or apportionment as reporting methods as defined by rules and regulations adopted by the Oregon State Tax Commission. Personal property offset was reduced from 75% to 50% of State Excise Tax liability. |
| 1943 | “Walker Plan” enacted which permitted a reduction in the Personal Income and Corporate Excise Taxes when a state budget surplus occurred. Tax Liabilities discounted 75% in 1943 and 30% in 1944 as provided by the “Walker Plan” law. |
| 1951 | Revenues from the Corporate Excise Tax were directed into the General Fund rather than as an offset to the statewide property tax levy. |
| 1955 | A 8% corporate income tax was enacted to cover two classes of corporations not covered by the excise tax: those doing business only in interstate commerce and those with no property or offices in the state but which solicit orders from users of their products within the state. Public utilities were subject to taxation at a 4% rate. |

² Handbook Of Oregon State Taxes, Oregon Tax Foundation, May 1983

The corporate tax of 8% was assessed on the earnings of corporations deriving 95% or more of their income from rental of real property or whose assets consist of at least 95% or more of real property.

- 1957 Business corporate tax rate decreased to 6%. Financial corporation rate increased to 9%. Public utilities rate increased to 7%. Personal property tax offset was eliminated for all corporations except those corporations engaged primarily in manufacturing, processing or assembling materials into finished products and their offset was reduced from 50% to 33%.
- 1959 Federal Public Law 86-272 was enacted to allow some corporations to be exempt from state taxes when the corporation's only business activity is the solicitation of orders for the sale of tangible personal property. Public utilities and other centrally assessed corporations were brought under the regular corporate excise tax law. Certain exempt corporations (labor, and agriculture; religious, charitable, etc.; business and civic leagues) made taxable on "unrelated business income."
- 1963 Financial institution tax rate decreased to 8%. Exempted People's Public Utility Districts from the Corporate Excise Tax.
- 1965 U.S. court cases influenced the legality of using worldwide apportionment in states from the early 1960s. Oregon had an equally weighted three-factor corporate apportionment formula for multi-state corporations and the Uniform Division of Income For Tax Purposes Act was adopted into the Oregon statutes in 1965.
- 1967 The legislature adopted the Multi-state Tax Compact to have consistent tax provisions among states.
- 1971 Depreciation options were frozen at 1970 levels to compensate for revenue losses resulting from the use of Federal asset depreciation range schedules. Federal government passed the Domestic International Sales Corporation (DISC) law which provided a tax deferral for the export earnings of multi-national corporation.
- 1973 Semi-annual estimated tax payments required for corporations beginning Jan. 1, 1974. Imposed corp. excise tax on real estate investment trusts (REIT).
- 1975 Supreme Court ruling on Coca-Cola case upheld that combined reporting for tax years 1962-1964. The ruling stated that the Oregon State Tax Commission had authority to permit or require corporations to use either segregated accounting or apportionment, even though there was no specific reference to a combined reporting in the law. The legislature adopted a combined reporting law which clearly stated the current practice by the Dept. of Revenue. Credit unions are taxed on their unrelated business income.
- 1976 All corporations taxed at the same rate, 6.5% for 1976.
- 1977 All corporations taxed at the same rate, 7% for 1977 and 7.5% for subsequent years.
- 1977 Use of Federal depreciation options allowed.
- 1980 Personal property tax offset expired.
- 1981 Depreciation schedules frozen at 1980 levels for two years, to compensate State budget for revenue losses resulting from changes in Federal law.
- 1982 Quarterly estimated tax payments required beginning Jan. 1, 1982.
- 1983 Corporate tax law in Oregon tied to federal tax law enacted as of Dec. 31, 1982.

Enactment of the corporate dividend exclusion.

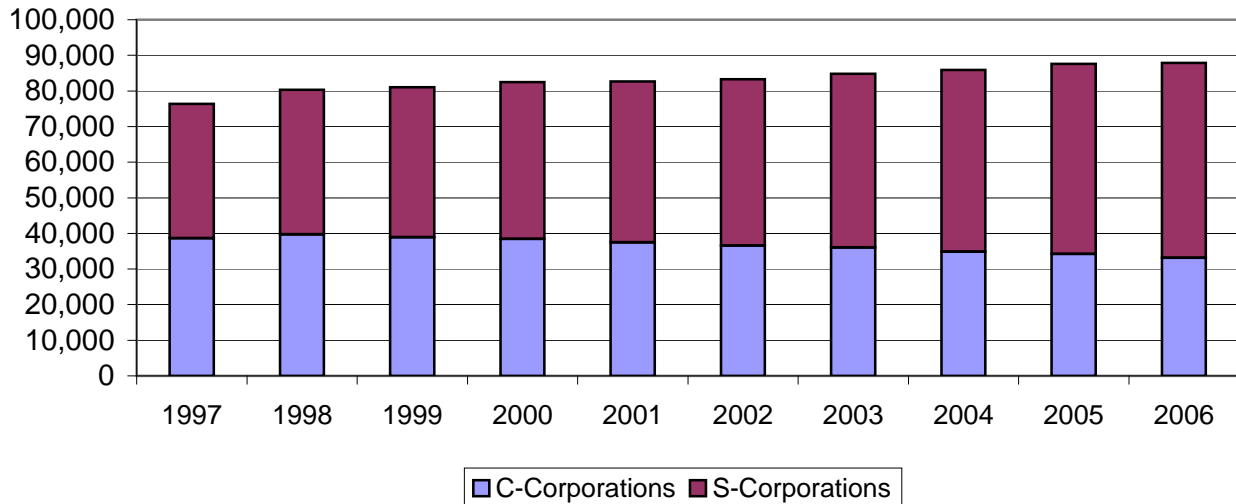
- 1984 The legislature adopted a “Waters Edge” unitary reporting requirement instead of a worldwide reporting requirement. Only business in the U.S. would be reported on a consolidated federal corporate tax return of both U.S. and foreign corporations. Corporations filing a consolidated federal return are required to file an Oregon consolidated return. Provides 85% corporate dividend exclusion.
- 1985 Oregon corporate and personal tax law tied to federal tax law as in effect Dec. 31, 1984, including Tax Reform Act of 1984 (TRA). The legislature chose not to connect to the federal law changes in the Foreign Sales Corporation (FSC) law change which repealed the Domestic International Sales Corporation (DISC) laws. Oregon added back the income earned by Foreign Sales Corporations to the multi-national corporations’ taxable income. Provides 100% corporate dividend exclusion.
- 1987 Oregon is tied to the federal Internal Revenue Code as amended on or before Dec. 31, 1986. The legislature reduced the corporate tax rate from 7.5% to 6.6% beginning Jan. 1, 1987.
- 1989 Corporate excise tax law is tied to the Internal Revenue Code as amended on or before Dec.31,1988. Add S-corporations to the corporations required to pay the corporate minimum tax. Oregon shifts to a doubled weighted sales corporate apportionment formula beginning tax years on or after Jan.1,1991. Dividend deduction is allowed for 70% on dividends received from a corporation owned less than 20%. 80% exclusion is allowed on dividends received from 20% or more owned corporations.
- 1991 Corporate tax law tied to the Internal Revenue Code as of Dec. 31, 1990.
- 1993 Corporate tax law tied to the Internal Revenue Code as of Dec. 31, 1992.
- 1995 Corporate tax law tied to the Internal Revenue Code as of April 15, 1995.
- 1997 Oregon establishes “rolling reconnect” to federal tax law for federal changes made after April 15, 1997.
- 2000 The federal government passed the Exterritorial Income Act (ETI) which replaced the foreign sales corporate laws which were found to be an unfair trade practice by the World Trade Organization. Due to Oregon’s automatic connection to the federal definition of taxable income, Oregon excluded exterritorial income from the taxable income of multi-national corporations. Prior to 2000, Oregon included the income of foreign sales corporations in the definition of taxable income.
- 2001 Oregon moved to a “super sales” corporate apportionment formula where the sales factor was weighted (.8) and payroll and property factors are each weighted (.1). This applied for corporate tax years beginning May1, 2003.
- 2003 Oregon will increase the sales factor of the corporate apportionment formula to (.9) and payroll and property factors are each (.05). This will apply to corporate tax years beginning July 1, 2006. Oregon will adopt a single sales corporate apportionment formula (100% sales) beginning corporate tax years after July 1, 2008. Established a date specific connection to federal tax law, as in effect on Dec. 31, 2002, for federal law changes occurring in 2003-2005 except for federal law changes pertaining to the following: depreciation, 179 expensing, pension, employee stock ownership, deferred compensation, individual retirement plans, medical savings accounts, education IRAs, qualified tuition savings accounts or other tax-exempt savings programs. Re-establishes the “rolling reconnect” for changes in federal law pertaining to taxable

income for federal law changes after December 31, 2005.

- 2005 The corporate single-sales apportionment formula became effective for tax years beginning on or after July 1, 2005. The maximum research and development tax credit increased to \$2 million, beginning January 1, 2006.
- 2007 New compliance measures were passed pertaining to the use of listed and reportable transactions. The apportionment formula for insurance companies was changed to a single sales factor. A variety of tax credits were either created or modified, including a credit for donations to university venture development funds or the Oregon Production Investment Fund; biofuels producer credit; the business energy credit; diesel truck engine credits; and affordable housing loans credit. A one time small corporation tax credit was created for tax year 2007. Withholding was established for certain C-corporations that sell Oregon real property.
- 2008 Clarifying language was added to the ORS for the business energy tax credit, and the withholding requirement for certain C-corporations that sell Oregon real property. The cap on the affordable housing credit was increased to \$17 million.

Oregon Corporations, 1990-2006

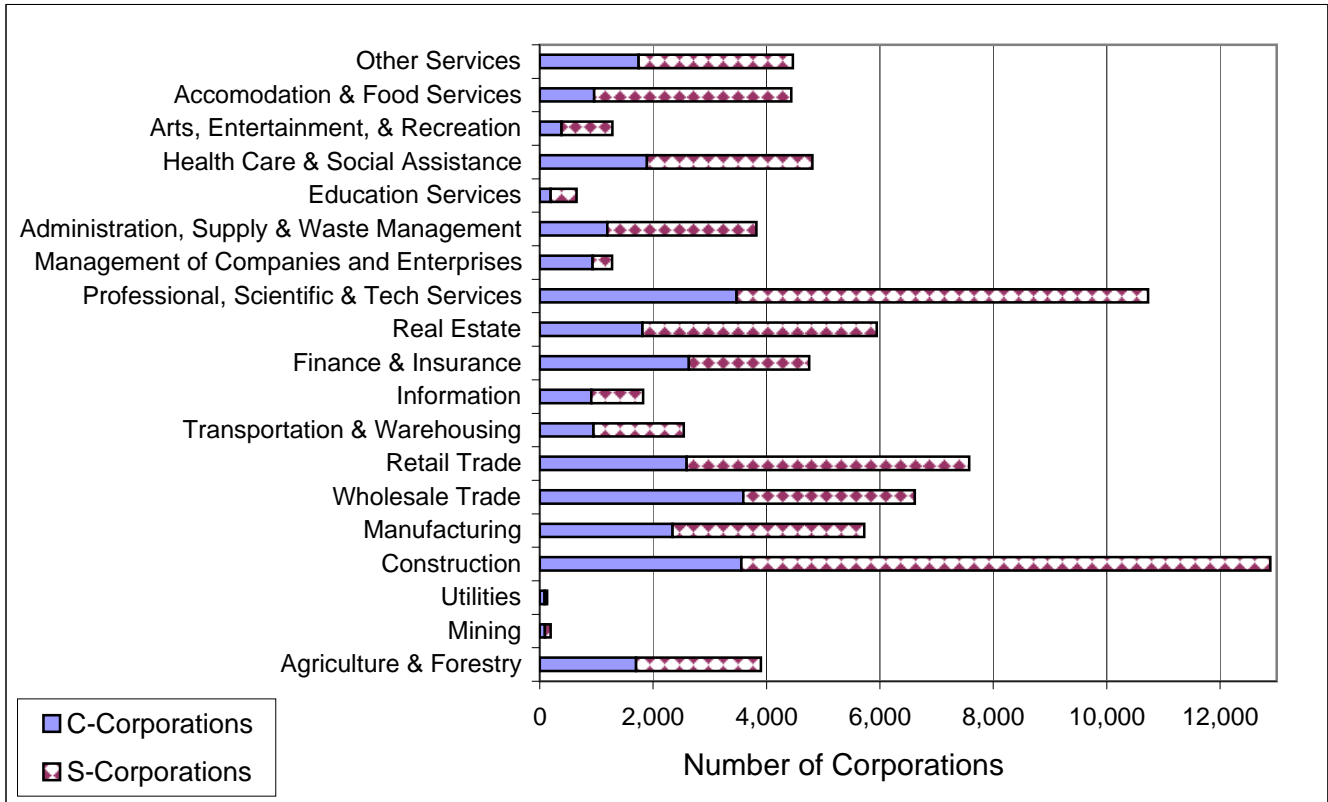
Number of Returns



	C-Corporations		S-Corporations		Total	
	Returns	% Change	Returns	% Change	Returns	% Change
1990	35,510		18,437		53,947	
1991	35,200	-0.9%	21,090	14.4%	56,290	4.3%
1992	35,660	1.3%	23,731	12.5%	59,391	5.5%
1993	36,879	3.4%	26,751	12.7%	63,630	7.1%
1994	38,344	4.0%	29,752	11.2%	68,096	7.0%
1995	39,496	3.0%	32,689	9.9%	72,185	6.0%
1996	38,867	-1.6%	35,337	8.1%	74,204	2.8%
1997	38,627	-0.6%	37,711	6.7%	76,338	2.9%
1998	39,740	2.9%	40,571	7.6%	80,311	5.2%
1999	38,930	-2.0%	42,153	3.9%	81,083	1.0%
2000	38,410	-1.3%	44,047	4.5%	82,457	1.7%
2001	37,458	-2.5%	45,179	2.6%	82,637	0.2%
2002	36,527	-2.5%	46,744	3.5%	83,271	0.8%
2003	35,991	-1.5%	48,842	4.5%	84,833	1.9%
2004	34,883	-3.1%	50,980	4.4%	85,863	1.2%
2005	34,242	-2.8%	53,341	4.0%	86,559	1.2%
2006	33,130	-5.0%	54,771	7.4%	87,901	2.4%

Corporation Filers by Industry, Tax Year 2006

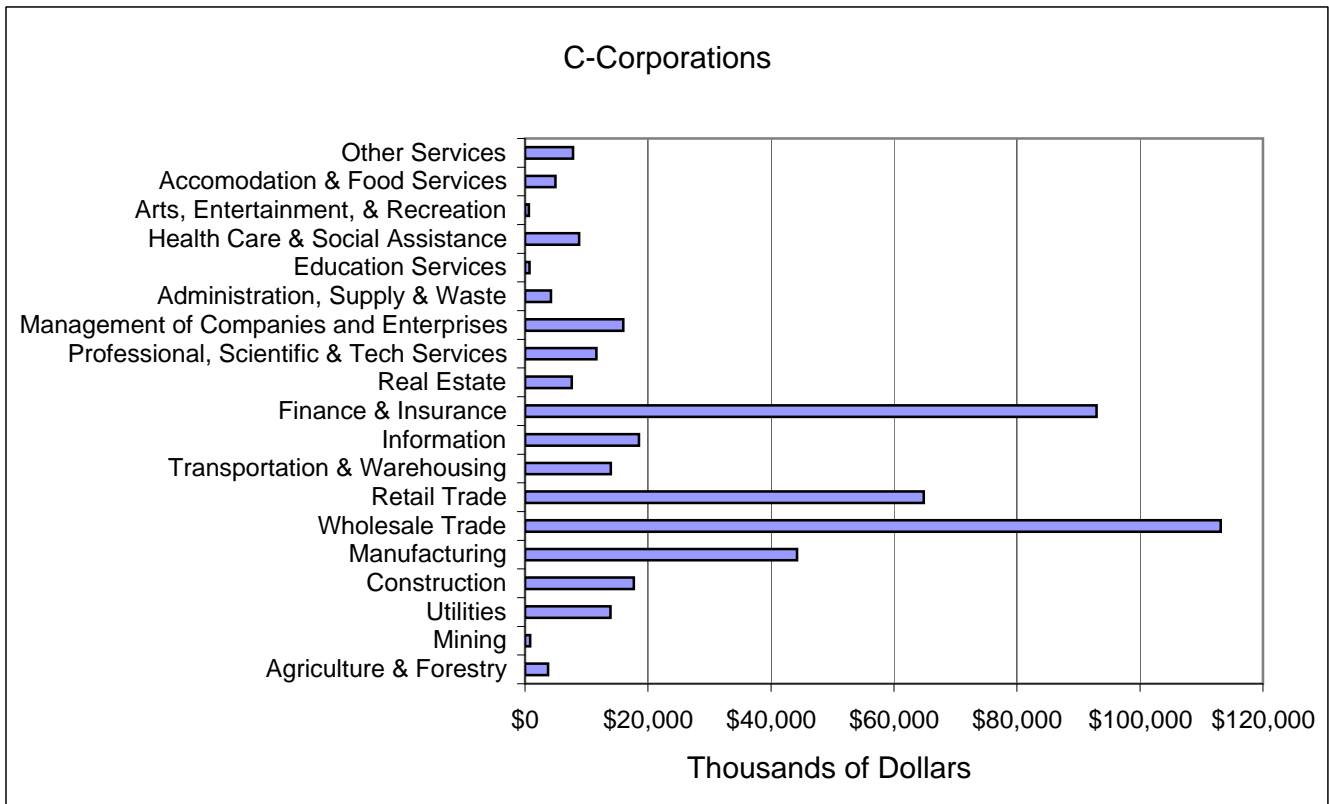
Industry	C-Corporations	S-Corporations
Agriculture & Forestry	1,698	2,210
Mining	90	108
Utilities	86	50
Construction	3,556	9,334
Manufacturing	2,340	3,389
Wholesale Trade	3,588	3,035
Retail Trade	2,593	4,988
Transportation & Warehousing	951	1,597
Information	907	921
Finance & Insurance	2,631	2,128
Real Estate	1,811	4,137
Professional, Scientific & Tech Services	3,471	7,264
Management of Companies and Enterprises	932	350
Administration, Supply & Waste Management	1,191	2,636
Education Services	194	460
Health Care & Social Assistance	1,891	2,924
Arts, Entertainment, & Recreation	383	902
Accomodation & Food Services	957	3,485
Other Services	1,743	2,728
Unknown	2,117	2,125
Total	33,130	54,771



Corporation Net Tax by Industry, Tax Year 2006

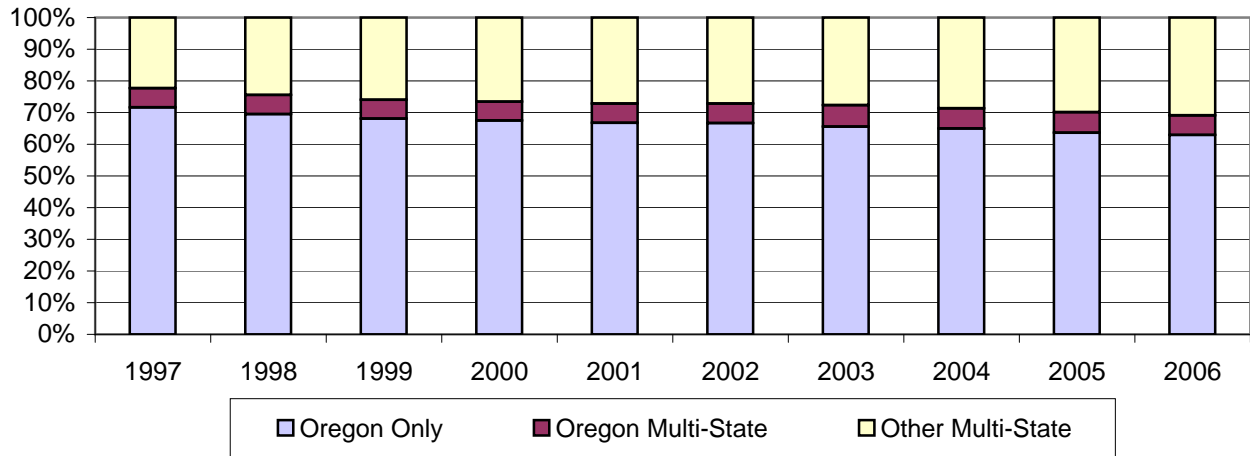
(Thousands of Dollars)

Industry	C-Corporations	S-Corporations
Agriculture & Forestry	\$3,759	\$101
Mining	\$848	\$1
Utilities	\$13,898	\$1
Construction	\$17,676	\$136
Manufacturing	\$44,237	\$111
Wholesale Trade	\$113,151	\$961
Retail Trade	\$64,823	\$243
Transportation & Warehousing	\$13,959	\$21
Information	\$18,513	\$102
Finance & Insurance	\$92,961	\$201
Real Estate	\$7,607	\$106
Professional, Scientific & Tech Services	\$11,607	\$115
Management of Companies and Enterprises	\$15,996	\$80
Administration, Supply & Waste Management	\$4,236	\$52
Education Services	\$754	\$10
Health Care & Social Assistance	\$8,781	\$37
Arts, Entertainment, & Recreation	\$645	\$12
Accommodation & Food Services	\$4,953	\$72
Other Services	\$7,817	\$59
Unknown	\$1,300	\$27
Total	\$447,522	\$2,448



Oregon Only and Multi-State C-Corporations, 1997-2006

Percent of Returns

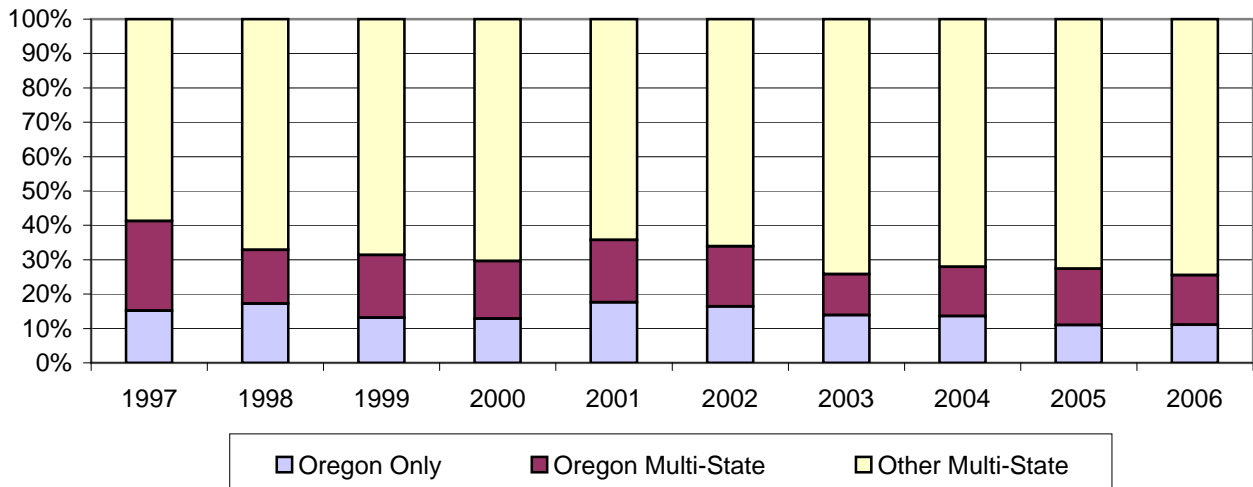


Number of C-Corporation Returns

Net Tax (\$ Million)

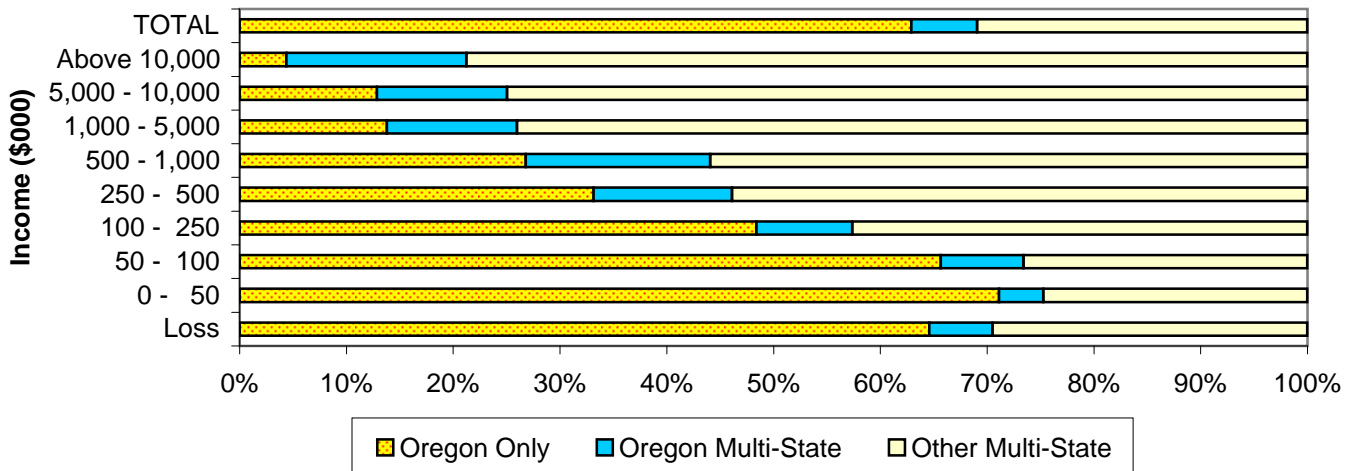
	Number of C-Corporation Returns				Net Tax (\$ Million)			
	OREGON ONLY	OREGON MULTI-STATE	OTHER MULTI-STATE	TOTAL	OREGON ONLY	OREGON MULTI-STATE	OTHER MULTI-STATE	TOTAL
1997	27,674	2,322	8,631	38,627	\$35.1	\$60.3	\$136.0	\$231.4
1998	27,627	2,414	9,699	39,740	\$61.5	\$55.9	\$240.1	\$357.5
1999	26,505	2,315	10,110	38,930	\$51.6	\$71.4	\$268.6	\$391.6
2000	25,926	2,290	10,194	38,410	\$45.8	\$59.7	\$250.7	\$356.2
2001	25,022	2,262	10,174	37,458	\$42.6	\$43.7	\$155.2	\$241.6
2002	24,347	2,257	9,923	36,527	\$38.7	\$41.3	\$156.0	\$236.0
2003	23,593	2,452	9,946	35,991	\$39.4	\$33.9	\$211.0	\$284.3
2004	22,646	2,220	10,017	34,883	\$42.3	\$44.7	\$224.7	\$311.6
2005	21,788	2,224	10,230	34,242	\$32.2	\$48.0	\$212.5	\$292.6
2006	20,837	2,050	10,243	33,130	\$49.6	\$64.6	\$333.3	\$447.5

Percent of Net Tax



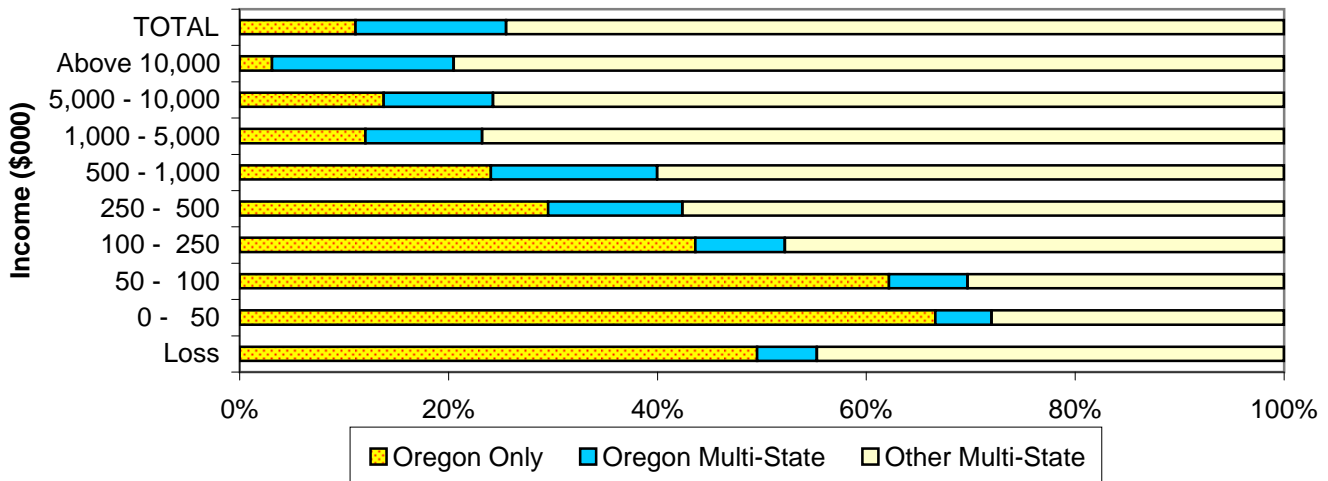
2006 Oregon Only and Multi-State C-Corporations

Percent of Returns



Income Before Net Loss (\$000)	Number of Returns				Oregon Tax (\$M)			
	OREGON ONLY	OREGON MULTI-STATE	OTHER MULTI-STATE	TOTAL	OREGON ONLY	OREGON MULTI-STATE	OTHER MULTI-STATE	TOTAL
Loss	9,345	858	4,267	14,470	\$0.1	\$0.0	\$0.1	\$0.2
0 - 50	8,721	512	3,033	12,266	\$4.1	\$0.3	\$1.7	\$6.2
50 - 100	1,356	160	549	2,065	\$4.2	\$0.5	\$2.0	\$6.7
100 - 250	811	151	714	1,676	\$5.3	\$1.0	\$5.8	\$12.1
250 - 500	301	118	490	909	\$4.5	\$1.9	\$8.7	\$15.2
500 - 1,000	163	105	340	608	\$5.1	\$3.4	\$12.8	\$21.3
1,000 - 5,000	112	99	601	812	\$11.0	\$10.2	\$70.0	\$91.2
5,000 - 10,000	21	20	123	164	\$8.1	\$6.2	\$44.7	\$59.0
Above 10,000	7	27	126	160	\$7.3	\$41.0	\$187.4	\$235.6
TOTAL	20,837	2,050	10,243	33,130	\$49.6	\$64.6	\$333.3	\$447.5

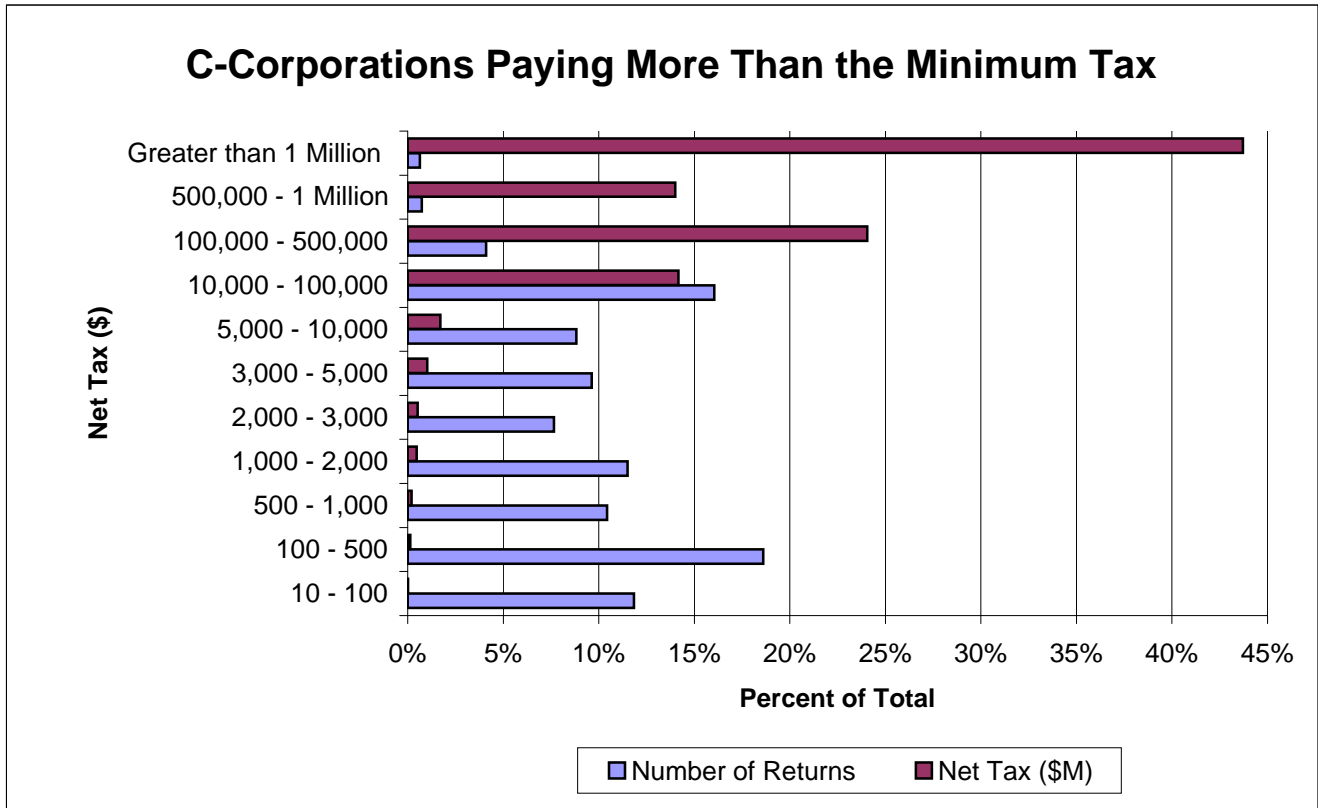
Percent of Tax



Corporations Paying More than the Minimum Tax

By Tax Category, Tax Year 2006

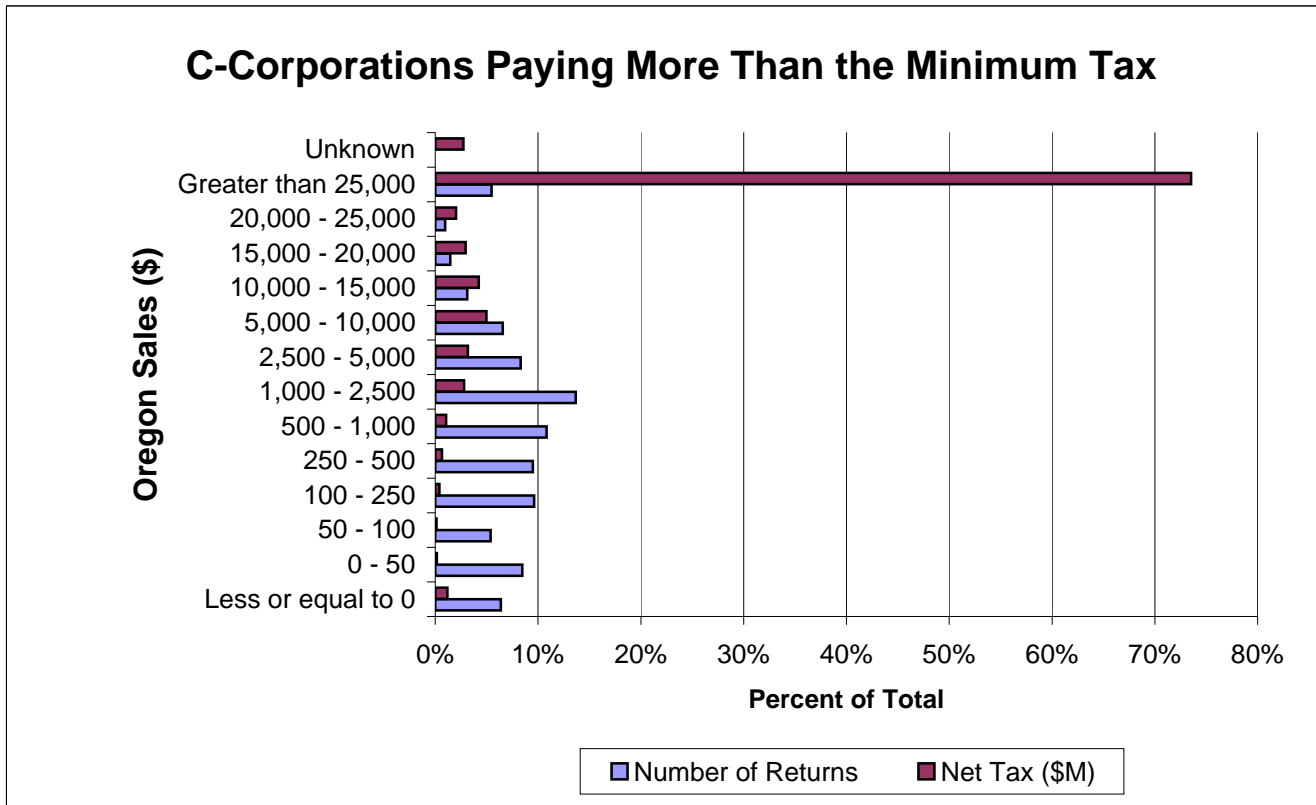
Tax Category (\$)	Number of		Net Tax (\$M)	Percent of Total
	Returns	Percent of Total		
10 - 100	1,459	11.8%	\$0.1	0.0%
100 - 500	2,294	18.6%	\$0.6	0.1%
500 - 1,000	1,286	10.4%	\$0.9	0.2%
1,000 - 2,000	1,418	11.5%	\$2.1	0.5%
2,000 - 3,000	943	7.6%	\$2.3	0.5%
3,000 - 5,000	1,188	9.6%	\$4.6	1.0%
5,000 - 10,000	1,087	8.8%	\$7.6	1.7%
10,000 - 100,000	1,978	16.0%	\$63.4	14.2%
100,000 - 500,000	505	4.1%	\$107.6	24.0%
500,000 - 1 Million	91	0.7%	\$62.6	14.0%
Greater than 1 Million	78	0.6%	\$195.5	43.7%
Total	12,327	100.0%	\$447.2	100.0%



Corporations Paying More than the Minimum Tax

By Sales Category, Tax Year 2006

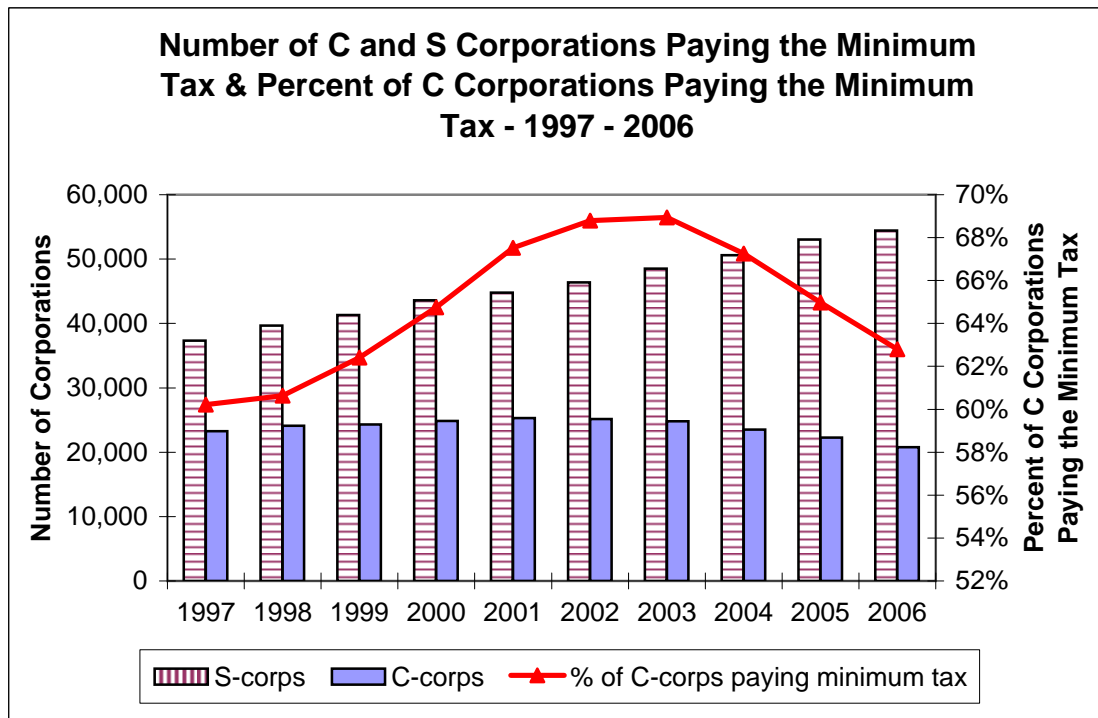
Sales Category (\$000)	Number of Returns	Percent of Total	Net Tax (\$M)	Percent of Total
Less or equal to 0	785	6.4%	\$5.3	1.2%
0 - 50	1,045	8.5%	\$0.7	0.1%
50 - 100	663	5.4%	\$0.5	0.1%
100 - 250	1,187	9.6%	\$1.9	0.4%
250 - 500	1,172	9.5%	\$2.9	0.7%
500 - 1,000	1,334	10.8%	\$4.7	1.0%
1,000 - 2,500	1,684	13.7%	\$12.5	2.8%
2,500 - 5,000	1,025	8.3%	\$14.2	3.2%
5,000 - 10,000	811	6.6%	\$22.3	5.0%
10,000 - 15,000	385	3.1%	\$19.0	4.2%
15,000 - 20,000	179	1.5%	\$13.3	3.0%
20,000 - 25,000	118	1.0%	\$9.0	2.0%
Greater than 25,000	677	5.5%	\$328.8	73.5%
Unknown	1,262	10.2%	\$12.3	2.7%
Total	12,327	100.0%	\$447.2	100.0%



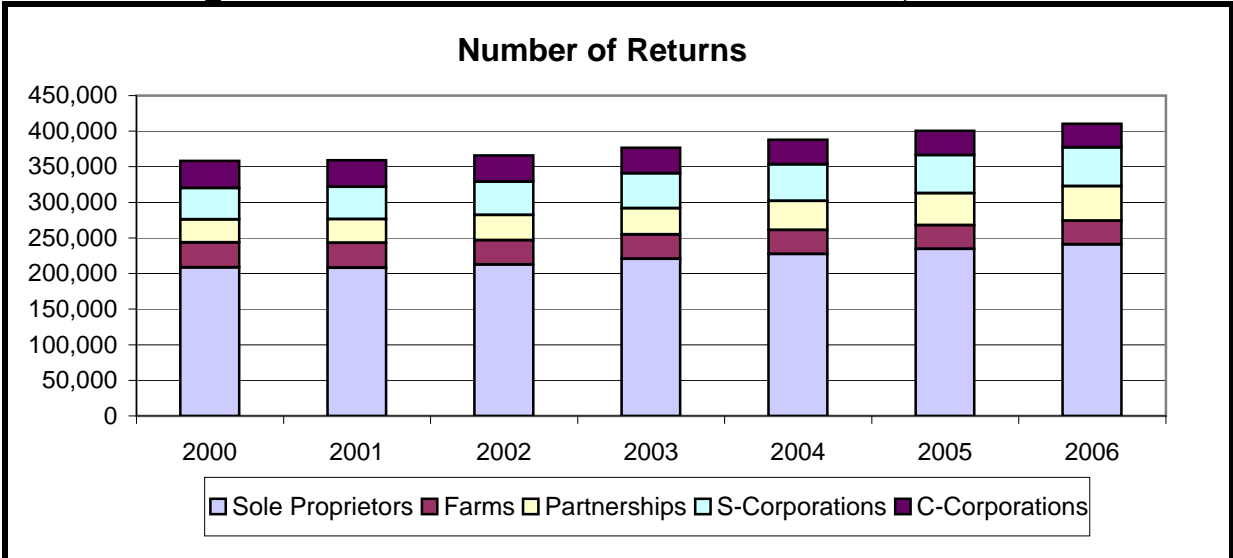
Number of C and S Corporations Paying the Minimum Tax & Percent of C Corporations Paying the Minimum Tax

Includes Excise and Income Filers with Tax <= \$10

Tax Year	Corporations Paying Minimum Tax		Total C-corps	% of all C-corps paying min tax
	C-corps	S-corps		
1990	21,621	18,253	35,510	61%
1991	21,462	20,879	35,200	61%
1992	21,555	23,494	35,660	60%
1993	21,726	26,483	36,879	59%
1994	22,182	29,454	38,344	58%
1995	23,192	32,362	39,497	59%
1996	22,872	34,984	38,867	59%
1997	23,259	37,334	38,627	60%
1998	24,096	39,686	39,740	61%
1999	24,296	41,309	38,930	62%
2000	24,872	43,605	38,410	65%
2001	25,291	44,804	37,458	68%
2002	25,130	46,399	36,527	69%
2003	24,813	48,506	35,991	69%
2004	23,510	50,610	34,883	67%
2005	22,246	53,036	34,242	65%
2006	20,803	54,409	33,130	63%

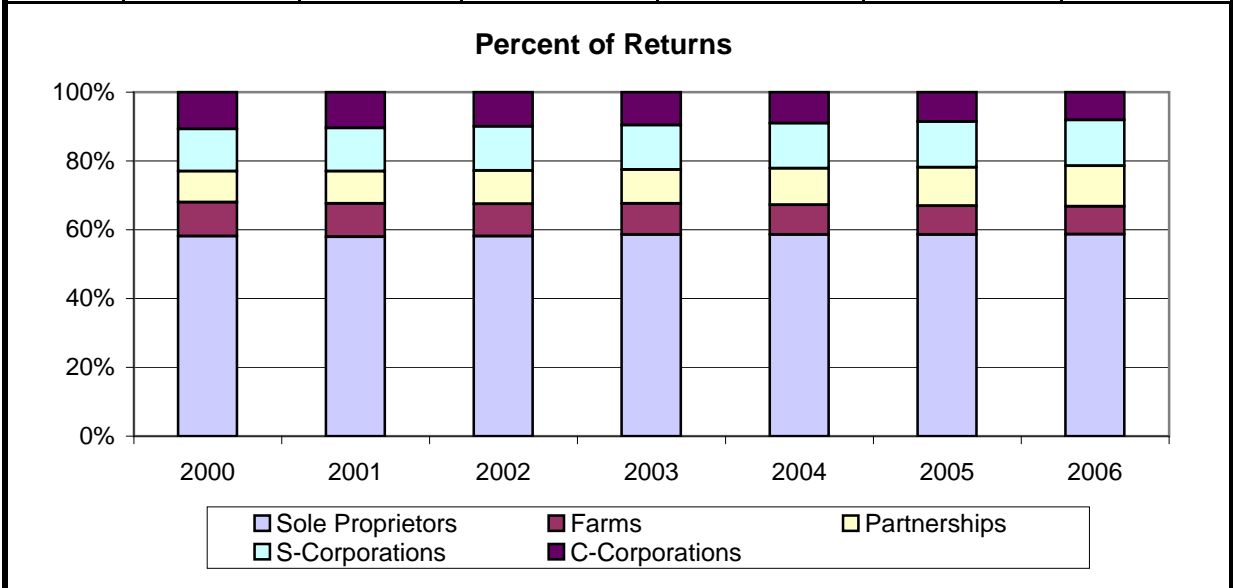


Oregon Tax Returns with Business Income, 2000-2006

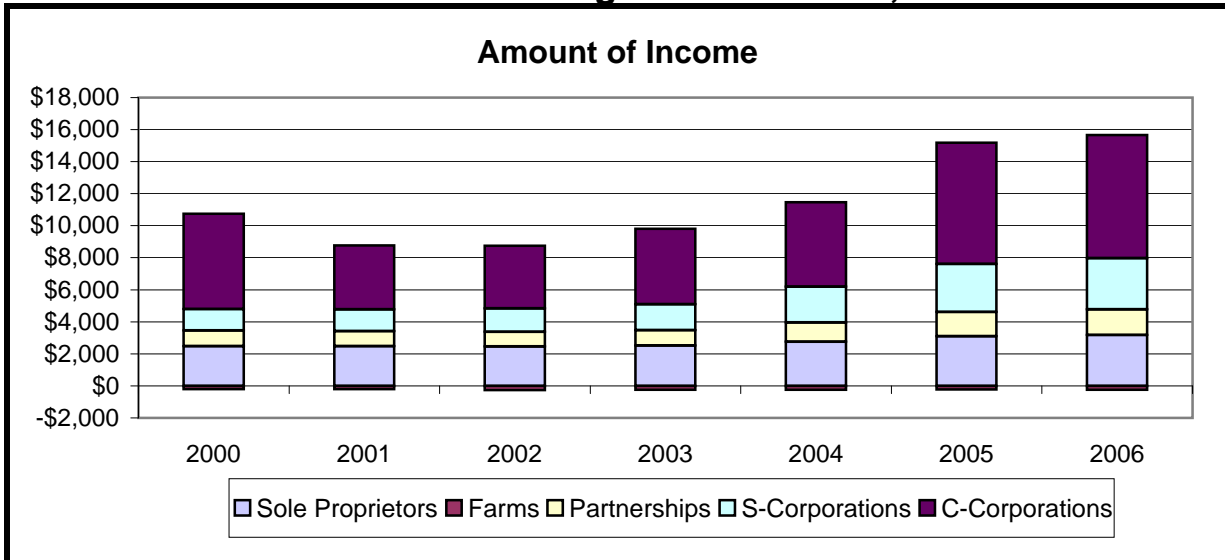


Number of Business Tax Returns

Tax Year	Personal Income Tax		Partnerships	S-Corporations	C-Corporations	TOTAL
	Sole Proprietors	Farms				
2000	208,481	35,248	32,215	44,047	38,410	358,401
2001	208,347	34,701	33,620	45,179	37,458	359,305
2002	212,573	34,418	35,530	46,744	36,527	365,792
2003	220,511	34,215	36,997	48,842	35,991	376,556
2004	227,273	33,875	41,039	50,980	34,883	388,050
2005	234,774	33,311	44,849	53,341	34,242	400,517
2006	240,983	33,121	48,509	54,771	33,130	410,514

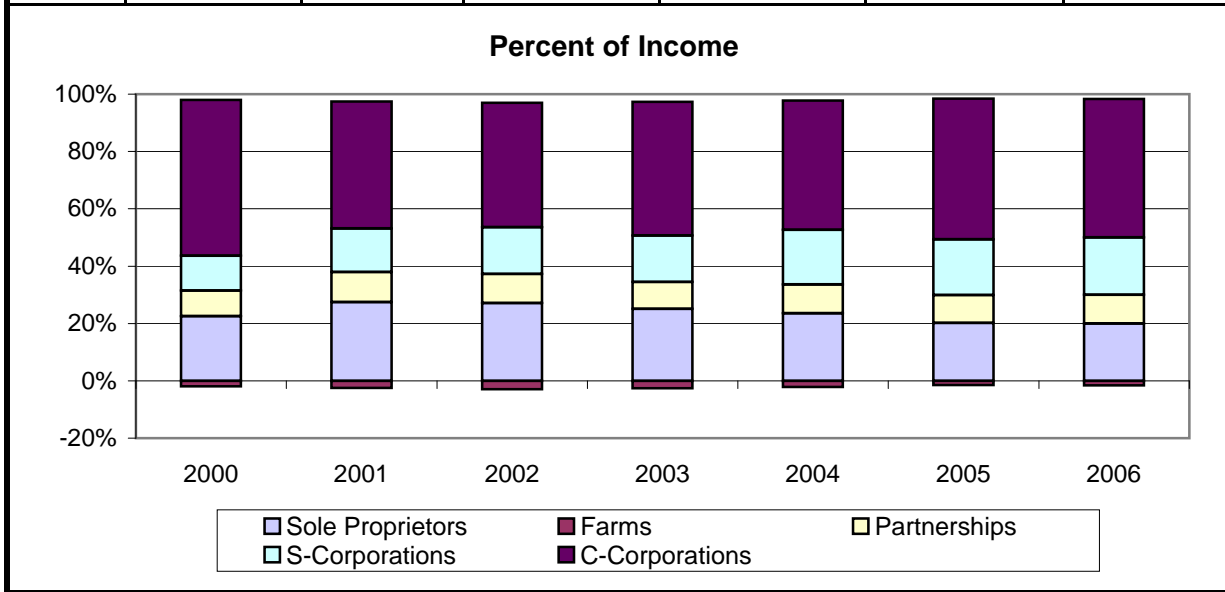


Business Income on Oregon Tax Returns, 2000-2006



Business Income on Tax Returns (\$ Millions)

Tax Year	Personal Income Tax		Partnerships	S-Corporations	C-Corporations	TOTAL
	Sole Proprietors	Farms				
2000	\$2,475	-\$222	\$976	\$1,336	\$5,961	\$10,526
2001	\$2,472	-\$231	\$946	\$1,361	\$3,994	\$8,542
2002	\$2,450	-\$273	\$915	\$1,464	\$3,922	\$8,478
2003	\$2,524	-\$269	\$943	\$1,636	\$4,701	\$9,534
2004	\$2,758	-\$263	\$1,188	\$2,239	\$5,291	\$11,213
2005	\$3,103	-\$241	\$1,512	\$2,987	\$7,571	\$14,933
2006	\$3,175	-\$271	\$1,604	\$3,189	\$7,701	\$15,397



PROPERTY TAX

The property tax in Oregon is a local tax. It funds most of the local services and many functions of county and city governments. Large portions of school-districts and community college budgets also depend on property tax receipts. Taxable property includes real property, mobile homes and some tangible personal property used by business. Prior to the passage of property tax limitation Measure 50, property tax was generally based on its real market value. Since 1997-98 each property has a real market as well as an assessed value. Property value assessment and taxation is conducted at the county level, except for large industrial properties and "centrally" assessed utilities, where Oregon Department of Revenue plays a major role.

Property tax rates differ across the state. The rate on any particular property depends on the tax rates approved by local voters and the limits established in the Oregon Constitution. Most properties are taxed by multiple districts, such as a city, county, school, community college, port and fire. The total tax rate on a particular property is figured by adding all the local taxing districts' rates in the area. The tax on each property is computed by multiplying the total tax rate by the assessed value of the property. Annually, the county assessor verifies the tax rates and levies submitted by each local taxing district. Collection of taxes and distribution of the funds to local districts are done by the county tax collector.

In 2007-08, the total Real Market Value (RMV) of taxable property in Oregon was \$501.125 billion. RMV increased 15.4% over 2006-07. Total Assessed Value (AV) of \$280.454 billion reflected a 5.7% growth rate over 2006-07. Excluding \$191.4 million set aside for Urban Renewal, the taxing districts imposed property taxes of \$4.279 billion in 2007-08. This reflects an overall 9.4% growth rate over the prior year.

Exemptions

Not all properties are taxable. Major exemptions include intangible property (stocks, bonds), tangible personal property of individuals (household furnishings, sporting equipment), licensed property (cars, trucks), business inventories, government property (unless leased), and property used for religious or charitable purposes. Electric cooperatives, rural telephone exchanges and some other property are exempt from property taxation because other taxes are paid *in lieu of* property tax.

Some properties are taxed at lower values. These "specially assessed" properties include some forest land, farm land, and open space land. These properties are taxed at their values in the restricted use and are subject to penalties if not continued in the use for which it is specially assessed.

Limitations

Measure 5

Measure 5 is a tax limitation constitutional amendment approved by Oregon voters in 1990. It restricted taxes on any parcel of property per \$1,000 of real market value: the education category is limited to \$5 and general government to \$10. Tax compression occurs if the tax extended on a property exceeds either of Measure 5 limits. That is, if taxes for an individual property exceed the limits, then the taxes for that property are reduced to the limits. General obligation bonds are not restricted by Measure 5 limits.

Measure 50

In May 1997 voters passed a second constitutional amendment to limit property tax. Measure 50 did not replace Measure 5, but rather established a second level of restrictions. Measure 50 gave each district a permanent tax rate which can not be increased without a constitutional amendment. However, voters can approve local option levies for up to five years for operations, and up to the lesser of ten years or the useful life of capital projects. Those local option levies as well as two other types of levies, GAP¹ and urban renewal, are subject to Measure 5 tax limits. Local option levies, as well as general obligation bonds, must be approved by a majority vote at a general election. Prior to November 2007, a double majority (i.e., a majority of at least 50% of eligible voters) was needed to approve either a local option tax or a general obligation bond proposal.

Measure 50 also defined the concept of Assessed Value (AV). The 1997-98 Maximum Assessed Value (MAV) for each property is 90% of its 1995-96 real market value (RMV). If no new construction occurs on the property, then the growth in assessed value is capped at 3% a year. However, assessed value can not exceed real market value. The ratio of AV to RMV is known as the Changed Property Ratio (CPR). Across all taxing districts, the CPR declined statewide from 69.2% in 2005-06 to 64.6% in 2006-07 to 60.8% in 2007-08². These changes reflect the high appreciation rates in the real market values of housing that occurred in many areas of Oregon in the past several years, relative to 3% constitutionally capped growth rate in AV.

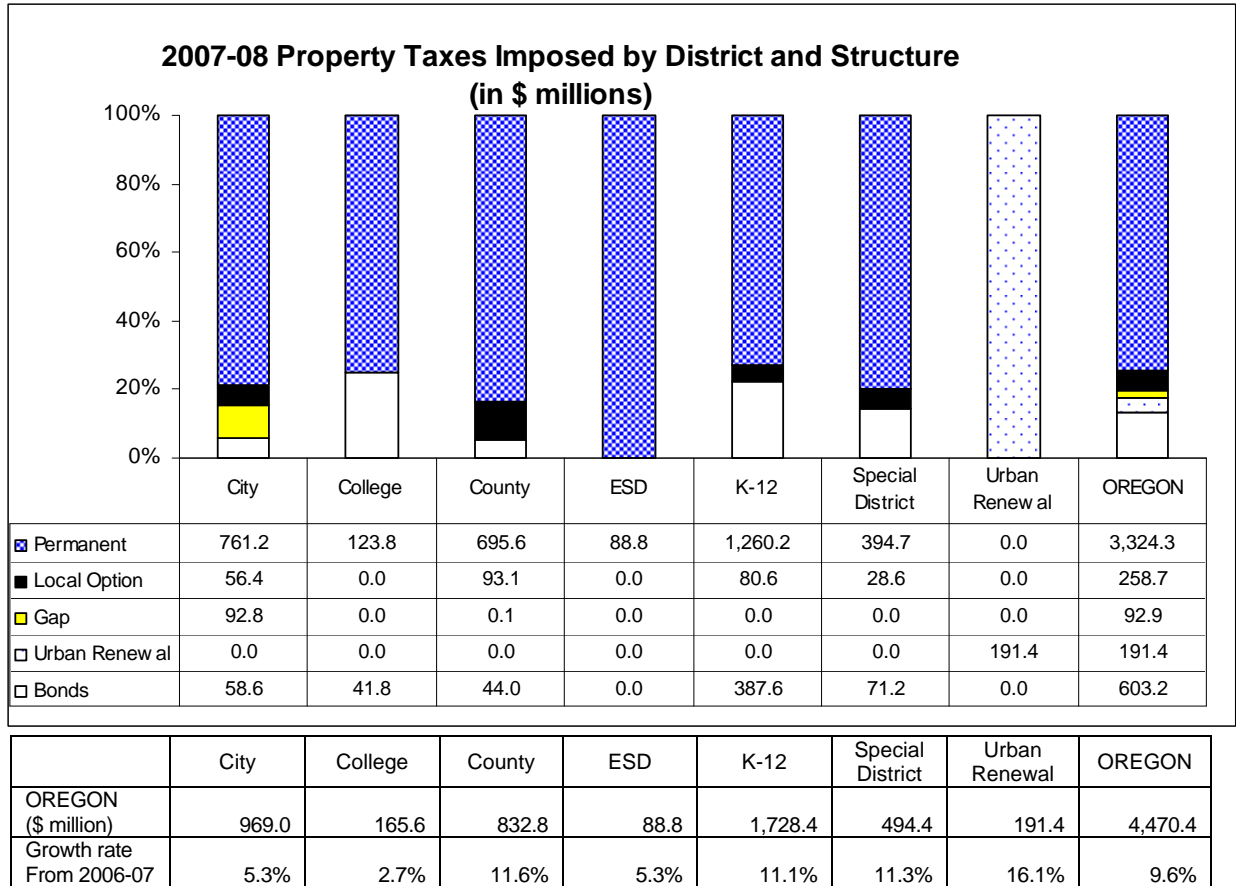
The table below breaks down 2007-08 property taxes by type of taxing district and tax source. Excluding revenues of urban renewal districts, the largest portion of any district's property tax revenue comes from its permanent rate. Taxes from this source totaling \$3.324 billion in 2007-08 accounted for 77.7% of all taxes imposed, exclusive of urban renewal taxes. The 2007-08 tax revenue attributable to the permanent rate registered an annual growth rate of 9.6%. Community college districts, K-12 districts and special taxing districts increased their revenues from this source over the prior year by 2.7%, 11.1%, and 11.3%, respectively. County taxing districts and Education Service Districts (ESDs) grew these revenues over the prior year by 11.6% and 5.3%, respectively.

General obligation bond revenue in 2007-08 totaled \$603.2 million or 14.1% of all taxes listed in the table below, excluding the taxes that are reported for urban renewal. Across all taxing districts these revenues increased 17.5% in 2007-08 relative to 2006-07, with 64.3% of the total accounted for by K-12 taxing districts. Historically these funds have been an important source of revenue for the K-12 taxing districts. After falling for a while, bond revenue for the K-12 taxing districts started increasing again in 2006-07. In 2007-08, K-12 bond revenue increased 18.9%. Since the timing of bond maturities affects the level of bond revenues in any one year, one or more years of data is needed to determine a significant trend.

Bond revenues for community colleges declined in 2007-08 by 5.3% over the prior year, reversing the increasing trend in the recent past. Bond revenues for cities increased 13.5% from a year ago. Bond revenues declined consistently between 2003-04 and 2006-07 for county taxing districts and special districts. However, in 2007-08 bond revenues for county taxing districts and special districts increased 3.7% and 44.3% respectively from a year earlier.

¹ Principles and interest obligations of districts that are paid for with operating revenues rather than with the proceeds of a bond levy.

² Source: Research Section at Oregon Department of Revenue. Changed Property Ratio (CPR) is the ratio of average maximum assessed value to average real market value.



Across all other taxing districts in 2007-08, local option tax revenues increased 34.1% over the prior year, totaling \$258.7 million. Cities and county taxing districts accounted for 68%, 62.3% and 65.2% of local option tax revenue in 2006-07, 2005-06 and 2004-05. However, 2007-08 saw a big change in the composition: cities and county taxing districts accounted for 57.8% while K-12 increased its share to 31.2%. Special taxing districts accounted for the remaining 11.0% of local option taxes in 2007-08.

In 2007-08, all taxing districts were affected to some degree by 'compression' which is the difference between 'extended' taxes and a lesser amount that can actually be imposed on an individual property because of Oregon's Constitutional limitations.³ Appreciation of property values during Oregon's recent housing market boom helped lower compression losses statewide from \$81.7 million in 2004-05, to \$52.2 million in 2005-06, to \$48.8 million in 2006-07. In 2007-08 compression loss saw a slight increase to \$53.0 million. Regional disparities persist with respect to the importance of compression, as measured by the dollar value of the compression loss relative to the amount of tax imposed. In 2007-08 compression loss statewide totaled 1.24% of the taxes imposed. 63.5% (totaling \$33.6 million) of total loss occurred in Multnomah County. In other counties, the dollar value of compression loss was lower; but in relative terms, loss in some

³ Compression occurs when a property's tax rate must be lowered so that the tax imposed on the assessed value of a single property does not exceed \$10/\$1,000 of the property's real market value for non-school taxing districts and \$5/\$1,000 for school taxing districts. The assessed value of a property is allowed to increase 3% each year, but it may not exceed a property's real market value. Therefore, in cases where the real market value of a property grows by less than 3% annually or its real market value has declined, that property's tax rate may have to be reduced (i.e., compressed) in order to satisfy the \$5/\$1,000 or \$10/\$1,000 requirements.

counties was much more significant. For example, in Sherman County, the compression loss totaled \$0.2 million but it accounted for 4.3% of this county's property tax revenue.

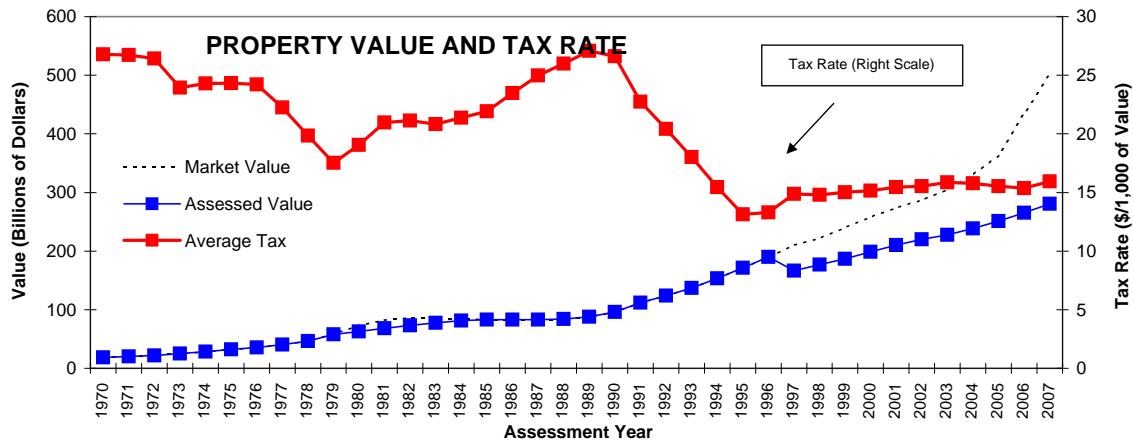
The fiscal significance of compression loss also varies across taxing districts. For example, for all taxing districts that provided services in Lane County, compression losses totaled \$3.7 million, or 1.1% of the \$353.0 million in property taxes that were imposed in 2007-08. The Lane County taxing district, however, receives about \$29-\$30 million annually due to its permanent rate⁴ taxing authority of \$1.28/\$1,000 of assessed value. This maximum rate authority that is substantially lower than most other county taxing districts was enacted constitutionally at a time when Lane County received over half of its operating revenue from federal forest payments. These federal forest payments totaling \$56 million annually are going to decline gradually to zero in four years , which means that Lane County will have to find alternative sources of revenue or reduce funding for its current programs and services. Compression may be a significant issue for the Lane County taxing district and others that are recipients of federal forest payments because it may restrict these districts' ability to offset some portion of the lost federal revenue by raising their revenues from a voter approved local option property tax.

⁴ Permanent rate is the maximum rate a district can use without voter approval. Districts may use any rate below this rate.

VALUE OF TAXABLE PROPERTY, ASSESSMENT RATIO AND AVERAGE TAX RATE

ASSESSMENT DATE	MARKET VALUE		ASSESSED VALUE		ASSESSMENT RATIO		AVERAGE TAX RATE	
	MILLIONS	CHANGE	MILLIONS	CHANGE	HOME	OTHER	\$/1,000	CHANGE
1-1-70	18,797	9.0%	18,795	9.0%		100.0%	26.78	2.0%
1-1-71	20,261	7.8%	20,258	7.8%		100.0%	26.72	-0.2%
1-1-72	22,113	9.1%	22,108	9.1%		100.0%	26.41	-1.1%
1-1-73	24,899	12.6%	24,870	12.5%		100.0%	23.93	-9.4%
1-1-74	28,402	14.1%	28,274	13.7%		100.0%	24.29	1.5%
1-1-75	32,175	13.3%	32,015	13.2%		100.0%	24.31	0.1%
1-1-76	35,547	10.5%	35,536	11.0%		100.0%	24.20	-0.5%
1-1-77	40,704	14.5%	40,508	14.0%		100.0%	22.24	-8.1%
1-1-78	46,646	14.6%	46,155	13.9%		100.0%	19.85	-10.8%
1-1-79	59,025	26.5%	57,898	25.4%		100.0%	17.52	-11.7%
1-1-80	73,402	24.4%	62,544	8.0%	84.2%	87.6%	19.05	8.7%
1-1-81	82,427	12.3%	68,458	9.5%	81.6%	84.4%	20.97	10.1%
1-1-82	86,429	4.9%	73,029	6.7%	83.8%	85.1%	21.14	0.8%
1-1-83	85,365	-1.2%	77,399	6.0%	90.3%	90.9%	20.83	-1.4%
1-1-84	85,400	0.0%	81,428	5.2%		96.0%	21.37	2.6%
1-1-85	83,035	-2.8%	83,026	2.0%		100.0%	21.91	2.5%
1-1-86	82,944	-0.1%	82,944	-0.1%		100.0%	23.47	7.1%
1-1-87	83,111	0.2%	83,129	0.2%		100.0%	24.97	6.4%
1-1-88	84,258	1.4%	84,305	1.4%		100.0%	25.99	4.1%
1-1-89	88,076	4.5%	88,085	4.5%		100.0%	27.09	4.2%
1-1-90	95,850	8.8%	95,851	8.8%		100.0%	26.61	-1.8%
7-1-91	112,134	17.0%	112,154	17.0%		100.0%	22.74	-14.5%
7-1-92	123,755	10.4%	123,780	10.4%		100.0%	20.43	-10.2%
7-1-93	136,787	10.5%	136,815	10.5%		100.0%	18.03	-11.7%
7-1-94	153,370	12.1%	153,400	12.1%		100.0%	15.45	-14.3%
7-1-95	171,190	11.6%	171,226	11.6%		100.0%	13.13	-15.0%
7-1-96	190,161	11.1%	190,209	11.1%		100.0%	13.29	1.2%
7-1-97	209,981	10.4%	166,507	-12.5%		79.3%	14.87	11.9%
1-1-98	222,313	5.9%	176,906	6.2%		79.6%	14.80	-0.5%
1-1-99	240,312	8.1%	186,676	5.5%		77.7%	15.01	1.4%
1-1-00	258,133	7.4%	198,911	6.6%		77.1%	15.15	1.0%
1-1-01	274,042	6.2%	210,435	5.8%		76.8%	15.45	2.0%
1-1-02	287,260	4.8%	219,781	4.4%		76.5%	15.54	0.5%
1-1-03	305,351	6.3%	227,876	3.7%		74.6%	15.85	2.0%
1-1-04	329,746	8.0%	238,759	4.8%		72.4%	15.76	-0.5%
1-1-05	362,798	10.0%	251,077	5.2%		69.2%	15.53	-1.5%
1-1-06	434,293	19.7%	265,219	5.6%		61.1%	15.37	-1.0%
1-1-07	501,125	15.4%	280,454	5.7%		56.0%	15.94	3.7%
Ave. Growth Rate (1970-2007)		9.5%		7.8%				-1.1%

NOTE: Market value is the taxable property value certified by the Department of Revenue (ORS 309.360).
 Assessed value is the **total** value on the roll at the time the levy is extended. Value may be reduced by appeals.
 Beginning in 1998, excess urban renewal value, both used and unused value, is included in the assessed value.
 1991 value growth is for 18 months with change in assessment date to July.
 1998 value growth is for 6 months with change in assessment date back to January.



**TOTAL ASSESSED (AV) AND REAL MARKET (RMV) VALUES
AND CHANGED PROPERTY RATIOS (CPR)**

COUNTY	TOTAL RMV (\$000s)			TOTAL AV (\$000s)			RATIO - AV/RMV (CPR)		
	2006 - 07	2007 - 08	CHANGE	2006 - 07	2007 - 08	CHANGE	2006 - 07	2007 - 08	CHANGE
BAKER	1,204,360	1,354,251	12.4%	1,009,291	1,059,161	4.9%	83.80%	78.21%	-6.7%
BENTON	8,432,113	9,125,471	8.2%	5,670,048	5,923,268	4.5%	67.24%	64.91%	-3.5%
CLACKAMAS	48,691,608	57,192,695	17.5%	31,932,246	32,645,737	2.2%	65.58%	57.08%	-13.0%
CLATSOP	6,826,702	8,115,590	18.9%	4,139,740	4,344,842	5.0%	60.64%	53.54%	-11.7%
COLUMBIA	5,018,749	5,867,698	16.9%	3,597,591	3,895,379	8.3%	71.68%	66.39%	-7.4%
COOS	7,340,632	8,045,577	9.6%	3,862,508	4,037,358	4.5%	52.62%	50.18%	-4.6%
CROOK	2,657,518	3,949,316	48.6%	1,337,316	1,494,834	11.8%	50.32%	37.85%	-24.8%
CURRY	4,012,354	4,440,558	10.7%	2,179,297	2,276,731	4.5%	54.31%	51.27%	-5.6%
DESCHUTES	28,378,904	36,916,444	30.1%	14,625,393	15,823,948	8.2%	51.54%	42.86%	-16.8%
DOUGLAS	9,979,232	11,339,670	13.6%	6,522,273	6,885,723	5.6%	65.36%	60.72%	-7.1%
GILLIAM	340,550	349,435	2.6%	289,585	304,082	5.0%	85.03%	87.02%	2.3%
GRANT	529,096	597,249	12.9%	387,185	405,223	4.7%	73.18%	67.85%	-7.3%
HARNEY	512,944	567,877	10.7%	365,553	382,191	4.6%	71.27%	67.30%	-5.6%
HOOD RIVER	2,517,804	3,137,249	24.6%	1,488,682	1,572,977	5.7%	59.13%	50.14%	-15.2%
JACKSON	26,712,218	29,328,663	9.8%	13,828,782	14,687,855	6.2%	51.77%	50.08%	-3.3%
JEFFERSON	1,956,294	2,435,865	24.5%	1,207,931	1,258,957	4.2%	61.75%	51.68%	-16.3%
JOSEPHINE	9,898,503	10,624,147	7.3%	5,075,701	5,382,132	6.0%	51.28%	50.66%	-1.2%
KLAMATH	6,891,992	8,143,061	18.2%	4,114,760	4,362,261	6.0%	59.70%	53.57%	-10.3%
LAKE	632,834	734,048	16.0%	440,741	453,904	3.0%	69.65%	61.84%	-11.2%
LANE	37,080,136	42,267,722	14.0%	22,374,117	23,673,681	5.8%	60.34%	56.01%	-7.2%
LINCOLN	8,607,809	10,235,562	18.9%	5,408,982	5,703,046	5.4%	62.84%	55.72%	-11.2%
LINN	9,161,949	10,398,773	13.5%	6,800,430	7,093,536	4.3%	74.22%	68.22%	-8.1%
MALHEUR	1,695,204	1,857,645	9.6%	1,377,655	1,420,201	3.1%	81.27%	76.45%	-5.9%
MARION	23,333,872	27,452,365	17.7%	16,461,839	17,435,425	5.9%	70.55%	63.51%	-10.0%
MORROW	1,191,671	1,292,018	8.4%	1,052,735	1,138,385	8.1%	88.34%	88.11%	-0.3%
MULTNOMAH	87,156,706	100,325,316	15.1%	51,404,390	54,273,373	5.6%	58.98%	54.10%	-8.3%
POLK	5,631,486	6,465,208	14.8%	3,805,415	4,082,287	7.3%	67.57%	63.14%	-6.6%
SHERMAN	246,865	249,338	1.0%	218,962	212,915	-2.8%	88.70%	85.39%	-3.7%
TILLAMOOK	5,208,753	6,544,192	25.6%	3,195,536	3,405,695	6.6%	61.35%	52.04%	-15.2%
UMATILLA	4,643,057	5,124,703	10.4%	3,745,183	3,821,659	2.0%	80.66%	74.57%	-7.5%
UNION	1,604,803	1,769,792	10.3%	1,223,975	1,291,622	5.5%	76.27%	72.98%	-4.3%
WALLOWA	780,211	904,994	16.0%	535,624	558,426	4.3%	68.65%	61.70%	-10.1%
WASCO	2,269,604	3,227,405	42.2%	1,499,330	1,580,489	5.4%	66.06%	48.97%	-25.9%
WASHINGTON	63,862,044	70,931,235	11.1%	39,579,614	41,696,683	5.3%	61.98%	58.78%	-5.2%
WHEELER	147,514	150,296	1.9%	88,850	90,720	2.1%	60.23%	60.36%	0.2%
YAMHILL	9,137,305	9,663,502	5.8%	5,518,366	5,779,077	4.7%	60.39%	59.80%	-1.0%
OREGON	434,293,396	501,124,927	15.4%	265,356,334	280,453,783	5.7%	61.10%	55.96%	-8.4%

NET ASSESSED VALUE AND AVERAGE TAX RATE

COUNTY	--- NET ASSESSED VALUE (\$000s) ---			-- AVERAGE TAX RATE --		
	2006-07	2007-08	CHANGE	2006-07	2007-08	CHANGE
BAKER	1,009,479	1,059,355	4.94%	13.36	13.52	1.20%
BENTON	5,647,615	5,900,146	4.47%	14.77	15.59	5.51%
CLACKAMAS	29,563,724	31,280,468	5.81%	15.12	15.78	4.36%
CLATSOP	4,066,225	4,252,751	4.59%	12.75	12.95	1.64%
COLUMBIA	3,500,060	3,633,016	3.80%	12.94	13.01	0.52%
COOS	3,728,071	3,877,405	4.01%	13.31	12.84	-3.53%
CROOK	1,370,904	1,494,834	9.04%	14.11	14.07	-0.26%
CURRY	2,149,812	2,244,002	4.38%	8.90	8.70	-2.28%
DESCHUTES	14,407,227	15,578,382	8.13%	14.34	14.45	0.79%
DOUGLAS	6,350,425	6,702,927	5.55%	11.10	11.21	0.99%
GILLIAM	291,271	305,819	4.99%	12.60	12.74	1.11%
GRANT	387,584	405,632	4.66%	15.03	15.09	0.43%
HARNEY	365,553	382,191	4.55%	14.41	14.51	0.71%
HOOD RIVER	1,446,861	1,529,315	5.70%	13.02	13.56	4.16%
JACKSON	13,231,617	13,981,518	5.67%	13.43	14.06	4.70%
JEFFERSON	1,197,969	1,244,746	3.90%	17.07	17.59	3.08%
JOSEPHINE	4,930,822	5,223,939	5.94%	9.50	9.69	2.01%
KLAMATH	4,081,460	4,329,678	6.08%	11.11	11.04	-0.56%
LAKE	441,763	454,979	2.99%	14.15	14.18	0.22%
LANE	22,165,573	23,436,352	5.73%	15.47	15.06	-2.64%
LINCOLN	4,997,912	5,242,074	4.89%	13.43	13.53	0.72%
LINN	6,657,564	6,945,955	4.33%	14.97	16.14	7.81%
MALHEUR	1,378,350	1,420,930	3.09%	12.84	12.85	0.12%
MARION	15,944,949	16,664,491	4.51%	16.20	16.28	0.50%
MORROW	1,052,739	1,138,389	8.14%	17.33	14.90	-14.00%
MULTNOMAH	48,233,471	50,671,678	5.06%	18.77	19.84	5.69%
POLK	3,792,950	4,043,723	6.61%	14.88	15.26	2.55%
SHERMAN	218,989	212,943	-2.76%	16.76	16.75	-0.05%
TILLAMOOK	3,195,536	3,396,505	6.29%	10.55	11.00	4.31%
UMATILLA	3,719,889	3,784,910	1.75%	15.68	15.93	1.60%
UNION	1,193,050	1,258,878	5.52%	13.42	13.31	-0.81%
WALLOWA	536,222	559,023	4.25%	12.51	12.52	0.10%
WASCO	1,447,752	1,524,139	5.28%	17.01	17.37	2.16%
WASHINGTON	39,062,491	41,148,920	5.34%	15.01	16.45	9.63%
WHEELER	89,564	90,720	1.29%	17.13	17.09	-0.23%
YAMHILL	5,518,366	5,779,077	4.72%	14.43	15.06	4.31%
TOTAL	257,373,809	271,199,811	5.37%	15.20	15.78	3.82%
URBAN RENEWAL	7,919,858	9,332,496	17.84%	16.69	16.94	1.51%
OREGON	265,293,667	280,532,307	5.7%	15.25	15.82	3.74%

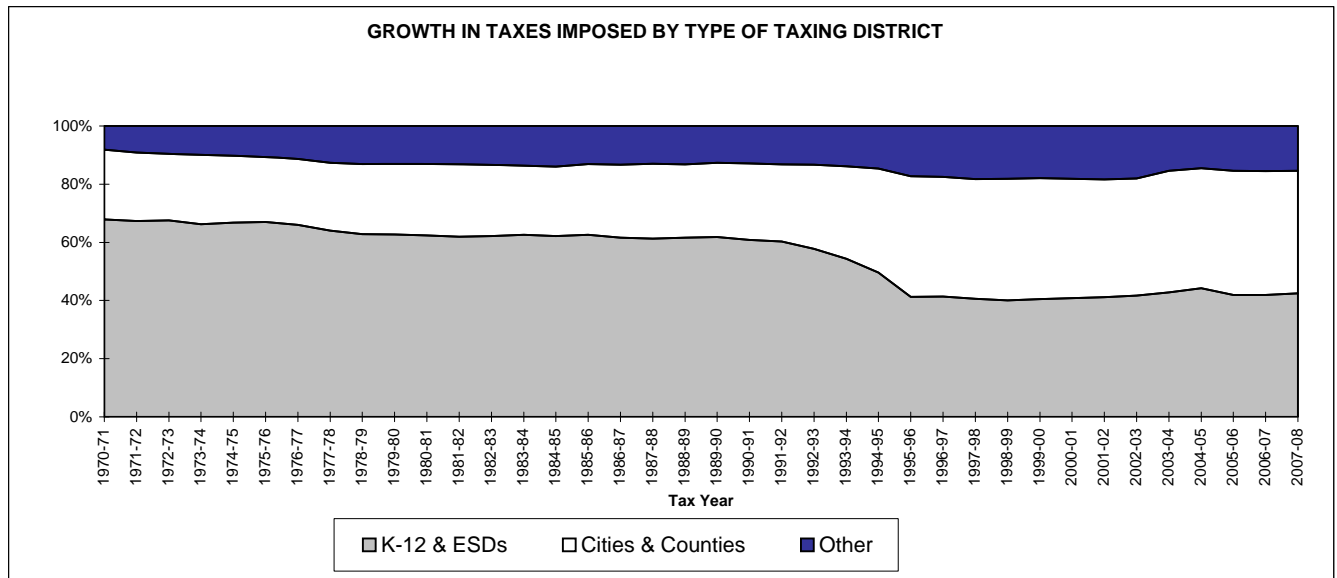
Net Assessed Value is equal to Total Roll Value + Nonprofit Housing + Fish&Wildlife Value - UR Excess Value.

UR Assessed Value includes the used Excess Value only.

GROWTH OF IMPOSED PROPERTY TAX LEVIES

YEAR	TOTAL LEVIES		COUNTIES		CITIES		SCHOOLS AND E.S.D.S		COMMUNITY COLLEGES		OTHER DISTRICTS	
	LEVIES	%	LEVIES	%	LEVIES	%	LEVIES	%	LEVIES	%	LEVIES	%
1970-71	503.2	11.1%	51.3	3.4%	69.4	10.5%	341.4	11.1%	18.9	32.2%	22.2	18.1%
1971-72	541.3	7.6%	56.5	10.1%	71.1	2.4%	364.5	6.8%	21.0	11.1%	28.2	27.0%
1972-73	583.9	7.9%	58.4	3.4%	75.2	5.8%	394.6	8.3%	22.8	8.6%	32.9	16.7%
1973-74	595.3	2.0%	61.1	4.6%	81.0	7.7%	394.4	-0.1%	24.2	6.1%	34.6	5.2%
1974-75	687.1	15.4%	65.8	7.7%	91.8	13.3%	458.9	16.4%	28.2	16.5%	42.4	22.5%
1975-76	778.5	13.3%	71.2	8.2%	103.1	12.3%	521.3	13.6%	33.3	18.1%	49.6	17.0%
1976-77	860.0	10.5%	79.4	11.5%	115.6	12.1%	567.8	8.9%	36.1	8.4%	61.1	23.2%
1977-78	901.0	4.8%	85.7	7.9%	124.4	7.6%	577.2	1.7%	39.9	10.5%	73.8	20.8%
1978-79	916.0	1.7%	88.1	2.8%	132.0	6.1%	575.8	-0.2%	40.9	2.5%	79.2	7.3%
1979-80	1,014.4	10.7%	94.3	7.0%	152.7	15.7%	636.2	10.5%	47.8	16.9%	83.4	5.3%
1980-81	1,191.3	17.4%	107.6	14.1%	183.9	20.4%	743.5	16.9%	56.2	17.6%	100.1	20.0%
1981-82	1,435.6	20.5%	150.1	39.5%	206.7	12.4%	889.5	19.6%	64.8	15.3%	124.5	24.4%
1982-83	1,543.6	7.5%	159.2	6.1%	220.4	6.6%	958.8	7.8%	70.6	9.0%	134.6	8.1%
1983-84	1,612.3	4.5%	149.0	-6.4%	233.4	5.9%	1,010.1	5.4%	73.9	4.7%	145.9	8.4%
1984-85	1,740.0	7.9%	163.7	9.9%	251.6	7.8%	1,081.8	7.1%	79.5	7.6%	163.4	12.0%
1985-86	1,819.2	4.6%	173.3	5.9%	267.6	6.4%	1,139.2	5.3%	82.0	3.1%	157.1	-3.9%
1986-87	1,946.5	7.0%	198.6	14.6%	289.0	8.0%	1,199.0	5.2%	92.9	13.3%	167.0	6.3%
1987-88	2,072.9	6.5%	223.9	12.7%	309.9	7.2%	1,269.2	5.9%	97.0	4.4%	172.9	3.5%
1988-89	2,223.7	7.3%	243.1	8.6%	318.5	2.8%	1,368.8	7.8%	106.0	9.3%	187.3	8.3%
1989-90	2,386.0	7.3%	248.3	2.1%	359.9	13.0%	1,475.2	7.8%	109.2	3.0%	193.4	3.3%
1990-91	2,550.6	6.9%	282.1	13.6%	390.4	8.5%	1,550.4	5.1%	115.0	5.3%	212.7	10.0%
1991-92	2,549.9	0.0%	292.1	3.5%	382.7	-2.0%	1,537.7	-0.8%	112.5	-2.2%	224.9	5.7%
1992-93	2,529.0	-0.8%	314.7	7.7%	416.8	8.9%	1,461.3	-5.0%	112.2	-0.3%	224.0	-0.4%
1993-94	2,466.4	-2.5%	336.3	6.9%	447.2	7.3%	1,340.4	-8.3%	103.6	-7.7%	238.8	6.6%
1994-95	2,369.8	-3.9%	353.8	5.2%	494.1	10.5%	1,175.6	-12.3%	90.1	-13.0%	256.3	7.3%
1995-96	2,248.2	-5.1%	398.8	12.7%	533.5	8.0%	927.2	-21.1%	78.6	-12.8%	310.1	21.0%
1996-97	2,527.9	12.4%	470.5	18.0%	568.8	6.6%	1,045.9	12.8%	89.0	13.2%	353.6	14.0%
1997-98	2,476.5	-2.0%	469.6	-0.2%	549.1	-3.5%	1,005.1	-3.9%	88.9	-0.1%	363.7	2.9%
1998-99	2,617.8	5.7%	514.7	9.6%	579.9	5.6%	1,049.1	4.4%	93.1	4.7%	381.0	4.8%
1999-00	2,801.5	7.0%	536.9	4.3%	625.9	7.9%	1,135.4	8.2%	97.8	5.1%	405.6	6.4%
2000-01	3,014.0	7.6%	574.2	7.0%	664.4	6.1%	1,229.2	8.3%	105.1	7.4%	441.3	8.8%
2001-02	3,251.9	7.9%	618.7	7.7%	699.0	5.2%	1,337.8	8.8%	127.3	21.1%	469.1	6.3%
2002-03	3,414.6	5.0%	638.5	3.2%	733.6	4.9%	1,424.7	6.5%	128.8	1.2%	489.0	4.2%
2003-04	3,611.1	5.8%	660.3	3.4%	804.0	9.6%	1,500.9	5.3%	134.0	4.0%	404.6	-17.3%
2004-05	3,763.9	4.2%	691.7	4.8%	833.7	3.7%	1,550.5	3.3%	146.5	9.4%	392.0	-3.1%
2005-06	3,899.1	3.6%	723.0	4.5%	873.6	4.8%	1,569.9	1.3%	155.4	6.0%	422.0	7.6%
2006-07	4,077.4	4.6%	746.5	3.3%	920.5	5.4%	1,640.0	4.5%	161.3	3.8%	444.2	5.3%
2007-08	4,470.4	9.6%	832.8	11.6%	969.0	5.3%	1,817.2	10.8%	165.6	2.6%	494.4	11.3%
Ave. Growth Rate (1970-2008)		6.3%		7.9%		7.6%		5.1%		7.0%		9.8%
Ave. Growth Rate (1990-2008)		3.7%		7.0%		5.7%		1.5%		2.7%		5.9%

NOTES: Dollar figures in millions.
 "Other Districts" does not include urban renewal districts. (????)



Property Taxes Imposed

2007-08

COUNTY	--- TOTAL IMPOSED ---		--- COUNTIES ---		--- CITIES ---		--- SCHOOLS & ESDs ---		COMMUNITY COLLEGE		--SPECIAL DISTRICTS--	
	AMOUNT	% CHG.	AMOUNT	% CHG.	AMOUNT	% CHG.	AMOUNT	% CHG.	AMOUNT	% CHG.	AMOUNT	% CHG.
BAKER	14,320,785	6.2%	3,981,039	5.3%	2,866,166	6.1%	5,314,817	6.9%	675,826	6.9%	1,482,937	6.0%
BENTON	91,979,502	10.2%	14,536,193	4.5%	25,522,526	4.4%	42,090,878	17.6%	3,948,145	3.4%	5,881,760	7.2%
CLACKAMAS	493,581,146	10.4%	91,402,730	15.8%	71,267,057	3.6%	229,732,505	9.9%	21,467,587	8.0%	79,711,268	13.4%
CLATSOP	55,091,567	6.3%	6,897,378	4.8%	10,960,648	14.6%	24,585,157	4.6%	3,270,788	4.7%	9,377,596	3.4%
COLUMBIA	47,260,104	4.3%	6,188,749	3.9%	5,308,681	4.0%	21,379,980	3.7%	1,354,856	7.3%	13,027,839	5.4%
COOS	49,799,130	0.3%	6,813,488	1.1%	10,791,135	-0.8%	19,700,609	-2.2%	2,675,802	4.1%	9,818,096	5.4%
CROOK	21,032,083	8.8%	5,985,057	7.8%	1,817,317	8.3%	8,556,938	9.6%	1,058,879	8.6%	3,613,891	8.6%
CURRY	19,511,617	2.0%	1,345,521	5.0%	3,071,745	4.6%	10,149,581	-0.5%	1,574,218	4.4%	3,370,552	5.4%
DESCHUTES	225,111,889	9.0%	24,047,424	-36.9%	29,731,473	10.8%	99,300,578	6.3%	11,064,231	7.2%	60,968,183	60.8%
DOUGLAS	75,150,034	6.6%	7,445,425	6.0%	16,863,692	3.7%	35,769,914	7.1%	3,108,050	5.6%	11,962,953	9.9%
GILLIAM	3,895,986	6.2%	1,171,911	5.0%	377,881	13.9%	1,783,024	4.9%	0	NA	563,170	7.7%
GRANT	6,121,589	5.1%	1,433,223	3.0%	655,135	4.9%	2,163,965	4.7%	0	NA	1,869,266	7.4%
HARNEY	5,547,066	5.3%	1,701,900	5.1%	743,786	5.9%	2,287,594	5.3%	0	NA	813,786	5.2%
HOOD RIVER	20,735,925	10.1%	2,500,179	7.2%	1,592,076	8.3%	12,491,236	13.7%	1,024,550	-1.1%	3,127,884	3.9%
JACKSON	196,535,577	10.6%	31,495,457	6.2%	47,592,948	6.6%	88,248,780	15.9%	8,920,295	5.1%	20,278,097	8.5%
JEFFERSON	21,897,125	7.1%	6,640,220	3.5%	1,451,256	11.7%	9,682,666	9.9%	869,601	3.5%	3,253,382	5.6%
JOSEPHINE	50,631,319	8.1%	4,199,801	5.1%	13,069,731	16.9%	29,008,207	5.1%	2,678,283	5.9%	1,675,296	9.3%
KLAMATH	47,820,343	5.5%	9,126,813	-0.9%	5,958,280	10.5%	17,607,325	5.7%	1,850,811	7.1%	13,277,114	7.6%
LAKE	6,449,858	3.2%	1,694,214	2.9%	721,329	4.4%	2,560,763	3.1%	81,627	3.0%	1,391,926	3.2%
LANE	352,950,577	2.9%	32,858,587	5.2%	114,708,727	-0.9%	159,813,447	4.7%	19,288,264	3.4%	26,281,552	6.9%
LINCOLN	70,929,887	5.6%	15,483,723	4.7%	12,885,158	6.1%	30,942,808	4.0%	2,502,077	2.8%	9,116,121	13.5%
LINN	112,079,815	12.5%	25,089,325	14.1%	27,687,566	8.8%	45,231,103	15.1%	4,678,518	1.9%	9,393,303	12.6%
MALHEUR	18,262,393	3.2%	4,159,777	3.6%	3,745,744	2.7%	6,741,454	5.0%	1,617,786	3.5%	1,997,632	-2.5%
MARION	271,376,676	5.0%	50,777,531	5.6%	65,608,974	5.1%	114,166,404	8.2%	11,727,147	-21.8%	29,096,620	6.4%
MORROW	16,965,697	-7.0%	4,593,434	8.3%	1,956,340	-2.7%	6,001,721	-24.4%	1,106,927	7.8%	3,307,275	9.5%
MULTNOMAH	1,005,230,026	11.0%	264,006,943	7.6%	338,118,132	6.3%	341,272,646	16.8%	25,212,536	7.6%	36,619,769	39.2%
POLK	61,707,659	9.3%	9,738,810	29.7%	15,961,195	7.4%	28,100,853	9.3%	2,779,241	-20.9%	5,127,560	5.6%
SHERMAN	3,566,564	-2.8%	1,778,124	-7.3%	144,827	4.5%	1,209,777	-2.7%	0	NA	433,837	17.2%
TILLAMOOK	37,361,324	10.9%	9,120,792	11.7%	1,817,220	5.9%	18,867,847	5.5%	1,523,962	82.1%	6,031,503	18.4%
UMATILLA	60,294,396	3.4%	11,784,373	1.3%	11,863,743	4.1%	27,350,733	4.3%	3,613,254	2.2%	5,682,293	2.6%
UNION	16,756,101	4.7%	3,688,179	5.4%	4,506,443	4.1%	7,206,767	4.4%	0	NA	1,354,713	5.9%
WALLOWA	6,999,364	4.4%	1,583,294	4.2%	788,586	4.8%	3,299,982	4.5%	0	NA	1,327,502	4.1%
WASCO	26,476,550	7.5%	6,831,761	3.6%	2,361,098	9.4%	10,098,391	1.0%	1,637,379	-9.6%	5,547,922	36.6%
WASHINGTON	677,054,799	15.5%	125,036,977	30.7%	98,115,697	6.1%	309,256,176	15.4%	20,708,432	8.9%	123,937,517	11.6%
WHEELER	1,549,545	1.0%	757,196	0.8%	131,447	0.4%	554,111	1.6%	0	NA	106,791	0.4%
YAMHILL	87,007,565	9.2%	14,890,932	4.8%	18,789,150	6.9%	44,805,151	14.7%	3,588,740	-14.5%	4,933,592	7.4%
TOTAL	4,279,041,583	9.4%	810,786,478	8.6%	969,552,907	5.3%	1,817,333,888	10.8%	165,607,812	2.6%	515,760,498	16.1%
URBAN RENEWAL	158,129,029	19.6%										
OREGON	4,437,170,612	9.7%										

PROPERTY TAX COMPRESSION LOSSES

2007-08

COUNTY	INSIDE M5 LIMIT SCHOOL LEVIES			INSIDE M5 LIMIT NON-SCHOOL LEVIES			----- TOTAL LEVIES ----- (Excludes Urban Renewal)		
	Loss \$000s	% of Tax	% Change	Loss \$000s	% of Tax	% Change	Loss \$000s	% of Tax	% Change
BAKER	391.8	7.4%	-16.1%	208.4	2.3%	-16.3%	600.2	4.2%	-16.1%
BENTON	1,143.6	2.7%	391.7%	38.4	0.1%	-4.9%	1,182.0	1.3%	333.0%
CLACKAMAS	1,676.7	0.7%	-16.6%	152.5	0.1%	30.7%	1,829.3	0.4%	-14.0%
CLATSOP	290.9	1.2%	-6.6%	149.6	0.5%	4.7%	440.6	0.8%	-3.1%
COLUMBIA	206.6	1.0%	-7.2%	140.6	0.5%	-9.1%	347.2	0.7%	-8.0%
COOS	92.2	0.5%	-20.1%	29.4	0.1%	-10.1%	121.5	0.2%	-17.9%
CROOK	51.1	0.6%	-40.4%	11.0	0.1%	-5.9%	62.0	0.3%	-36.3%
CURRY	2.5	0.02%	-2.8%	0.4	0.00%	-2.8%	2.9	0.0%	-2.8%
DESCHUTES	334.2	0.3%	1.8%	75.4	0.1%	-15.1%	409.7	0.2%	-1.8%
DOUGLAS	348.1	1.0%	-4.1%	137.2	0.3%	-6.5%	485.3	0.6%	-4.8%
GILLIAM	21.6	1.2%	-45.1%	12.5	0.6%	-4.2%	34.1	0.9%	-35.0%
GRANT	24.6	1.1%	0.0%	1.9	0.0%	-8.6%	26.6	0.4%	-0.7%
HARNEY	50.3	2.2%	-20.7%	46.8	1.4%	-29.6%	97.1	1.8%	-25.2%
HOOD RIVER	422.7	3.4%	59.2%	4.6	0.1%	0.1%	427.3	2.1%	58.2%
JACKSON	72.1	0.1%	-13.0%	66.2	0.1%	25.4%	138.3	0.1%	1.9%
JEFFERSON	138.6	1.4%	-8.0%	54.6	0.4%	-7.3%	193.1	0.9%	-7.8%
JOSEPHINE	6.1	0.0%	9.9%	0.7	0.00%	10.0%	6.8	0.0%	10.0%
KLAMATH	1.6	0.0%	-1.5%	386.8	1.3%	13.6%	388.3	0.8%	13.5%
LAKE	9.7	0.4%	-12.2%	61.0	1.6%	24.1%	70.7	1.1%	17.5%
LANE	3,562.8	2.2%	-17.3%	148.4	0.1%	-91.6%	3,711.2	1.1%	-38.9%
LINCOLN	118.0	0.4%	-5.6%	70.6	0.2%	17.4%	188.5	0.3%	1.9%
LINN	565.8	1.3%	3.4%	1,158.5	1.7%	1.0%	1,724.3	1.5%	1.8%
MALHEUR	159.5	2.4%	-1.9%	61.0	0.5%	-11.0%	220.5	1.2%	-4.6%
MARION	498.7	0.4%	-5.1%	552.1	0.4%	7.4%	1,050.8	0.4%	1.1%
MORROW	153.1	2.6%	10.8%	496.9	4.5%	1.6%	650.0	3.8%	3.6%
MULTNOMAH	9,257.2	2.7%	161.8%	24,386.5	3.7%	2.6%	33,643.7	3.3%	23.2%
POLK	147.2	0.5%	-1.1%	17.8	0.1%	-4.9%	165.1	0.3%	-1.6%
SHERMAN	31.5	2.6%	-7.8%	120.3	5.1%	14.2%	151.8	4.3%	8.8%
TILLAMOOK	95.7	0.5%	-9.0%	5.8	0.0%	-8.6%	101.5	0.3%	-9.0%
UMATILLA	1,259.6	4.6%	-14.1%	266.9	0.8%	-17.3%	1,526.4	2.5%	-14.7%
UNION	71.1	1.0%	-2.4%	69.9	0.7%	-8.1%	141.0	0.8%	-5.3%
WALLOWA	25.0	0.8%	-18.2%	0.2	0.01%	-34.7%	25.2	0.4%	-18.4%
WASCO	117.0	1.2%	-20.1%	178.3	1.1%	76.3%	295.3	1.1%	19.3%
WASHINGTON	2,156.4	0.7%	-4.3%	105.0	0.03%	25.8%	2,261.4	0.3%	-3.2%
WHEELER	12.2	2.2%	-3.2%	31.7	3.2%	47.9%	44.0	2.8%	29.0%
YAMHILL	232.2	0.5%	-11.1%	24.1	0.1%	-9.3%	256.3	0.3%	-10.9%
TOTAL	23,747.9	1.3%	27.3%	29,271.9	1.2%	-2.9%	53,019.8	1.2%	8.6%

NOTE: Thousands of Dollars. Levies for joint districts are apportioned among counties.

Compression loss equals the M5 compression losses for local taxing districts , excluding urban renewal agencies.

PROPERTY TAX RELIEF

General property tax relief began with the Property Tax Relief Act of 1929. This act imposed a personal income tax and dedicated the revenues to offset the State's property tax levy. As a result, the State has not levied a property tax since 1940.

Homeowners and Renters Refund Program (HARRP)

HARRP was created in 1973 and discontinued by the 1991 Legislature. Refunds were phased down in 1991 and then ended. In 1991 HARRP gave property tax refunds to homeowners and renters with household income of less than \$10,000. Assets (excludes homestead, personal property and retirement plans) could not exceed \$25,000 unless age 65 or older. The program refunded property taxes up to a maximum for each income group.

Property Tax Relief Program (PTR)

PTR was enacted in 1979 and repealed by the 1985 Legislature. The program, when originally enacted, refunded 30% of qualifying operating levies up to a maximum of \$800 for each homeowner. Renters were refunded 4.7% of contract rent up to \$400 for each renter.

Elderly Rental Assistance (ERA)

ERA was enacted in 1975. ERA makes payments to renters age 58 and older with annual household income less than \$10,000. Assets (excludes homestead, personal property and retirement plans) must be less than \$25,000 if under age 65. Rent must exceed 20% of household income for calculating a payment. The payment is gross rent (including fuel and utilities) up to the \$2,100 limit less 20% of household income, such that the payment reaches the maximum of \$2,100 when income is zero and the minimum \$100 at \$10,000 income. Taxpayers must file Form 90R by July 1 of the year following the year rent was paid to apply for a payment. Payments are made by check in November of each year out of a single appropriation to fund this program and make payments to counties in lieu of property taxes for exempt nonprofit corporation housing for elderly persons. If the appropriation is insufficient to cover the payments, payments to both programs are prorated.

In 1992, the total cash outlay from the General Fund reached its highest level with an average refund of \$711 per renter. Between 1992 and 2006, the number of participants declined by 63%; and the average refund declined by 34%. One plausible explanation is that between 2002 and 2005, mortgage interest rates declined; and the availability of financial instruments such as the 'interest only' mortgages may have enabled a number of former renters to purchase homes.¹ However, the trend has reversed since 2006. 3,736 renters received an average ERA refund of \$443 in 2007 for a cost of roughly \$1.655 million to the General Fund.

Senior Citizens Property Tax Deferral Program

¹ There are other potential reasons for this decline that worked against eligibility. First, unless a husband and wife or registered domestic partners are living apart permanently on December 31, their income must be combined to determine their household income. Second, in 2005, cost of living allowance raised the minimum social security benefits for a couple to \$10,015.

The senior deferral was enacted in 1963. Homeowner age 62 and over can defer payment of property taxes until the owner dies or sells the property. The State pays the tax and obtains a lien on the property for the tax and accrued simple interest at the rate of 6% per year. At the time of enactment, the owner's household income was required to be under \$24,500 in the year prior to applying. Once in the program, a taxpayer could defer only in years when federal adjusted gross income was less than \$29,000. In 1977, the Legislature expanded the program to include special assessments. The 1999 Legislature opened the deferral program to the disabled community and increased the initial income threshold to \$27,500 in the year prior to applying, and raised household income once in the program to \$32,000. The 2001 Legislature raised the initial household income to match the "once in the program limit" of \$32,000. These Income limits are indexed to the U.S. Urban CPI. The current household and federal adjusted gross income limit is \$39,000 for 2009.

Between 1980 and 1992-93, the number of deferred accounts increased from 1,976 to 12,181, an annualized increase of about 37% over the 14 year period. During every year of this period, except for 1992-93, property tax payments to counties on behalf of some senior citizens exceeded other seniors' repayments of their deferred taxes and accrued interest. Therefore, by the end of 1992-93, the 'balance owed' to the General Fund stood at \$102 million, reflecting an annualized growth rate of roughly 34% during this period.

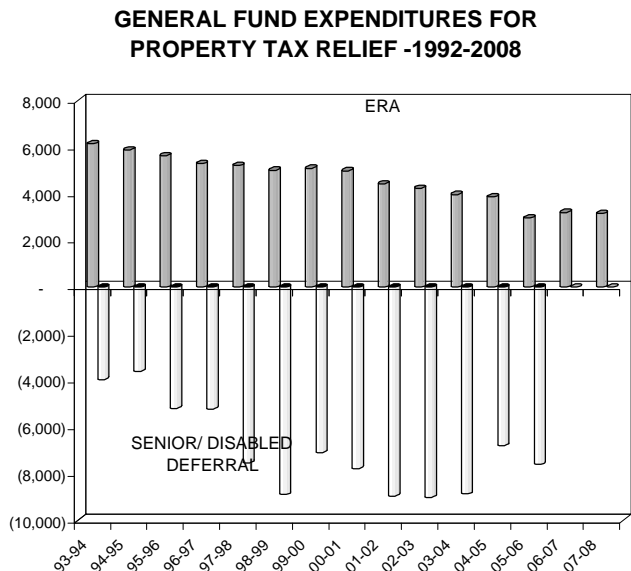
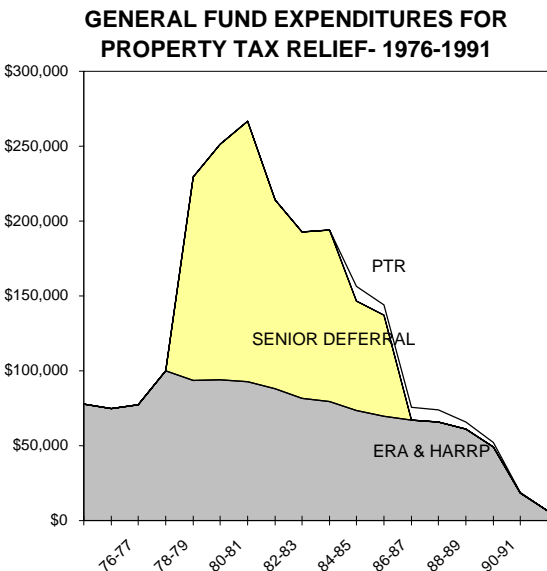
Between 1992-93 and 2005-06, the number of deferred accounts declined from 12,181 to 8,866; but both the payments to counties and Seniors' repayments of deferred taxes increased. In addition, during this period payments to counties on behalf of her senior citizens were less than seniors' repayments. These changes mitigated growth in the 'balance owed'; but this balance did not begin to decline consistently until after 1998-99. Between 1998-99 and 2006-07 the 'balance owed' declined from \$136 million to \$116 million. In recent years, the reduction in the number of deferred accounts and the 'balance owed' has been fueled by historically low interest rates that created an incentive to refinance home mortgages. Refinancing home mortgages could not be undertaken if property taxes were unpaid and/or if there were liens against the property.

In 2005, the Legislature created Oregon Project Independence (OPI) and funded it from any 'excess' balances that accumulate in the Senior Deferral Account. Excess balances accumulate if the property tax plus interest that Seniors repay are greater than the amount that the State of Oregon pays counties on behalf of the qualified Seniors who are in the Senior Deferral Program. The first payment sent in 2006 from the Deferral Account was in the amount of \$250,000. No payment was made in 2007. The January 2008 payment was in the amount of \$14.29 million. However, it may take several years to build up another excess of comparable size. Therefore, the OPI annual funding level from this revenue source will be substantially lower than \$15 million, unless the current number of Seniors/Disabled in the Deferral Program and/or their pattern of tax repayments increases substantially.

GENERAL FUND EXPENDITURES FOR PROPERTY TAX RELIEF

FISCAL YEAR	GENERAL FUND EXPENDITURES (\$ 000)				HARRP PROGRAM PARAMETERS			PTR MAXIMUM PAYMENT
	ERA*** & HARRP*	PTR	DEFERRAL** PROGRAMS	TOTAL	INCOME LIMIT	MAXIMUM REFUND	ASSET TEST	
1975-76	\$77,693	\$0	\$0	\$77,693	15,000	490		
1976-77	74,887	0	0	74,887	15,000	490		
1977-78	77,335	0	0	77,335	15,000	490		
1978-79	100,076	0	0	100,076	16,000	655		
1979-80	93,444	135,993	0	229,437	17,500	750		800
1980-81	93,879	157,261	0	251,140	17,500	750		800
1981-82	92,810	174,053	0	266,863	17,500	750		425
1982-83	87,883	126,264	0	214,147	17,500	750		192
1983-84	81,755	111,089	0	192,844	17,500	750		170
1984-85	79,688	114,451	0	194,139	17,500	750		170
1985-86	73,573	72,913	9,926	156,412	17,500	750		100
1986-87	69,489	67,519	7,160	144,168	17,500	750		100
1987-88	67,215	0	8,559	75,774	17,500	750		0
1988-89	65,773	0	8,293	74,066	17,500	750		0
1989-90	60,971	0	4,817	65,788	17,500	750		0
1990-91	49,257	0	2,783	52,040	17,500	750	25,000	0
1991-92	18,256	0	633	18,889	10,000	500	25,000	0
1992-93	6,586	0	(1,399)	5,187	0	0	0	0
1993-94	6,143	0	(3,964)	2,179	0	0	0	0
1994-95	5,875	0	(3,612)	2,263	0	0	0	0
1995-96	5,630	0	(5,195)	435	0	0	0	0
1996-97	5,291	0	(5,219)	72	0	0	0	0
1997-98	5,205	0	(7,528)	(2,323)	0	0	0	0
1998-99	5,000	0	(8,887)	(3,887)	0	0	0	0
1999-00	5,085	0	(7,097)	(2,012)	0	0	0	0
2000-01	4,984	0	(7,779)	(2,795)	0	0	0	0
2001-02	4,417	0	(8,958)	(4,541)	0	0	0	0
2002-03	4,225	0	(9,015)	(4,790)	0	0	0	0
2003-04	3,966	0	(8,864)	(4,898)	0	0	0	0
2004-05	3,868	0	(6,800)	(2,932)	0	0	0	0
2005-06	2,956	0	(7,596)	(4,640)	0	0	0	0
2006-07	3,190	0	N/A	3,190				
2007-08	3,148	0	N/A	3,148	0	0	0	0

NOTE: * HARRP refunds ended with the Oct. 1991 payment based on the 1990 return.
 ERA, Elderly (age 58 or older) Rental Assistance for households with income less than \$10,000 continues.
 ** General Fund cost as current year payments less repayments for prior years.
 Prior to 1985-86 deferral payments were treated as General and Other Fund investments.
 Amounts received in excess of amount spent by state are no longer returned to general fund but rather are used to fund OPI
 *** ERA numbers include Nonprofit Housing starting 1991-92.



PROPERTY TAX RELIEF

HOMEOWNER'S AND RENTER'S REFUND PROGRAM (HARRP)

RETURN YEAR	REFUNDS (\$000)				NUMBER OF RETURNS				AVERAGE REFUND (\$)			
	HOME OWNER	RENTER	MOBILE HOME	TOTAL	HOME OWNER	RENTER	MOBILE HOME	TOTAL	HOME OWNER	RENTER	MOBILE HOME	TOTAL
1975	48,277	25,789	3,017	77,083	268,010	240,922	18,445	527,377	180.13	107.04	163.57	146.16
1976	44,044	25,939	3,055	73,038	234,813	241,469	18,229	494,511	187.57	107.42	167.59	147.70
1977	57,781	31,984	4,223	93,988	222,570	214,217	19,020	455,807	259.61	149.31	222.03	206.20
1978	53,172	32,015	3,878	89,065	209,977	221,354	20,410	451,741	253.23	144.63	190.00	197.16
1979	51,211	31,990	4,278	87,479	200,311	238,150	21,254	459,715	255.66	134.33	201.28	190.29
1980	49,861	33,297	4,422	87,580	185,111	238,498	20,997	444,606	269.36	139.61	210.60	196.98
1981	47,477	32,856	4,416	84,749	171,208	221,018	20,083	412,309	277.31	148.66	219.89	205.55
1982	43,886	26,677	4,174	74,737	152,214	175,902	18,069	346,185	288.32	151.66	231.00	215.89
1983	40,938	28,207	4,092	73,237	143,524	182,165	17,363	343,052	285.23	154.84	235.67	213.49
1984	37,002	28,229	3,950	69,181	129,900	179,968	16,335	326,203	284.85	156.86	241.81	212.08
1985	34,518	25,136	3,852	63,506	120,882	176,986	15,742	313,610	285.55	142.02	244.70	202.50
1986	32,342	25,329	4,047	61,718	112,816	169,351	15,255	297,422	286.68	149.57	265.29	207.51
1987	32,253	24,129	4,104	60,486	110,549	164,051	14,925	289,525	291.75	147.08	274.97	208.91
1988	29,851	22,646	3,886	56,383	103,337	157,141	14,127	274,605	288.87	144.11	275.08	205.32
1989	22,602	19,774	3,484	45,859	79,190	138,598	12,713	230,501	285.41	142.67	274.05	198.95
1990	4,578	4,487	747	9,812	26,873	56,711	4,772	88,356	170.36	79.12	156.54	111.05

HARRP NOTES: HARRP program ended in 1991.

Refunds for 1971 and 1972 were under the Homeowners Property Tax Relief Program (HOPTR).

Mobile homes are included in homeowners and renters for 1973 and 1974.

In 1973 the household income limit increased to \$16,000 and the maximum refund schedule increased.

In 1977 the household income limit increased to \$17,500 and the maximum refund schedule increased.

In 1982 the HARRP packet was separated from the income tax packet and mailed late in March of 1983.

In 1985 each qualified renter filed separately - previously only one return was allowed per household.

In 1989 asset test added for those under age 65. Assets must be less than \$25,000 excluding the homestead tangible personal property and retirement plans.

In 1990 the household income limit decreased to \$10,000 and the maximum refund schedule decreased.

ERA NOTES:

In 1975 renters eligible if age 65 or older with income less than \$3,000 and rent exceeds 60% of income.

In 1977 age reduced to 58 or older, income increased to \$5,000 and rent (up to \$2,100) exceeds 40% of income.

In 1989 asset limit of \$25,000 (with exclusions) added if under age 65.

In 1991 household income limit increased to \$10,000 and percent of income reduced to 20%.

Payment equals rent (up to \$2,100) less 20% of household income (\$10,000 limit).

ERA payments are made each fall for returns filed in the Spring. Returns may be filed up to 3 years later.

ELDERLY RENTAL ASSISTANCE (ERA)

RETURN YEAR	REFUNDS (\$000)	RETURNS	AVERAGE REFUND
1980	2,820	4,699	\$600
1981	2,184	3,525	620
1982	2,028	3,129	648
1983	1,757	2,738	642
1984	1,482	2,397	618
1985	1,358	2,228	610
1986	1,161	1,930	602
1987	1,063	1,810	587
1988	879	1,549	567
1989	549	1,045	526
1990	6,357	11,372	559
1991	5,564	10,430	533
1992	6,555	9,216	711
1993	5,522	9,542	579
1994	4,978	8,880	561
1995	4,652	8,230	565
1996	4,425	7,873	562
1997	4,214	7,571	557
1998	4,289	7,708	556
1999	4,238	7,579	559
2000	3,487	7,732	451
2001	3,202	6,215	515
2002	4,794	9,596	500
2003	2,745	5,076	541
2004	2,502	4,614	542
2005	2,095	3,996	524
2006	1,661	3,485	477
2007	1,655	3,736	443
2008 est.			

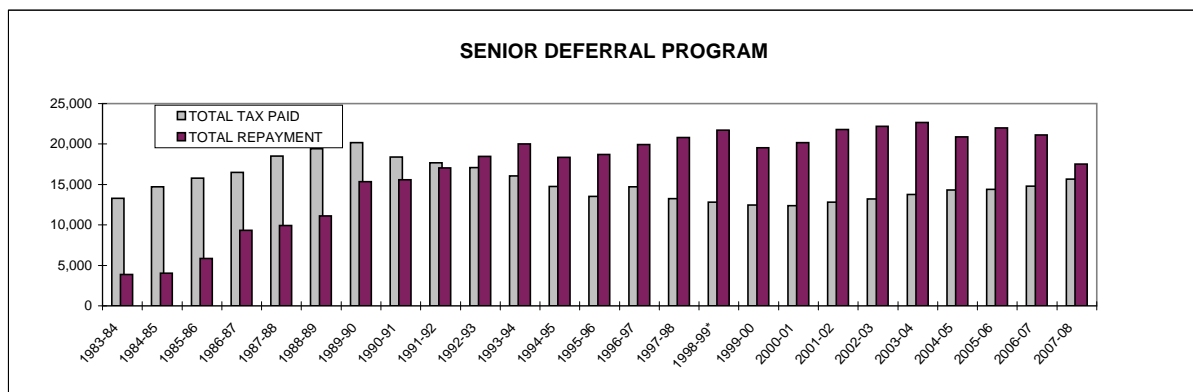
NON PROFIT HOUSING

FISCAL YEAR	REFUNDS (\$000)	RETURNS	AVERAGE REFUND
FY 94	648	25	25,920
FY 95	664	28	23,714
FY 96	760	31	24,516
FY 97	747	32	23,344
FY 98	828	34	24,353
FY 99	901	36	25,028
FY 00	1,009	38	26,553
FY 01	840	39	21,538
FY 02	1,083	41	26,415
FY 03	1,221	43	28,395
FY 04	1,364	44	31,000
FY05	1,263	44	28,705
FY06	1,396	44	31,723
FY07	1,488	44	33,824
FY08	1,618	48	33,703

SENIOR CITIZENS PROPERTY TAX DEFERRAL

FISCAL YEAR	PROPERTY TAXES		SPECIAL ASSESSMENT		Disabled Deferral		(\$ 000)		
	PAID ACCTS.	AVG. PAID	PAID ACCTS.	AVE. PAID	PAID ACCTS.	AVG. PAID	TOTAL TAX PAID	TOTAL REPAYMENT	BALANCE OWED
1978-79	1,976	845	111	147	0	0	1,676	273	N/A
1979-80	4,000	645	168	187	0	0	2,649	370	N/A
1980-81	6,046	723	184	352	0	0	4,438	559	N/A
1981-82	7,097	917	246	442	0	0	6,614	833	N/A
1982-83	8,827	1,103	389	656	0	0	9,992	1,529	22,859
1983-84	10,976	1,181	404	761	0	0	13,275	3,864	34,540
1984-85	11,603	1,236	430	853	0	0	14,710	4,018	45,806
1985-86	12,228	1,261	501	735	0	0	15,785	5,859	56,811
1986-87	12,632	1,282	419	677	0	0	16,480	9,320	65,732
1987-88	12,738	1,430	422	548	0	0	18,493	9,934	75,236
1988-89	13,092	1,463	396	613	0	0	19,410	11,117	84,834
1989-90	13,165	1,513	393	641	0	0	20,164	15,347	91,676
1990-91	12,976	1,398	379	579	0	0	18,387	15,603	96,856
1991-92	12,039	1,449	411	544	0	0	17,685	17,051	100,433
1992-93	12,181	1,387	476	337	0	0	17,085	18,484	102,763
1993-94	11,681	1,358	495	366	0	0	16,058	20,022	102,937
1994-95	11,216	1,299	504	334	0	0	14,740	18,352	103,967
1995-96	10,763	1,235	431	397	0	0	13,519	18,714	102,373
1996-97	10,520	1,380	365	391	0	0	14,703	19,921	101,801
1997-98	10,823	1,207	343	404	0	0	13,260	20,788	99,784
1998-99*	9,769	1,272	209	302	0	0	12,832	21,719	136,268
1999-00	9,184	1,345	170	415	0	0	12,443	19,541	135,161
2000-01	8,822	1,396	155	468	0	0	12,392	20,172	133,271
2001-02	9,215	1,362	137	473	206	1,041	12,835	21,792	129,900
2002-03	9,107	1,404	118	445	323	1,080	13,196	22,210	126,224
2003-04	8,900	1,485	211	255	448	1,154	13,783	22,647	122,953
2004-05	8,823	1,534	158	328	584	1,182	14,302	20,901	120,031
2005-06	8,666	1,555	132	359	723	1,190	14,397	21,993	N/A
2006-07	8,623	1,595	106	311	807	1,251	14,814	21,135	N/A
2007-08	8,483	1,708	86	366	856	1,335	15,681	17,518	N/A

NOTES: Senior repayment excludes special assessments until 1983-84. Balance owed includes interest from 98-99 forward. From 1991-92 General Fund appropriation not used. Deferral fund plus repayments exceed costs. Interest rate of 6% is calculated as simple interest. In 1984 household income limit of \$17,500 added for tax deferral and special assessment. Property tax deferral income limit was \$18,500 in 1990, \$19,500 in 1991, and \$24,500 through tax year 2000-01. The property tax deferral income increased to \$27,500 in 2001-02. In 2001-02, The annual income to remain eligible for the the tax deferral program was increased to \$32,000 indexed to the CPI. The qualification threshold to qualify for the program will increase to \$32,000 indexed to the CPI in 2002-03. Household income limit for the Special Assessment Deferral is to increase to 32,000 (from \$17,500) and indexed to the CPI. The 1999 Legislature opened the deferral program to the disabled community beginning 2001-02. * In 1998-99 while converting from one mainframe system to another, the DOR discovered that interest for prior years had not been posted to the senior deferral account. The increase in the 'balance owed' in 1998-99 reflects the impact of this interest.



OREGON ESTATE AND INHERITANCE TAXES

Overview of Estate and Inheritance Tax Revenues

The estate tax is a tax on the right to transfer property at death and generally is measured by the value of the estate passing at the time of the decedent's death. Oregon's estate tax is based on the federal estate law and the pick-up tax, albeit not the most recent federal code. Oregon does not impose any other estate or inheritance taxes besides collecting the federal pick-up tax. The federal pick-up tax is a way in which states capture a portion of the federal estate tax liability but do not increase the overall tax liability of the estate. From legislation in 2003, Oregon is connected to federal tax law known as "Taxpayer Relief Act of 1997". Oregon has not adopted the 2001 federal law changes included in the Economic Growth and Tax Reconciliation Act.

Oregon collected \$130.5 million in estate tax in the 2003-05 biennium, which comprised 1.2% of the total state general fund, and ranked as third largest single tax source behind corporate excise taxes. A small number of taxpayers pay the estate tax each year. Consequently, revenues from Oregon's estate tax are very volatile and one large estate tax return paying a sizeable amount of tax in a given year can result in a significant increase in estate tax revenue. In examining the percentage change each year from fiscal year 1970-71 to 2004-05, the annual percentage change had a range between a high of 103% increase in 1992-93 and a low of 60% decrease for 1987-88 from the prior year.

Brief History of Oregon's Estate and Inheritance Tax – pre-1990s

Oregon first enacted an inheritance tax in 1903. An inheritance tax is a tax on the beneficiary of the estate rather than on the estate itself. Prior to 1977, Oregon imposed an inheritance, gift and estate tax. The Oregon inheritance tax was calculated as a variable tax rate, a certain percentage of taxable estate value. The tax rates ranged from 12% to 20% depending on who was inheriting the estate, with the closest relationships receiving the lowest tax rates. The estate tax imposed was a graduated tax rate on the gross estate value less deductions. Deductions are allowed for debts owed at the time of death. In 1977, Oregon's inheritance tax was simplified and the tax was based on the value of the property received from a decedent's estate and the tax rate was a flat 12% of the taxable value. In addition, Oregon adopted the federal pick-up estate tax instead of its own estate tax. The federal pick-up tax became a floor on Oregon's own inheritance tax. Beginning in 1978, Oregon started phasing out its inheritance tax over 10 years. As the phase-out of Oregon's inheritance tax continued, the tax revenues dropped significantly to a low of \$8.87 million in fiscal year 1988-89, as the state was only collecting the federal pick-up tax. Since Oregon phased-out its inheritance tax and adopted the federal pick-up tax exclusively, Oregon's estate tax revenue has been tied to federal law as in place on a specific date. As Oregon rapidly became a destination of the elderly population, as well as the growth in property values after 1988-89, the estate tax revenues in Oregon started growing again.

Federal Estate Tax Changes

The federal pick-up tax was created in 1926. The maximum federal credit for state taxes paid is calculated as a graduated percentage of the taxable estate value. The tax rates, used to calculate the maximum state death tax credit, range from 0% for taxable estates under \$40,000 up to 16% for estates over \$10 million. Oregon connected exclusively to the federal pick-up tax as of 1987. After that, Oregon's estate tax revenue was dependent on a date specific federal tax code. Oregon was not automatically connecting to federal estate tax law changes. Additional legislation was needed in Oregon to adopt federal estate tax law changes. Oregon's estate tax law was connected to federal law, which established the federal gross estate value filing threshold at \$600,000 until the 2003 Legislative session.

1997 Taxpayer Relief Act (TRA97)

The 1997 Taxpayer Relief Act (TRA97) gradually increased the gross estate value filing threshold from \$600,000 up to \$1 million by tax year 2006. This change affected which estates would be subject to the estate tax. As a practice, in the past, Oregon had only assessed a tax on Oregon estates that were large enough to be subject to the federal estate tax.

Tax Year	Gross Estate Value Filing Threshold TRA97	Tax Year	Gross Estate Value Filing Threshold TRA97
1998	\$ 625,000	2004	\$ 850,000
1999	\$ 650,000	2005	\$ 950,000
2000 and 2001	\$ 675,000	2006	\$ 1,000,000
2002 and 2003	\$ 700,000	2007 and after	\$ 1,000,000

2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA)

The 2001 federal Economic Growth and Tax Relief Reconciliation Act legislation – P.L. 107-16, made significant

changes in a number of tax areas, including federal estate taxes.

The 2001 federal estate tax law changes included a phase-out of the state death tax

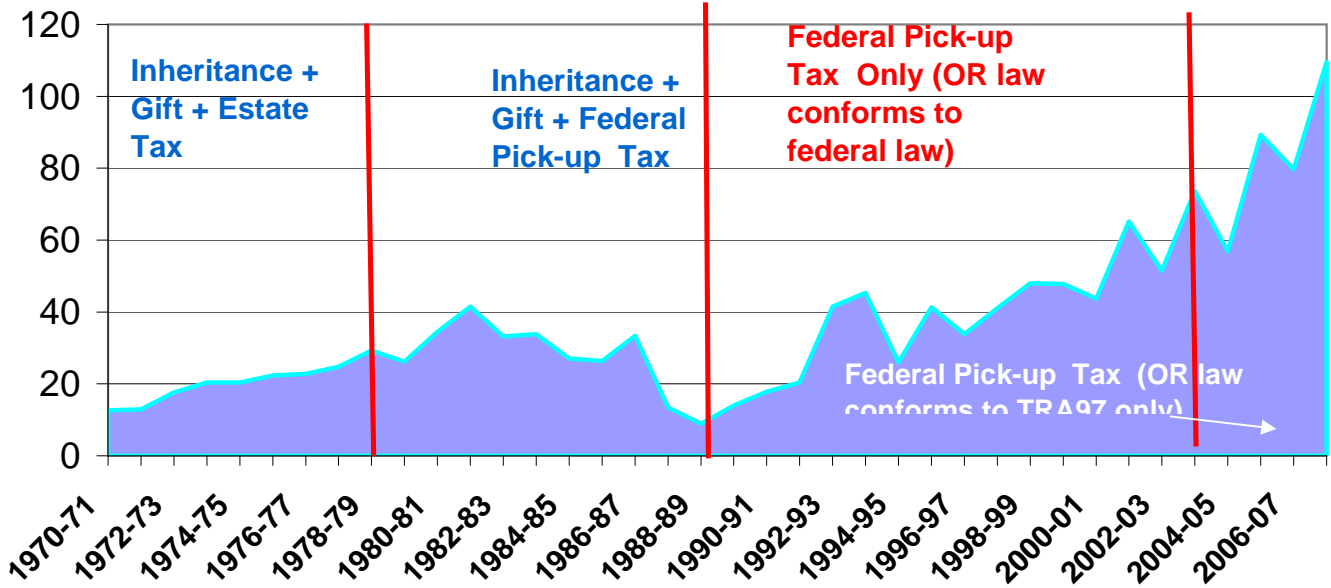
Increase in gross estate value filing threshold from EGTRRA			
2002	\$ 1.0 million	2006	\$ 2.0 million
2004	\$ 1.5 million	2009	\$ 3.5 million
Decrease in federal highest estate tax rates			
2002	50%	2005	47%
2003	49%	2006	47%
2004	48%	2007 -2009	45%

credit, an increase in the gross estate value filing threshold, a decrease in the federal highest estate tax rates and a complete elimination of the federal estate tax effective 2010 for one year. The phase-out of the total state death tax credit will eliminate the states' ability to capture a portion of each estate's federal tax liability by 2005. An increase in the gross estate value filing threshold will remove the tax assessment on certain smaller estates. The decrease in the federal highest estate tax rates also reduces the federal tax liability for estates. If Oregon connected to all the provisions in the 2001 estate tax law changes, it would reduce Oregon's estate tax 25% per year starting in 2002, and would have eliminated the estate tax by 2005.

Legislative Changes

Prior to the 2003 Oregon legislation, legal opinions indicated that Oregon had not adopted either the Taxpayer Relief Act (TRA97) or the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001. The primary purpose of HB 3072 was to codify in law the connection to the Taxpayer Relief Act of 1997 (TRA97) for prior tax years 1998-2001. For deaths occurring in 2002, the gross estate value filing threshold was \$1 million, the same as the federal filing threshold under EGTRRA. Another important objective of the 2003 legislation was to clarify that Oregon's estate tax connection is to the federal law under the Taxpayer Relief Act of 1997 for deaths occurring in 2003 and beyond. Oregon is not connected to 2001 federal estate tax law changes contained in the Economic Growth and Tax Relief Reconciliation Act. The 2007 session attempted to preserve family owned farms, fishing business and small forest owners, by increasing the threshold for these estates to \$7.5 million. However, HB 3201 faced difficulties in the implementation phase. The February 2008 session, introduced a credit schedule for the small family owned natural resource properties. The credit increases proportionally in HB 3618 to reach the maximum at tax amount due for the \$7.5 million properties, then declines gradually to \$0 at the \$15 million mark.

Oregon Estate and Inheritance Tax Collections: 1971-2006



Fiscal Yr.	\$ Amount	% Change
1970-71	12,613,154	
1971-72	12,910,782	2.4%
1972-73	17,649,065	36.7%
1973-74	20,375,279	15.4%
1974-75	20,354,671	-0.1%
1975-76	22,334,631	9.7%
1976-77	22,814,203	2.1%
1977-78	24,782,221	8.6%
1978-79	29,307,501	18.3%
1979-80	26,190,894	-10.6%
1980-81	34,490,610	31.7%
1981-82	41,494,561	20.3%
1982-83	33,236,857	-19.9%
1983-84	33,855,381	1.9%
1984-85	27,084,953	-20.0%
1985-86	26,313,563	-2.8%
1986-87	33,413,595	27.0%
1987-88	13,476,313	-59.7%
1988-89	8,875,434	-34.1%

Fiscal Yr.	\$ Amount	% Change
1989-90	13,962,361	57.3%
1990-91	17,766,526	27.2%
1991-92	20,398,303	14.8%
1992-93	41,480,573	103.4%
1993-94	45,323,450	9.3%
1994-95	26,014,021	-42.6%
1995-96	41,264,996	58.6%
1996-97	33,856,234	-18.0%
1997-98	41,489,930	22.5%
1998-99	47,483,851	14.4%
1999-00	47,684,649	0.4%
2000-01	43,729,981	-8.3%
2001-02	65,201,986	49.1%
2002-03	51,431,290	-21.1%
2003-04	73,609,000	43.1%
2004-05	56,852,202	-22.7%
2005-06	89,282,588	57.0%
2006-07	79,649,893	-10.8%
2007-08	109,548,647	37.5%

**OREGON ESTATE TAXES - FOR DEATHS IN 2000 - 2007
BREAKDOWN OF 2002, 2003, 2004 2005, 2006 and 2007
ESTATE TAX RETURNS BY GROSS ESTATE VALUE**

Oregon Tax (\$_millions)	Tax Year	Total # of Returns	Payable Tax
	2000	879	44.20
	2001	878	70.85
	2002	761	42.21
	2003	1059	81.02
	2004	1055	55.92
	2005	1113	100.22
	2006	1210	78.95
	2007	1055	71.92

2002 Estate Tax Returns With Gross Estate Value				
Size of Oregon Gross Estate	# of Returns	% of total returns	OR Payable Tax	% of total OR Payable Tax
Under \$1 million	83	11%	4,935,443	11.2%
\$1 million up to \$1.5 million	291	38%	6,213,058	14.1%
\$1.5 million up to \$2 million	142	19%	4,467,029	10.1%
\$2 million up to \$3.5 million	141	19%	7,488,570	16.9%
\$3.5 million up to \$5 million	51	7%	4,510,715	10.2%
\$5 million up to \$10 million	34	4%	4,825,541	10.9%
\$10 million up to \$20 million	9	1%	2,302,594	5.2%
more than \$20 million	10	1%	9,462,100	21.4%
TOTAL	761	100%	\$44,205,050	100%
2003 Estate Tax Returns With Gross Estate Value				
Under \$1 million	316	32%	5,809,013	7.2%
\$1 million up to \$1.5 million	331	31%	9,850,943	12.2%
\$1.5 million up to \$2 million	130	13%	5,411,579	6.7%
\$2 million up to \$3.5 million	159	13%	11,492,568	14.2%
\$3.5 million up to \$5 million	42	3%	5,625,740	6.9%
\$5 million up to \$10 million	54	5%	15,178,405	18.7%
\$10 million up to \$20 million	16	1%	7,845,815	9.7%
more than \$20 million	11	1%	19,805,473	24.4%
TOTAL	1059	100%	\$81,019,537	100%
2004 Estate Tax Returns With Gross Estate Value				
Under \$1 million	208	20%	2,360,071	4.2%
\$1 million up to \$1.5 million	364	35%	10,416,571	18.6%
\$1.5 million up to \$2 million	185	18%	7,336,983	13.1%
\$2 million up to \$3.5 million	177	17%	10,473,499	18.7%
\$3.5 million up to \$5 million	49	5%	5,085,992	9.1%
\$5 million up to \$10 million	47	4%	9,182,442	16.4%
\$10 million up to \$20 million	16	2%	9,583,749	17.1%
more than \$20 million	9	1%	1,484,893	2.7%
TOTAL	1055	100%	55,924,200	100%

2005 Estate Tax Returns With Gross Estate Value				
Under \$1 million	89	8%	206,806	0.2%
\$1 million up to \$1.5 million	418	38%	9,972,041	9.9%
\$1.5 million up to \$2 million	235	21%	8,995,817	9.0%
\$2 million up to \$3.5 million	217	19%	13,792,373	13.8%
\$3.5 million up to \$5 million	72	6%	7,513,990	7.5%
\$5 million up to \$10 million	61	5%	13,674,762	13.6%
\$10 million up to \$20 million	13	1%	8,813,423	8.8%
more than \$20 million	8	1%	37,255,012	37.2%
TOTAL	1113	100%	100,224,223	100%

2006 Estate Tax Returns With Gross Estate Value				
Under \$1 million	35	3%	166,845	0.2%
\$1 million up to \$1.5 million	455	41%	9,751,662	9.7%
\$1.5 million up to \$2 million	261	23%	11,384,211	11.4%
\$2 million up to \$3.5 million	272	24%	15,911,228	15.9%
\$3.5 million up to \$5 million	85	8%	10,922,107	10.9%
\$5 million up to \$10 million	55	5%	11,382,863	11.4%
\$10 million up to \$20 million	33	3%	13,565,266	13.5%
more than \$20 million	14	1%	5,862,469	5.8%
TOTAL	1210	109%	78,946,652	79%

2006 Estate Tax Returns With Gross Estate Value				
Under \$1 million	40	4%	92,803	0.1%
\$1 million up to \$1.5 million	405	36%	9,223,793	9.2%
\$1.5 million up to \$2 million	226	20%	9,267,779	9.2%
\$2 million up to \$3.5 million	245	22%	16,214,166	16.2%
\$3.5 million up to \$5 million	71	6%	8,610,797	8.6%
\$5 million up to \$10 million	46	4%	11,098,879	11.1%
\$10 million up to \$20 million	13	1%	6,878,696	6.9%
more than \$20 million	9	1%	10,532,823	10.5%
TOTAL	1055	95%	71,919,736	72%

SCHOOL FINANCE

K-12 School Districts

Oregon has 197 school districts serving about 565,000 students in kindergarten through high school. These districts operate with relative autonomy within guidelines specified by both the Legislature and the State Department of Education. The federal government also requires certain mandated programs.

Local Revenue

School districts receive general operating revenue from various sources. Property taxes are the primary source. Other sources include federal forest payments, county school funds, the state Common School Fund and state timber sales. These local revenues are included in the school distribution formula and are about 32% of state and local formula operating revenue.

State Support

The Legislature through the State School Fund (SSF) provides about 68% of school formula operating revenue. This revenue is mostly from state income taxes and lottery revenue. The state's share increased from about 30% before Measure 5 (1990) to about 70% after Measure 50 (1997). State revenue replaced reduced local revenue because of these property tax limitations. Along with increased state aid, the school finance distribution method for state support changed dramatically.

Funding Equity

The 1991 Legislature adopted the school equalization formula and phased in its implementation. Equity as measured by the equalization formula applied to all school districts beginning in 2001-02. Past Legislatures have also provided some funding outside the equalization formula. The 2007 Legislature provided funds for small high schools, special education and other programs from the State School Fund outside the formula. Currently state aid and local revenue for school districts equals 95.25% of the statewide K-12 school and education service district (ESD) formula revenue for general operating purposes.

Equalization Formula

The SSF equalization formula allocates an amount to each school district based primarily on number of students. The state grant is this formula amount reduced by local revenues. The formula equalizes revenues per student by removing past differentials caused by widely varying local tax rates and property wealth per student. To recognize that some students need more school services and their schools may face higher costs, the formula assigns weights to certain students. For example, special education students count as 2.0 students to recognize their need for special programs. Additional student weights are for English as a second language programs, students from families in poverty, remote small schools and others. A general purpose grant per weighted student is adjusted for the experience level of teachers and set at a level that allocates available funding. The formula also funds 70-90% of transportation costs, costs above \$30,000 per high cost disability student (limited to \$18 million per year statewide) and up to 8% of classroom construction costs (limited to \$25 million per biennium).

Local Property Tax Option

School districts may ask voters to approve temporary local option levies. Local option revenue is limited to the lessor of (1) the district Measures 5 and 50 tax gap, (2) 20% of formula revenue or (3) \$1,000 per weighted student (2007-08). The \$1,000 is indexed to increase 3% per year beginning

in 2008-09. The levies may be approved for up to 5 years for operations and up to 10 years for capital projects. Local option revenue is in addition to equalization formula revenue.

Construction Tax Option

The 2007 Legislature granted school districts new taxing authority. School districts may impose a tax on new construction in the district. The tax rate cannot exceed \$1 per square foot for residential use and \$0.50 for nonresidential use. The maximum rates are indexed beginning in 2009. The tax on nonresidential use is also restricted to \$25,000 per structure or building permit, whichever is less. The legislation exempts affordable housing, public buildings, agricultural buildings, hospitals, private schools and religious facilities.

Education Service Districts

The school system also includes education service districts (ESDs). Twenty ESDs provide regional educational support services. The ESD share of statewide K-12 school and ESD general operating revenue is 4.75%. This includes both state aid from the State School Fund and ESD property tax revenue. Before Measure 5 (1990), they received no state aid. Subsequently state support helped replace reduced property taxes.

The 2001 Legislature adopted a 5 year phase-in plan to equalize ESD revenue. Those below the state ESD average revenue per student gradually received more and those above the average gradually received less. Final equalization began in 2005-06. Beginning in 2006-07, ESD revenue is 4.99% of the sum of component district formula revenue. This makes the ESD share of total ESD and K-12 school formula revenue 4.75%

Community Colleges

Community college districts also impose property taxes and receive state aid. Unlike school districts and ESDs, another major revenue source is tuition. Also state support is not from the State School Fund. The Legislature appropriates community college aid in a lump sum. The community colleges then allocate the state funds by rule.

School Improvement Fund

The 2007 Legislature appropriated \$260 million to the School Improvement Fund from the General Fund. School districts and ESDs may apply for funds and were paid \$126.6 million in 2007-08. Funds are targeted for a number of uses to improve student achievement. The Department of Education has to evaluate the progress of district programs and report findings to the Legislature. Each district's share of funds is its proportionate share of current year extended average daily membership weighted (ADMw).

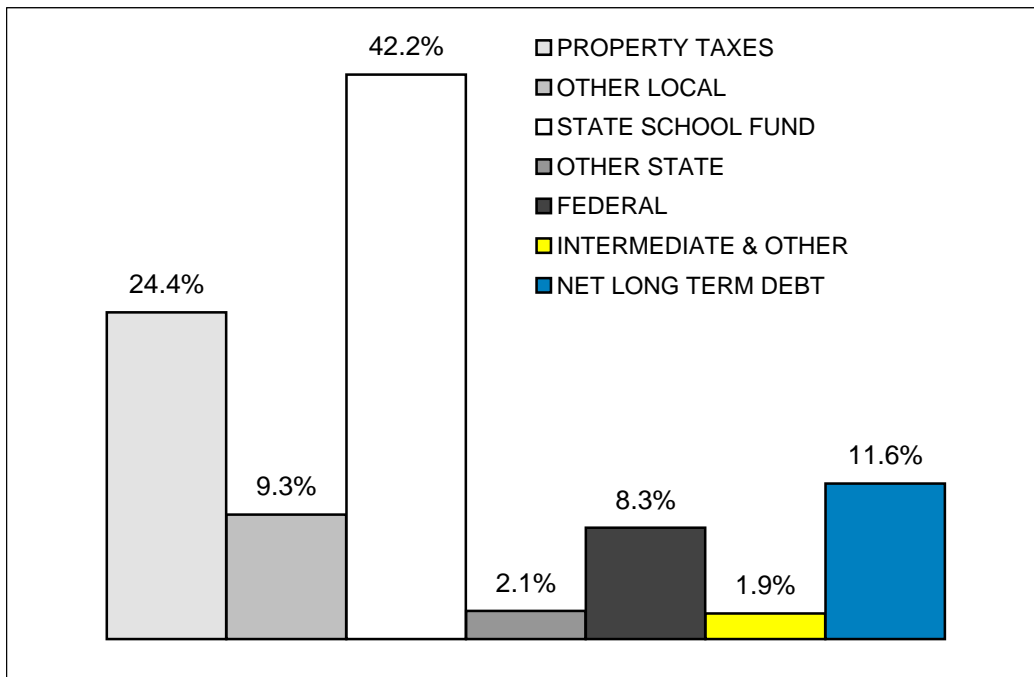
Education Stability Fund

Voters approved a constitutional amendment converting the Education Endowment Fund to the Education Stability Fund in 2002 allowing the principal to be used to fund education.

The fund receives 18% of lottery net proceeds. The size is limited to 5% of General Fund revenue. Use of the principal requires meeting criteria reflective of an economic recession and approval by a 3/5 vote in each legislative chamber. The principal can also be used if the Governor declares an emergency and both chambers approve by a 3/5 vote. The principal can only be used to fund pre-kindergarten through higher education, continuing education and workforce training. Fund earnings currently are used to pay education lottery bond debt (75%) and provide scholarships (25%).

SCHOOL RESOURCES 2006-07 Audited (\$000)

	K-12	ESD	TOTAL
PROPERTY TAXES	1,520,649	82,658	1,603,307
OTHER LOCAL REVENUES	517,731	93,776	611,507
STATE SCHOOL FUND	2,594,375	176,183	2,770,558
COMMON SCHOOL FUND	48,011	0	48,011
OTHER STATE REVENUE	82,003	7,531	89,533
FEDERAL FOREST FEES	33,862	0	33,862
OTHER FEDERAL REVENUE	453,445	60,118	513,563
INTERMEDIATE & OTHER	118,366	7,424	125,790
NET LONG TERM DEBT	<u>759,972</u>	<u>3,420</u>	<u>763,392</u>
TOTAL REVENUE	6,128,414	431,111	6,559,525
PLUS BEGINING BALANCE	<u>1,137,851</u>	<u>100,011</u>	<u>1,237,861</u>
TOTAL RESOURCES	7,266,265	531,122	7,797,387
LESS TOTAL EXPENDITURES	<u>-5,604,882</u>	<u>-421,047</u>	<u>-6,025,929</u>
ENDING BALANCE	1,661,383	110,075	1,771,457



Notes: Capital Projects and Debt Service Funds have a large share of the ending balance.
Excludes Internal Services Funds and Trust and Agency Funds.
Numbers exclude interfund transfers to avoid double counting.

Source: Oregon Department of Education financial data base.

STATE SCHOOL SUPPORT HISTORY

Fiscal Year	K-12 Audited Current Operating Expenditures		Basic School Support Appropriation		BSSF Share of Operating Expenditures
	\$1,000	% Change	\$1,000	% Change	
1947-48	43,513		15,946		36.6%
1948-49	51,800	19.0%	16,954	6.3%	32.7%
1949-50	58,799	13.5%	17,489	3.2%	29.7%
1950-51	63,213	7.5%	18,425	5.4%	29.1%
1951-52	72,330	14.4%	29,597	60.6%	40.9%
1952-53	78,720	8.8%	30,986	4.7%	39.4%
1953-54	87,691	11.4%	32,370	4.5%	36.9%
1954-55	94,844	8.2%	33,478	3.4%	35.3%
1955-56	102,336	7.9%	35,144	5.0%	34.3%
1956-57	114,016	11.4%	36,378	3.5%	31.9%
1957-58	122,597	7.5%	45,153	24.1%	36.8%
1958-59	134,054	9.3%	50,987	12.9%	38.0%
1959-60	152,022	13.4%	52,612	3.2%	34.6%
1960-61	161,451	6.2%	55,020	4.6%	34.1%
1961-62	177,526	10.0%	61,785	12.3%	34.8%
1962-63	190,419	7.3%	65,454	5.9%	34.4%
1963-64	208,685	9.6%	65,184	-0.4%	31.2%
1964-65	220,225	5.5%	61,167	-6.2%	27.8%
1965-66	239,193	8.6%	72,088	17.9%	30.1%
1966-67	262,428	9.7%	75,898	5.3%	28.9%
1967-68	286,729	9.3%	77,786	2.5%	27.1%
1968-69	325,536	13.5%	77,431	-0.5%	23.8%
1969-70	363,633	11.7%	88,928	14.8%	24.5%
1970-71	398,013	9.5%	88,928	0.0%	22.3%
1971-72	421,635	5.9%	99,428	11.8%	23.6%
1972-73	459,210	8.9%	104,063	4.7%	22.7%
1973-74	505,138	10.0%	143,520	37.9%	28.4%
1974-75	579,991	14.8%	170,789	19.0%	29.4%
1975-76	659,718	13.7%	200,733	17.5%	30.4%
1976-77	716,519	8.6%	217,446	8.3%	30.3%
1977-78	777,130	8.5%	269,000	23.7%	34.6%
1978-79	883,324	13.7%	341,373	26.9%	38.6%
1979-80	993,142	12.4%	384,379	12.6%	38.7%
1980-81	1,132,706	14.1%	406,376	5.7%	35.9%
1981-82	1,248,596	10.2%	413,960	1.9%	33.2%
1982-83	1,306,447	4.6%	426,203	3.0%	32.6%

Fiscal Year	K-12 Audited Current Operating Expenditures		Basic School Support Appropriation		BSSF Share of Operating Expenditures
	\$1,000	% Change	\$1,000	% Change	
1983-84	1,375,777	5.3%	431,200	1.2%	31.3%
1984-85	1,443,655	4.9%	448,800	4.1%	31.1%
1985-86	1,536,009	6.4%	463,000	3.2%	30.1%
1986-87	1,613,506	5.0%	482,000	4.1%	29.9%
1987-88	1,717,051	6.4%	496,832	3.1%	28.9%
1988-89	1,830,678	6.6%	526,703	6.0%	28.8%
1989-90	1,983,316	8.3%	570,429	8.3%	28.8%
1990-91	2,120,311	6.9%	605,716	6.2%	28.6%
1991-92	2,264,071	6.8%	805,000	32.9%	35.6%

Fiscal Year	K-12 and ESD Operating Revenue		State School Fund		SSF Share of Operating Revenue
	\$1,000	% Change	\$1,000	% Change	
1991-92	2,379,032		818,391		34.4%
1992-93	2,590,575	8.9%	1,100,300	34.4%	42.5%
1993-94	2,475,136	-4.5%	1,131,900	2.9%	45.7%
1994-95	2,605,406	5.3%	1,427,000	26.1%	54.8%
1995-96	2,651,525	1.8%	1,750,000	19.1%	66.0%
1996-97	2,715,451	2.4%	1,759,700	0.6%	64.8%
1997-98	2,918,589	7.5%	2,022,873	15.0%	69.3%
1998-99	2,989,171	2.4%	2,100,040	3.8%	70.3%
1999-00	3,210,469	7.4%	2,243,058	6.8%	69.9%
2000-01	3,333,835	3.8%	2,339,200	4.3%	70.2%
2001-02	3,469,061	4.1%	2,428,964	3.8%	70.0%
2002-03	3,258,562	-6.1%	2,146,933	-11.6%	65.9%
2003-04	3,723,250	14.3%	2,589,764	20.6%	69.6%
2004-05	3,527,898	-5.2%	2,326,261	-10.2%	65.9%
2005-06	3,851,661	9.2%	2,566,510	10.3%	66.6%
2006-07	4,092,806	6.3%	2,737,670	6.7%	66.9%

Est. 2007-08	4,331,124	5.8%	2,917,575	6.6%	67.4%
Est. 2008-09	4,524,035	4.5%	3,070,173	5.2%	67.9%
Governor/ Est. 2009-10	4,673,862	3.3%	3,203,207	4.3%	68.5%
Governor/ Est. 2010-11	4,713,830	0.9%	3,187,688	-0.5%	67.6%

4. 1997-98 to 99-00 State School Fund excludes funds not used due to a state and local revenue cap.
5. Additional funding outside the State School Fund: 1997-98 \$50 million for classroom needs; 1998-99 \$150 million lottery bond for capital; 1999-00 \$56 million lottery bond for capital; 2000-01 \$71 million lottery bond for capital; 2001-02 \$108 million for school improvement.
6. The 1999-01 interim Emergency Board added revenue to the State School Fund appropriation.
7. 2001-02 to present, State School Fund includes funds for state juvenile detention schooling.
8. 2007-09 SSF includes categorical grants but does not include any School Improvement Fund dollars.
9. 2009-11 SSF includes categorical grants and former School Improvement Fund dollars.

- Notes: 1. In 1992-93 state aid shifted to State School Fund(SSF) with a new distribution formula.
 2. Operating revenue does not include federal and other non-formula revenue.
 3. 1993-94 to present, SSF includes funds for state youth correction schooling.

K-12 SCHOOL EQUALIZATION FORMULA

STATE SCHOOL FUND DISTRIBUTION



School District Revenue



The school equalization formula determines each school district's general operating revenue from the State School Fund (SSF) in combination with local revenue. It is the sum of a general purpose grant, a transportation grant, a high cost disability grant and a facility grant. The formula allocates state and local revenue based on relative need for the formula component grants given the funding level available.

State School Fund

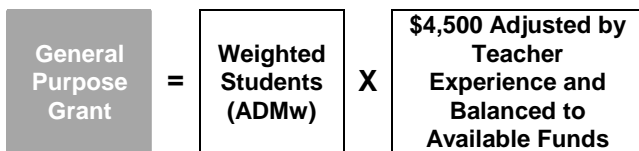
The Legislature allocates money to the State School Fund primarily from the state General Fund and lottery revenue for distribution to school districts.

Local Revenue

Statutorily, the school formula only includes district local revenue from the following sources:

- Operating property taxes collected (including prior years)
- Common School Fund
- County School Fund
- Federal forest related revenue
- State managed county trust forests (Chapter 530)
- ESD funds required to be shared with school districts
- Revenue *in lieu* of property taxes
- Supplantable federal funds

General Purpose Revenue



Weighted Students (ADMw)

Weighted student count is measured by average daily membership with extra counts or weights for students in special categories. Average daily membership (ADM) is the average number of resident students during the school year. Weighted ADM or ADMw counts students in special enrollment categories as more than one student.

The higher of the current year or prior year ADMw is used. The higher count is called extended ADMw.

Student Weights

Student weight categories are as follows:

Category	Additional Weight	Count (ADMw)
Special Education and At Risk		
Individual Education Program	1.00	2.00
English as a Second Language	0.50	1.50
Pregnant and Parenting	1.00	2.00
Students in Poverty Adjusted	0.25	1.25
Neglected and Delinquent	0.25	1.25
Students in Foster Care	0.25	1.25
Grade and School		
Kindergarten	-0.50	0.50
Elementary District	-0.10	0.90
Union High District	0.20	1.20
Remote Small School	Varies	

A student cannot have an additional weight sum greater than 2, but not all additional weights are included.

Individual Education Program Weight

Students with various limitations such as hearing, speech, and visual impairments receive special individual education. The count cannot exceed 11% of ADM without approval by the Department of Education.

Remote Small School Weight

A school site qualifies for additional ADMw if

	<u>Elementary</u>	<u>High</u>
ADM less than (varies with grades)	224 (8gr)	350 (4gr)
Distance to nearest school more than	8 miles	

The additional ADMw varies with number of students and distance. Generally, the smaller the school the greater the additional weight per student. The high school distance adjustment for being less than 20 miles from the nearest high school was phased out and sunset at the end of 2004-05.

Teacher Experience and Balance to Funding

The dollars per weighted student target is arbitrarily set at \$4,500 (adopted in 1991) before adjustment for teacher experience.

The teacher experience adjustment increases (or decreases) the target by \$25 for each year the district average teacher experience is more (or less) than the statewide average teacher experience.

A calculated multiplier balances funds available to funds allocated. The multiplier modifies the adjusted target amount to distribute the available state appropriation. The multiplier is currently about 1.37 using \$4,500 per ADMw. The equivalent amount is \$6,165 per ADMw.

Transportation Revenue

Transportation Grant	=	70% to 90% of Transportation Costs
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Districts are ranked by approved transportation costs per student from highest to lowest. The district grant depends on the following ranking:

District Rank	% of Costs
Top 10%	90%
Next 10%	80%
Bottom 80%	70%

The grant is the percent of costs corresponding to district rank times approved transportation costs.

Approved transportation costs are the following:

- Preschool handicapped students
- Elementary students more than 1 mile from school
- Secondary students more than 1.5 miles from school
- Students going between school facilities
- Students on field trips
- Health or safety needs
- Room and board *in lieu* of transportation

High Cost Disability Revenue

High Cost Disability Grant	=	Up to Sum of Costs above \$30,000 per Disability Student
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For a student with approved disability costs above \$30,000, the grant is the cost minus \$30,000. The district grant is the sum of the grants for each student with disability costs above \$30,000. ESD costs for each student can be included in the student total. Total district grants cannot exceed \$18 million per year. If total grants initially exceed this amount, the grants are reduced proportionally.

New Facility Revenue

Facility Grant	=	Up to 8% of Construction Costs
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Districts adding new classroom space receive up to 8% of construction (excluding land) and portable unit costs for furnishings and equipment. Total grants are limited to \$25 million per biennium. If grants at 8% exceed the limit, the percent is reduced.

School Revenue Share

The school share of both school district and ESD formula revenue is 95.25%. Formula revenue is State School Fund dollars available for distribution to school districts and ESDs and designated local revenue (primarily property taxes) included for each in their respective formulas. The K-12 equalization formula uses 95.25% of this total to allocate to school districts.

2007-09 Funding Level

The 2007 Legislature allocated \$5.985 billion to the State School Fund. The formula local revenue estimate for schools and ESD's is about \$2.867 billion.

State Payment Schedule

The July payment is 16.67% of the estimated State School Fund grant with 8.33% in each of the following 10 months. There is no June payment. Adjustment for audited data occurs in the following year.

Other State School Fund Allocations

The 2007 Legislature allocated up to \$9.6 million of the State School Fund for nine programs and grants. Districts with small high schools are allocated \$5 million and certain state special education programs receive about \$17 million in the 2007-09 biennium.

School Improvement Fund

The School Improvement Fund has \$260 million in 2007-09 for distribution proportional to ADMw.

FORMULA GRANT PERCENTAGE BY DISTRICT SIZE 2006-07					
District Size by ADM	# of Districts	General Purpose	Transportation	High Cost Disability	Facility
0- 500	77	93.75%	6.20%	0.05%	0.00%
500- 1,000	32	94.50%	5.09%	0.20%	0.21%
1,000- 3,000	42	95.56%	4.21%	0.20%	0.03%
3,000- 5,000	18	95.62%	3.91%	0.18%	0.29%
5,000-10,000	16	95.60%	3.94%	0.22%	0.24%
10,000-30,000	9	95.51%	3.93%	0.37%	0.19%
30,000-50,000	3	95.47%	3.63%	0.55%	0.35%

ESD EQUALIZATION

STATE SCHOOL FUND DISTRIBUTION

General Services Revenue	=	Higher of	(1) Base Revenue X Percent to Balance (2) \$1 million
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Equalization

The ESD equalization formula determines each ESD's operating revenue from the State School Fund and local revenue. The allocation formula basically assumes that ESD revenue should be proportional to the equalization formula revenue of component school districts.

Revenue Share

The ESD share of both school district and ESD formula revenue is 4.75%. Formula revenue is State School Fund dollars available for distribution to school districts and ESDs and designated local revenue (primarily property taxes) included for each in the respective formulas. The K-12 equalization formula uses 95.25% of this total to allocate to school districts.

Component School Districts

The school districts within the boundary of an ESD are the ESD's component school districts.

General Services Revenue

General services revenue equals the district base revenue. The source is State School Fund revenue and the local revenue of the ESD.

General Services Revenue	=	State School Fund Grant	+	Local Revenue
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State School Fund Grant

The State School Fund Grant is the ESD's allocated general services amount less its local revenue.

Local Revenue

Local revenue is the sum of these two sources:

- Operating property tax collections (including prior years)
- State managed county trust timber (Chapter 530).

Excess Local Revenue

If an ESD's local revenue is greater than its general services revenue, then the State School Fund grant is zero. Any local revenue in excess of the allocation is distributed to component districts proportional to ADMw (extended) and is included as local revenue for them in the school formula the following year.

Base Revenue

The base revenue is 4.987% times the sum of the school formula revenue for the ESD's component districts. With the ESD total state and local share set at 4.75%, the ESD percent applied to the school district 95.25% must be more than 4.75% ($4.987\% \times 95.25\% = 4.75\%$).

Base Revenue	=	4.987%	X	Sum of Component School District Revenue
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By using school district formula revenue as the basis for allocating general services revenue, ESD equalization depends on the same factors as school district equalization. ESDs in their role of assisting component school districts are assumed to have the same relative need for funds as their school districts.

Minimum Base

The district minimum allocation is \$1 million beginning in 2007-08. If the base revenue allocation is initially less than \$1 million, the base is increased to the \$1 million minimum.

Percent to Balance

Applying the 4.987% to the sum of the component district formula revenue uses up the 4.75% of total revenue available for schools and ESDs. So if extra funds are necessary to meet the \$1 million minimum, then the higher total must be reduced to stay within the 4.75% of available funds. Multiplying allocated revenue excluding minimums by a percent slightly less than 100% brings the total down to available funds. The percentage has to be further reduced to allow up to \$550,000 per year for 10th grade assessment testing.

State Payment Schedule

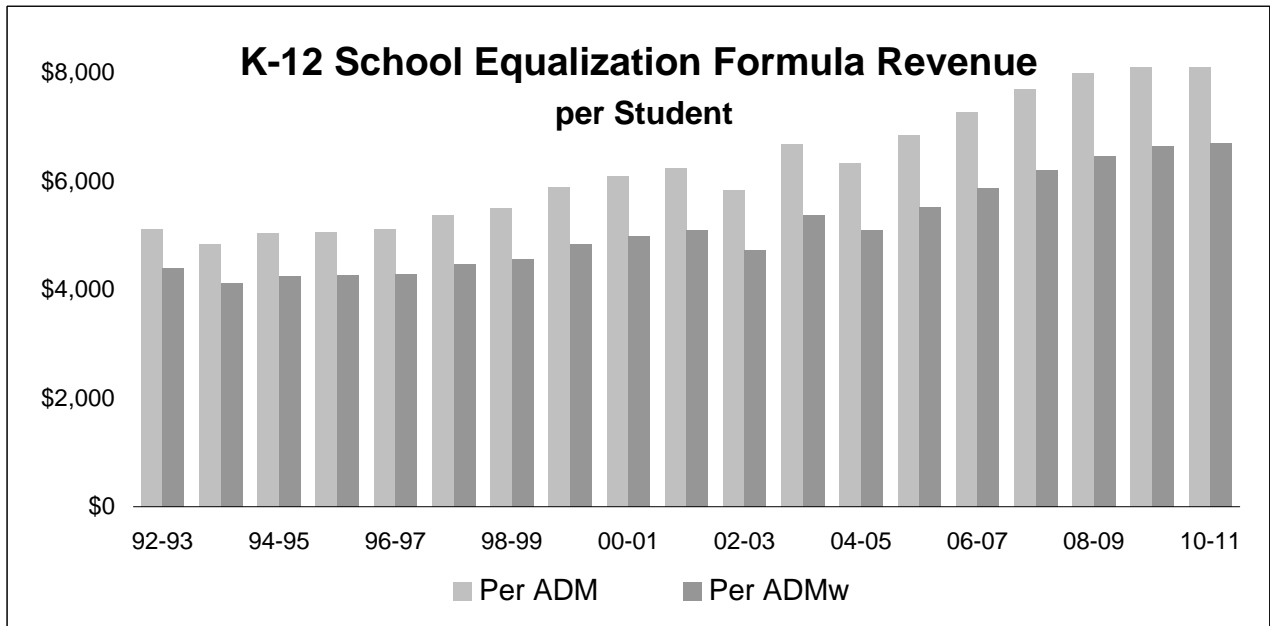
The July payment is 16.67% of the estimated State School Fund grant with 8.33% in each of the following 10 months. There is no June payment. Adjustments for audited data are made the following year.

ESD Students

The student count for an ESD is considered to be the sum of the students in its component school districts. However, the formula does not directly use an ESD student count.

K-12 SCHOOL EQUALIZATION FORMULA REVENUE Per Student

	Average Daily Membership				State School Fund and Formula Local Revenue			
	Unweighted (ADM)		Weighted (ADMw)		\$ Per ADM		\$ Per ADMw	
	#	Growth	#	Growth	\$	Change	\$	Change
	1992-93	486,829		566,858		5,120		4,397
1993-94	491,982	1.1%	578,602	2.1%	4,834	-5.6%	4,110	-6.5%
1994-95	495,076	0.6%	586,859	1.4%	5,043	4.3%	4,255	3.5%
1995-96	501,919	1.4%	595,547	1.5%	5,065	0.4%	4,268	0.3%
1996-97	508,579	1.3%	605,801	1.7%	5,109	0.9%	4,289	0.5%
1997-98	514,094	1.1%	616,998	1.8%	5,371	5.1%	4,475	4.3%
1998-99	517,348	0.6%	624,228	1.2%	5,501	2.4%	4,559	1.9%
1999-00	519,587	0.4%	632,895	1.4%	5,883	6.9%	4,830	5.9%
2000-01	522,753	0.6%	638,073	0.8%	6,091	3.5%	4,990	3.3%
2001-02	528,346	1.1%	647,960	1.5%	6,245	2.5%	5,092	2.0%
2002-03	530,653	0.4%	654,536	1.0%	5,831	-6.6%	4,727	-7.2%
2003-04	528,180	-0.5%	657,110	0.4%	6,686	14.7%	5,374	13.7%
2004-05	528,112	0.0%	656,239	-0.1%	6,329	-5.3%	5,093	-5.2%
2005-06	531,074	0.6%	658,863	0.4%	6,856	8.3%	5,527	8.5%
2006-07	532,927	0.3%	661,235	0.4%	7,282	6.2%	5,869	6.2%
2007-08 Est.	533,584	0.1%	661,743	0.1%	7,694	5.7%	6,204	5.7%
2008-09 Est.	536,243	0.5%	663,587	0.3%	7,997	3.9%	6,462	4.2%
2009-10 Est.	537,852	0.3%	665,437	0.3%	8,233	3.0%	6,655	3.0%
2010-11 Est.	539,465	0.3%	667,292	0.3%	8,286	0.6%	6,699	0.7%



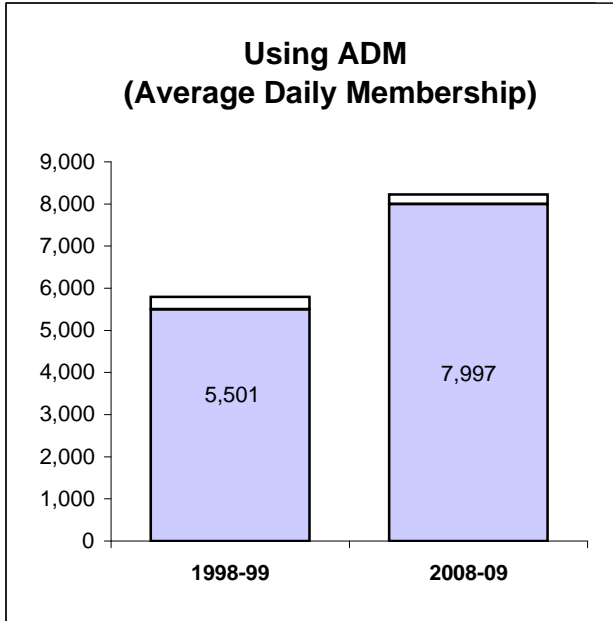
Notes:

Excludes revenue outside the school formula like school improvement funds, lottery revenue bonds and federal funds.
ADMw is extended ADMw (higher of current or prior year ADMw).

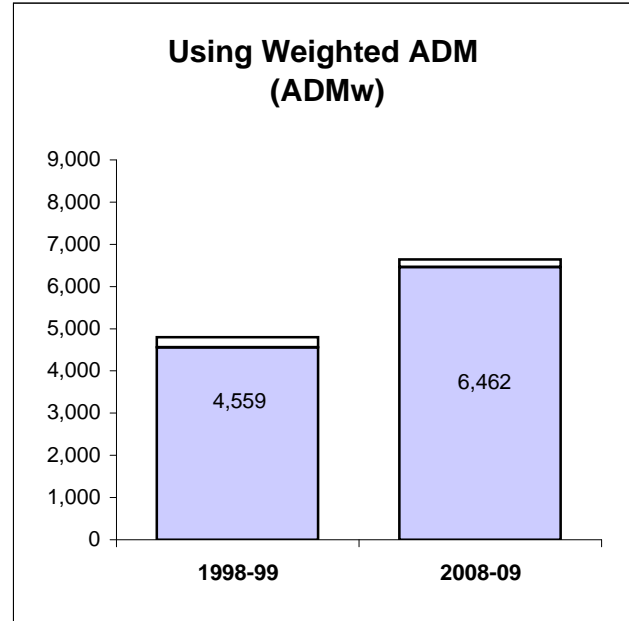
Includes students in the state youth corrections program beginning in 1997-98.

Includes students in the state youth detention program beginning in 2001-02.

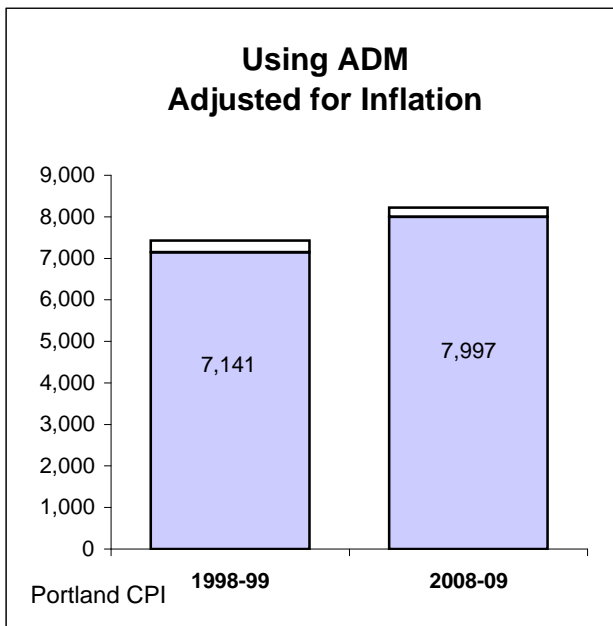
K-12 SCHOOL FINANCIAL TRENDS STATE AND LOCAL FORMULA REVENUE PER STUDENT 10 Year Comparison



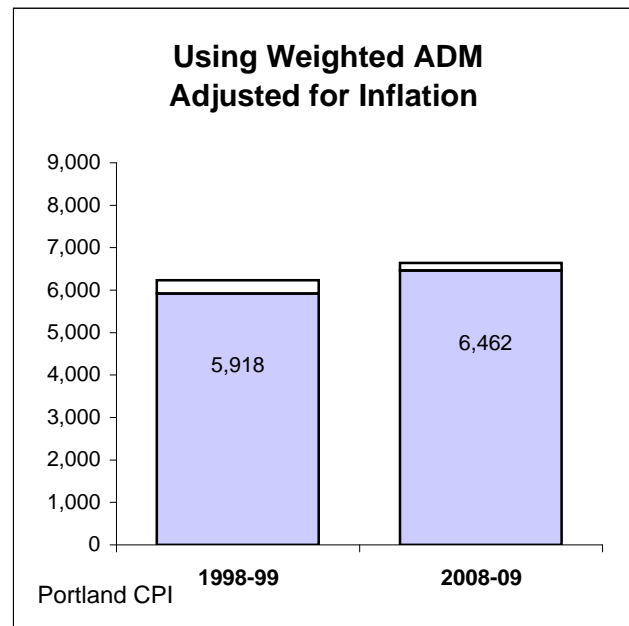
Revenue per student increases about 45%.



Revenue per weighted student increases about 42%.



Revenue per student adjusted for inflation increases about 12%.



Revenue per weighted student adjusted for inflation increases about 9%.

Note: 2008-09 numbers are estimates of student counts, local revenue and inflation.

The top part of the bar is 1998-99 bond revenue and 2008-09 appropriated School Improvement Fund dollars.

K-12 and ESD REVENUE HISTORY

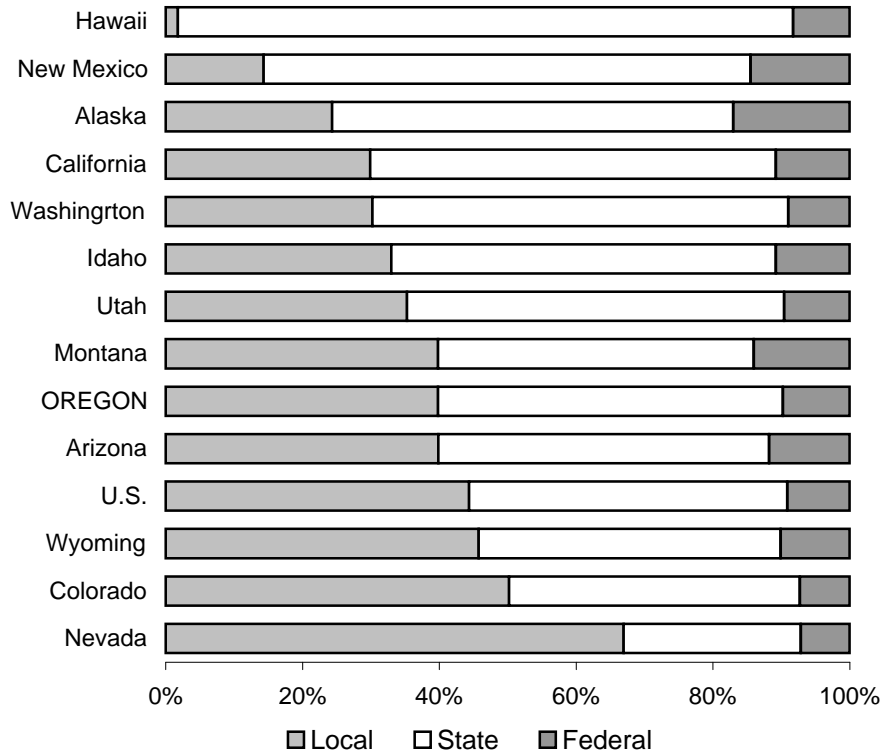
Summary of State School Fund and Local Formula Revenue

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Source									Estimates		Governor's Budget	
State												
State School Fund	\$2,246.2	\$2,339.2	\$2,429.0	\$2,146.9	\$2,589.8	\$2,326.3	\$2,566.6	\$2,737.7	\$2,917.6	\$3,070.2	\$3,203.2	\$3,187.7
Local K-12												
Property and Timber Taxes	845.6	873.4	922.7	970.2	1,003.4	1,049.4	1,093.6	1,167.5	1,222.5	1,281.0	1,301.3	1,353.8
Other Local	84.0	84.0	77.0	94.0	77.5	98.9	112.2	120.2	121.9	100.3	76.7	76.0
Excluded from Formula	<u>-23.1</u>	<u>-22.1</u>	<u>-22.6</u>	<u>-19.5</u>	<u>-19.5</u>	<u>-21.7</u>	<u>0.0</u>	<u>-15.8</u>	<u>-16.5</u>	<u>-17.3</u>	<u>0.0</u>	<u>0.0</u>
	906.4	935.3	977.2	1,044.8	1,061.3	1,126.6	1,205.8	1,271.9	1,327.9	1,364.0	1,378.1	1,429.8
Local ESD												
Property Tax	61.8	63.2	66.6	70.1	72.2	75.1	79.4	83.3	87.0	91.1	93.9	97.7
Shared with K-12	<u>-3.9</u>	<u>-3.8</u>	<u>-3.6</u>	<u>-3.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-1.4</u>	<u>-1.3</u>	<u>-1.3</u>	<u>-1.3</u>
	57.8	59.3	62.9	66.9	72.2	75.1	79.4	83.3	85.6	89.8	92.6	96.4
Total Sources	3,210.5	3,333.8	3,469.1	3,258.6	3,723.3	3,527.9	3,851.7	4,092.8	4,331.1	4,524.0	4,673.9	4,713.8
Revenue Allocation												
ESD												
Districts	148.7	148.7	157.3	145.8	176.1	170.6	192.0	191.8	204.5	213.6	220.5	222.6
OPEN Technology/Testing	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.6	0.6
K-12 School												
Categorical Grants	0.4	0.4	0.4	0.4	0.0	0.0	1.0	1.0	4.8	4.8	7.3	2.8
Small High School Grants			4.6	4.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
State Special Education			7.2	7.4	7.3	7.1	7.2	9.8	8.0	8.4	9.8	9.8
Youth Corrections & Detention	10.6	10.9	13.0	12.1	11.0	10.3	11.0	11.9	12.0	12.5	12.0	12.5
District Equalization Formula	3,046.0	3,173.1	3,286.3	3,081.9	3,520.3	3,331.9	3,630.3	3,869.0	4,093.3	4,275.7	4,416.2	4,457.5
Misc. & Prior Year Corrections	0.5	-0.4	0.2	6.4	6.0	5.4	7.6	6.9	5.5	6.0	5.0	5.5
State												
Over Cap for Lottery Bonds	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Allocation	3,210.5	3,333.8	3,469.1	3,258.6	3,723.3	3,527.9	3,851.7	4,092.8	4,331.1	4,524.0	4,673.9	4,713.8
Other State Revenue												
K-12 Lottery-Backed Bonds	56.0	71.0	0.0	0.0	0	0	0	0	0	0	0	0
K-12 Other/School Improvement	27.0	27.0	108.0	0.0	0.0	0.0	0.0	0.0	126.6	133.4	0.0	0.0

Notes: Dollars in millions.

2005-06 REVENUE PER STUDENT WESTERN STATES COMPARISON BY SOURCE

State	Rank	Total	Local	State	Federal
Hawaii	5	14,789	265	13,301	1,223
Wyoming	8	13,614	6,230	6,007	1,378
Alaska	10	12,849	3,123	7,541	2,185
U.S.		10,601	4,702	4,930	968
California	28	9,909	2,959	5,879	1,070
OREGON	29	9,829	3,913	4,957	959
New Mexico	33	9,636	1,381	6,859	1,397
Washington	35	9,457	2,857	5,750	851
Montana	36	9,439	3,755	4,359	1,324
Colorado	37	9,322	4,679	3,962	681
Nevada	41	8,965	6,000	2,325	640
Arizona	46	8,071	3,217	3,904	950
Idaho	50	7,289	2,402	4,099	788
Utah	51	6,769	2,388	3,732	650



Source: National Center for Education Statistics, Revenue, 2005-06

Notes: Numbers may not be completely comparable due to state definitional differences.

Students is fall enrollment.

Includes intermediate in local.

HIGHWAY and TRANSPORTATION TAXES

Highway finance interacts with several aspects of Transportation policy and regulations. However, the following major revenue sources constitute the five pillars of Highway finance in Oregon:

Fuel taxes include Motor Fuel Tax (gasoline) and Use fuel tax (diesel, natural gas, etc.) currently at 24 cents per gallon. Motor Fuel Tax is paid by the wholesaler and is included in the price at the pump. Non-highway or exempt use can apply for refunds of the taxes they paid. Use Fuel tax is paid by the retailer when purchased for highway use. Heavy vehicles pay the weight-mile taxes and not fuel tax.

Weight-Mile taxes (WMT) on heavy vehicles (trucks) are paid monthly to the Motor Carrier Transportation Division of the Department of Transportation for each mile traveled on Oregon roads. The cost per mile is based on the declared gross weight of the truck. The rate schedule ranges, in 2,000-pound increments, from 26,000 to 105,500. The rates increase from 4.00 cents per mile to 13.16 cents per mile for trucks below 80,000 pounds. The rate for trucks over 80,000 increases inversely with the number of axles. Log, sand and gravel, and wood chip trucks may elect to pay monthly fees in lieu of weight-mile taxes (flat fees). These are based on gross vehicle weight and do not vary with miles traveled.

Motor vehicle registration fees are imposed on cars and trucks. Cars and other vehicles under 8,000 pounds pay a \$54 biennial fee (new vehicles: \$108 for 4 years). Trucks pay a fee based on gross weight. These fees range from \$169 to \$636 with reduced fees for nonprofit organizations, tow trucks, and farm vehicles.

Vehicle Titling Fees are imposed on cars and trucks. Vehicles under 26,000 pounds pay \$55 and vehicles over 26,000 pounds pay \$90.

Bonding, which has been low in Oregon historically, was increased by HB 2142 (2001), HB 4010 (2002, First Special Session), and by HB 2041 (2003). As an outcome of the 2001 legislative session, HB 2142 (OTIA I) dedicated \$71.2 million a biennium for debt service on \$400 million bonds for modernization projects. HB 4010 (2002) took an advantage of lower interest rates and increased the limit on net proceeds to \$500 million. HB 2041 (2003) increased most fees and tax rates to provide debt service for \$1.6 billion in bond proceeds for bridge repair and replacement, and \$300 million in net proceeds for highway modernization. These three bonding programs are known as Oregon Transportation Improvement Act (OTIA) I, II, and III respectively.

The above revenue sources supply most state funds available for highways. There are numerous other special fees such as recreational vehicles and motor homes registration fees, personalized license plates, and driver's licenses. The different fees address multiple interests of the operation or regulation of the transportation system, and some of the fees are dedicated to non-highway uses.

The Oregon Constitution requires all tax revenues collected upon ownership or operation of motor vehicles (except recreational vehicle) be used for road related expenditures. In 1999, the cost responsibility clause was added to require that light and heavy vehicles pay fees in proportion to the costs exacted on the system by each vehicle class.

Highway Fund

Net revenues from the dedicated taxes and fees are deposited in the Highway Fund. The Highway Fund is distributed among the state, cities and counties for road construction and maintenance. Moneys distributed among counties in proportion to vehicle registrations, while city distributions are in proportion to population. As a result of the three OTIA legislations mentioned above, ODOT will have to track revenues separately before and after the different legislations for registration fees and

titles with their heavy vehicle equivalents. Increases for various license and other fees need to be tracked before and after the HB 2041. The different distribution formulas for these revenues are shown in the table below. The Base includes all revenues from taxes and fees before the increases in HB 2142 and HB 2041. The distribution for OTIA is any excess of the \$71.2 million that is not required for debt service. In the case of the Bridge distribution (OTIA III), any revenue not used for debt service goes to the indicated jurisdiction. The 2003 session also allocated a small number of vehicle and driver transaction to be distributed to cities and counties with 60% to 40% split.

HIGHWAY FUND DISTRIBUTION

Recipient	Base	OTIA	Bridge*	Misc.
State	60.05%	50%	57.53%	0%
Counties	24.38%	30%	25.48%	60%
Cities	15.57%	20%	16.99%	40%

* All revenues go to ODOT for debt service on bonded projects in the indicated jurisdictions.

Total Transportation Revenue

The table below shows total revenue to the Department of Transportation by selected categories. These include revenue for transit and rail in addition to revenue for highways.

Total Transportation Revenue (millions of dollars)						
	Actual Revenue				Estimate	Legislative Adopted
Revenue Source	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09
Beginning Balance	114.2	53.6	160.6	453.3	300.9	392.7
Revenues						
Fuel Taxes	800.8	808.6	824.8	839.8	857.5	889.8
Weight-Mile Taxes	477.8	429.8	390.3	436.9	483.5	506.1
Driver & Vehicle Licenses	218.1	228.7	304	446.5	489.1	501.3
General Fund	0.7	19.9	17.1	3.9	8.6	4.5
Federal Funds	602.2	584.8	671.6	748.1	731.6	863.5
Lottery	20.2	17.6	6	20.7	24.1	46.5
Bond & COP Proceeds	16.4	58.5	291.2	443	620.8	908.6
All Other	172.8	172.8	220.2	243.6	235.4	263.56
Total Revenue	2,309.0	2,320.7	2,725.2	3,182.5	3,450.6	3,983.9
Total Resources	2,423.2	2,374.3	2,885.8	3,635.8	3,751.5	4,376.6

Source: ODOT Program Budget.

The following two tables show gross tax collections from state imposed highway user fees and the amounts distributed for expenditure on roads by the state, cities and counties. Page H-5 shows fuel tax rates by state and page H-6 shows motor carrier fees and taxes by state for an 80,000-pound vehicle, as well as two other sources for Diesel tax.

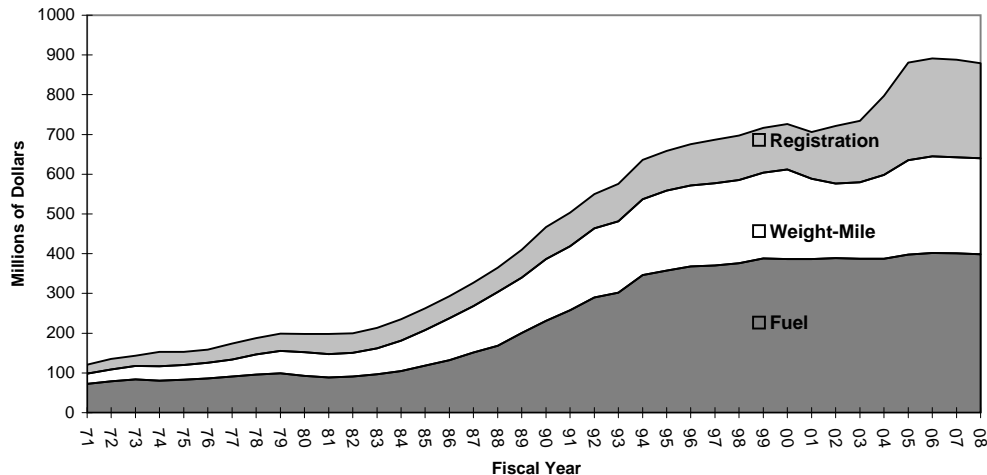
MOTOR VEHICLE AND FUEL TAX REVENUES

Gross Tax Collections* (millions)

Fiscal Year	Fuel Tax		Weight-Mile Tax		Registration & License		Total Collections	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	Growth
1970-71	72.7	60.2%	25.9	21.4%	22.2	18.4%	120.8	
1971-72	78.6	58.1%	30.4	22.5%	26.3	19.4%	135.3	12.0%
1972-73	83.4	58.1%	34.1	23.8%	26.0	18.1%	143.5	6.1%
1973-74	80.4	52.7%	36.2	23.7%	36.0	23.6%	152.6	6.3%
1974-75	82.7	54.1%	37.0	24.2%	33.1	21.7%	152.8	0.1%
1975-76	86.1	54.2%	39.3	24.7%	33.5	21.1%	158.9	4.0%
1976-77	90.6	52.1%	43.3	24.9%	40.0	23.0%	173.9	9.4%
1977-78	95.7	51.1%	50.8	27.1%	40.7	21.7%	187.2	7.6%
1978-79	99.2	49.8%	56.5	28.4%	43.3	21.8%	199.0	6.3%
1979-80	92.4	46.6%	60.1	30.3%	45.9	23.1%	198.4	-0.3%
1980-81	88.8	44.8%	58.8	29.6%	50.8	25.6%	198.4	0.0%
1981-82	90.6	45.4%	60.0	30.1%	48.9	24.5%	199.5	0.6%
1982-83	96.6	45.2%	65.2	30.5%	51.9	24.3%	213.7	7.1%
1983-84	104.9	44.6%	76.4	32.5%	54.1	23.0%	235.4	10.2%
1984-85	118.6	45.2%	89.1	34.0%	54.7	20.8%	262.4	11.5%
1985-86	132.0	45.1%	105.6	36.1%	55.1	18.8%	292.7	11.5%
1986-87	151.5	46.3%	116.6	35.6%	59.0	18.0%	327.1	11.8%
1987-88	168.3	46.1%	135.0	37.0%	61.6	16.9%	364.9	11.6%
1988-89	200.6	48.9%	139.5	34.0%	69.7	17.0%	409.9	12.3%
1989-90	231.1	49.5%	155.3	33.3%	80.5	17.2%	467.0	13.9%
1990-91	257.6	51.2%	161.1	32.0%	84.5	16.8%	503.2	7.8%
1991-92	290.2	52.8%	173.2	31.5%	86.2	15.7%	549.6	9.2%
1992-93	302.3	52.5%	179.1	31.1%	94.5	16.4%	575.9	4.8%
1993-94	345.9	54.4%	191.4	30.1%	98.6	15.5%	635.9	10.4%
1994-95	357.8	54.3%	201.3	30.6%	99.5	15.1%	658.6	3.6%
1995-96	368.1	54.5%	203.3	30.1%	104.1	15.4%	675.6	2.6%
1996-97	370.2	53.9%	206.9	30.1%	109.3	15.9%	686.4	1.6%
1997-98	375.6	53.9%	209.9	30.1%	111.3	16.0%	696.9	1.5%
1998-99	387.9	54.1%	215.7	30.1%	113.1	15.8%	716.7	2.8%
1999-00	386.4	53.2%	225.4	31.0%	114.6	15.8%	726.4	1.4%
2000-01	386.2	54.7%	202.7	28.7%	117.6	16.6%	706.5	-2.7%
2001-02	388.8	53.9%	187.9	26.0%	144.7	20.1%	721.4	2.1%
2002-03	387.0	52.7%	192.4	26.2%	154.7	21.1%	734.1	1.8%
2003-04	387.3	48.6%	211.2	26.5%	199.0	25.0%	797.5	8.6%
2004-05	398.1	45.2%	237.0	26.9%	245.4	27.9%	880.5	10.4%
2005-06	401.6	45.0%	243.0	27.3%	247.0	27.7%	891.6	1.3%
2006-07	400.7	45.1%	242.0	27.3%	245.2	27.6%	887.9	-0.4%
2007-08	398.4	45.3%	241.6	27.5%	239.6	27.2%	879.6	-0.9%

* Exclusive of dedicated revenue such as recreational vehicle fees and custom license plates.

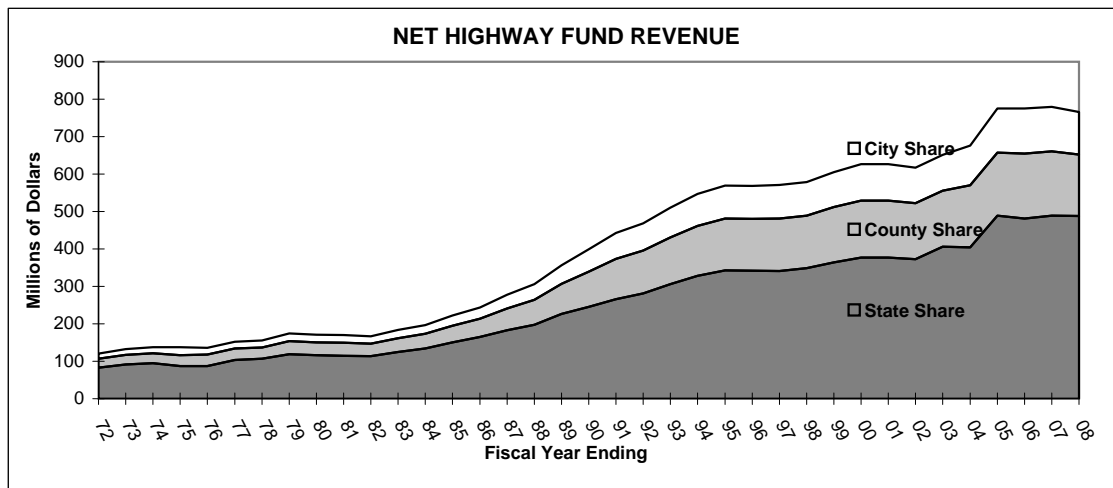
MOTOR VEHICLE AND FUEL TAX REVENUE



NET HIGHWAY FUND REVENUE
(millions)

Fiscal Year	Total Highway Fund	Less Transfers to		Net State Revenue	Highway Fund Growth
		Cities	Counties		
1971-72	120.8	14.0	23.8	83.0	7.5%
1972-73	132.5	15.1	25.8	91.6	9.7%
1973-74	138.0	16.3	27.1	94.6	4.2%
1974-75	137.6	21.1	28.9	87.6	-0.3%
1975-76	136.2	18.6	30.8	86.8	-1.0%
1976-77	152.5	18.4	30.5	103.6	12.0%
1977-78	155.5	18.4	30.6	106.5	2.0%
1978-79	174.7	21.1	35.1	118.5	12.3%
1979-80	170.8	20.7	34.1	116.0	-2.2%
1980-81	170.3	21.0	34.6	114.7	-0.3%
1981-82	166.7	19.9	32.9	113.9	-2.1%
1982-83	184.0	22.4	36.9	124.7	10.4%
1983-84	196.6	23.4	38.9	134.3	6.8%
1984-85	221.9	27.0	44.3	150.6	12.9%
1985-86	243.8	29.9	49.2	164.7	9.9%
1986-87	277.4	36.3	58.4	182.7	13.8%
1987-88	305.6	41.3	66.6	197.7	10.2%
1988-89	356.6	50.0	80.0	226.6	16.7%
1989-90	399.1	59.8	94.4	244.9	11.9%
1990-91	442.9	69.0	108.1	265.8	11.0%
1991-92	468.8	73.1	114.5	281.2	5.8%
1992-93	510.2	79.4	124.4	306.4	8.8%
1993-94	546.9	85.1	133.3	328.5	7.2%
1994-95	569.5	88.2	138.3	343.0	4.1%
1995-96	568.8	88.3	138.5	342.0	-0.1%
1996-97	571.0	89.6	140.6	340.8	0.4%
1997-98	578.7	89.6	140.6	348.5	1.4%
1998-99	605.3	93.7	147.1	364.5	4.6%
1999-00	626.1	97.0	152.2	377.0	3.4%
2000-01	626.4	97.0	152.2	377.2	0.0%
2001-02	617.4	95.3	149.2	372.9	-1.4%
2002-03	651.7	95.9	150.2	405.6	5.5%
2003-04	675.9	106.2	165.5	404.2	3.7%
2004-05	774.9	117.8	168.5	488.6	14.6%
2005-06	775.4	120.4	174.0	481.0	0.1%
2006-07	779.8	118.8	172.3	488.7	0.6%
2007-08	765.5	113.5	163.9	488.1	-1.8%

Source: Oregon Department of Transportation



Motor Fuel Tax Rates (cents per gallon)

January 1, 2008

State	Gasoline Tax Rates				Diesel Fuel Tax Rates				Gasohol Tax Rates				Add Sales	
	Excise	Add'l	Total	Rank	Excise	Add'l	Total	Rank	Excise	Add'l	Total	Rank	Tax	Other
Alabama /1	16	2	18	39	19		19	36	16	2	18	39		Inspection fee
Alaska	8		8	51	8		8	51	8		8	51		
Arizona /3	18		18	39	18		18	39	18		18	39		
Arkansas	21.5		21.5	23	22.5		22.5	24	21.5		21.5	22		
California	18		18	39	18		18	39	18		18	39	Y	
Colorado	22		22	21	20.5		20.5	29	22		22	21		
Connecticut	25		25	11	37		37	2	25		25	10		
Delaware /5	23		23	19	22		22	26	23		23	19		Plus 0.5% GRT
District of Columbia	20		20	29	20		20	30	20		20	27		
Florida /2	4	11.6	15.6	48	16.8	12.2	29	8	4	11.6	15.6	48	Y	
Georgia	7.5	11	18.5	37	7.5	12.3	19.8	34	7.5	11	18.5	37	Y	
Hawaii /1	17		17	45	17		17	45	17		17	45	Y	
Idaho /7	25	1	26	10	25	1	26	13	22.5	1	23.5	17		Clean water tax fee
Illinois /1,3	19	1.1	20.1	28	21.5	1.1	22.6	23	19	1.1	20.1	26	Y	
Indiana /3	18		18	39	16		16	46	18		18	39	Y	
Iowa	20.7		20.7	27	22.5		22.5	24	19		19	34		
Kansas /8	24		24	15	26		26	13	24		24	14		
Kentucky /3,4	19.6	1.4	21	25	16.6	1.4	18	39	19.6	1.4	21	24		Environmental fee
Louisiana	20		20	29	20		20	30	20		20	27		
Maine /5	27.6		27.6	8	28.8		28.8	9	27.6		27.6	8		
Maryland	23.5		23.5	18	24.25		24.25	17	23.5		23.5	17		
Massachusetts	21		21	25	21		21	28	21		21	24		
Michigan	19		19	35	15		15	48	19		19	34	Y	
Minnesota	20		20	29	20		20	30	20		20	27		
Mississippi	18	0.4	18.4	38	18	0.4	18.4	37	18	0.4	18.4	38		Environmental fee
Missouri	17	0.55	17.55	43	17	0.55	17.55	42	17	0.55	17.55	43		Inspection fee
Montana	27		27	9	27.75		27.75	11	27		27	9		
Nebraska /5	23	0.9	23.9	17	23	0.3	23.3	19	23	0.9	23.9	16		Petroleum fee
Nevada /1	24	0.055	24.055	14	27		27	12	24	0.055	24.055	13		Inspection fee
New Hampshire	18	1.625	19.625	34	18	1.625	19.625	35	18	1.625	19.625	33		Oil discharge cleanup fee
New Jersey	10.5	4	14.5	49	13.5	4	17.5	43	10.5	4	14.5	49		Petroleum fee
New Mexico /8	17	1.875	18.875	36	21	1.875	22.875	21	17	1.875	18.875	36		Petroleum loading fee
New York	8	16.4	24.4	13	8	14.65	22.65	22	8	16.4	24.4	12	Y	Petrol. Tax
North Carolina /4	29.9	0.25	30.15	6	29.9	0.25	30.15	7	29.9	0.25	30.15	6		Inspection tax
North Dakota	23		23	19	23		23	20	23		23	19		
Ohio	28		28	7	28		28	10	28		28	7		Plus 3 cents commerical
Oklahoma	16	1	17	45	13	1	14	49	16	1	17	45		Environmental fee
Oregon /1	24		24	15	24	0.0	24	18	24	0	24	14		
Pennsylvania	12	19.2	31.2	4	12	26.1	38.1	1	12	19.2	31.2	4		Oil franchise tax
Rhode Island	30	1	31	5	30	1	31	6	30	1	31	5		LUST tax
South Carolina	16		16	47	16		16	46	16		16	47		
South Dakota /1	22		22	21	22		22	26	20		20	27		
Tennessee /1	20	1.4	21.4	24	17	1.4	18.4	37	20	1.4	21.4	23		Petroleum Tax & Envir. Fee
Texas	20		20	29	20		20	30	20		20	27		
Utah	24.5		24.5	12	24.5		24.5	16	24.5		24.5	11		
Vermont	19	1	20	29	25	1	26	13	19	1	20	27		Petroleum cleanup fee
Virginia /1,6	17.5		17.5	44	17.5		17.5	43	17.5		17.5	44		
Washington/8	36		36	1	36		36	3	36		36	1		0.5% privilege tax
West Virginia	20.5	11.7	32.2	3	20.5	11.7	32.2	5	20.5	11.7	32.2	3	Y	
Wisconsin /5	30.9	2	32.9	2	30.9	2	32.9	4	30.9	2	32.9	2		Petroleum Inspection fee
Wyoming	13	1	14	50	13	1	14	49	13	1	14	50		License tax
Federal /7	18.3	0.1	18.4		24.3	0.1	24.4		13	0.1	13.1			

SOURCE: Compiled by FTA from various sources.

/1 Tax rates do not include local option taxes. In AL, 1 - 3 cents; HI, 8.8 to 18.0 cent; IL, 5 cents in Chicago and 6 cents in Cook county (gasoline only); /7 LUST tax

NV, 4.0 to 9.0 cents; OR, 1 to 3 cents; SD and TN, one cent; and VA 2%. NV, 1.75 to 7.75 cents; OR, 1 to 3 cents; SD and TN, one cent; and VA 2%.

/2 Local taxes for gasoline and gasohol vary from 9.7 cents to 17.7 cents. Plus a 2.07 cent per gallon pollution tax.

/3 Carriers pay an additional surcharge equal to AZ-8 cents, IL-6.3 cents (g) 6.0 cents (d), IN-11 cents, KY-2% (g) 4.7% (d).

/4 Tax rate is based on the average wholesale price and is adjusted quarterly. The actual rates are: KY, 9%; and NC, 17.5¢ + 7%.

/5 Portion of the rate is adjustable based on maintenance costs, sales volume, or inflation.

/6 Large trucks pay an additional 3.5 cents.

/7 Tax rate is reduced by the percentage of ethanol used in blending (reported rate assumes the max. 10% ethanol).

/8 Tax rate scheduled to increase to 34 cents on July 1, 2006.

**2006
State Motor Carrier Registration Fees
80,000 Pound Vehicle (GVW)**

State	Dollars per Vehicle	State Ranking
Alabama	\$835	41
Alaska	\$333	48
Arizona	\$5,679	1
Arkansas	\$1,357	22
California	\$2,399	5
Colorado	\$3,085	4
Connecticut	\$1,581	17
Delaware	\$1,280	26
Florida	\$979	36
Georgia	\$725	44
Hawaii*	\$170	50
Idaho	\$3,375	2
Illinois	\$3,199	3
Indiana	\$2,007	7
Iowa	\$795	43
Kansas	\$1,770	11
Kentucky	\$1,729	13
Louisiana	\$504	46
Maine	\$1,271	27
Maryland	\$1,300	25
Massachusetts	\$1,255	28
Michigan	\$1,690	15
Minnesota	\$1,760	12
Mississippi	\$1,822	10
Missouri	\$1,725	14
Montana	\$939	38
Nebraska**	\$931	39
Nevada	\$1,668	16
New Hampshire	\$1,155	31
New Jersey	\$1,223	30
New Mexico	\$174	49
New York	\$991	35
North Carolina	\$1,254	29
North Dakota	\$1,079	33
Ohio	\$1,399	20
Oklahoma	\$959	37
Oregon	\$499	47
Pennsylvania	\$1,535	18
Rhode Island	\$1,056	34
South Carolina	\$809	42
South Dakota	\$1,311	23
Tennessee	\$1,371	21
Texas	\$855	40
Utah***	\$671	45
Vermont	\$1,950	8
Virginia	\$1,085	32
Washington	\$1,842	9
West Virginia	\$1,421	19
Wisconsin	\$2,011	6
Wyoming	\$1,303	24

**2006
Weight-Mile Tax Rates
(per mile) 80,000 lbs.**

State	Tax Rate	State Ranking
Kentucky	\$0.0285	4
New Mexico	\$0.0438	3
New York	\$0.0546	2
Oregon	\$0.1316	1
Oregon does not levy Diesel Tax on heavy trucks.		

Source: Trucking Permit Guide, J.J. Keller & Associates, Inc.

**2006
Diesel Tax Rates**

State	Tax Rate	State Ranking
Alabama	\$0.190	39
Alaska	\$0.080	49
Arizona	\$0.260	19
Arkansas	\$0.228	30
California	\$0.330	6
Colorado	\$0.205	34
Connecticut	\$0.415	1
Delaware	\$0.220	31
Florida	\$0.300	9
Georgia	\$0.152	46
Hawaii	\$0.160	45
Idaho	\$0.250	22
Illinois	\$0.350	4
Indiana	\$0.270	17
Iowa	\$0.235	27
Kansas	\$0.260	20
Kentucky	\$0.236	26
Louisiana	\$0.200	35
Maine	\$0.291	11
Maryland	\$0.243	24
Massachusetts	\$0.210	32
Michigan	\$0.288	12
Minnesota	\$0.200	36
Mississippi	\$0.184	40
Missouri	\$0.170	43
Montana	\$0.285	13
Nebraska	\$0.274	16
Nevada	\$0.278	15
New Hampshire	\$0.206	33
New Jersey	\$0.175	42
New Mexico	\$0.229	29
New York	\$0.365	3
North Carolina	\$0.299	10
North Dakota	\$0.230	28
Ohio	\$0.280	14
Oklahoma	\$0.130	48
Oregon	\$0.000	50
Pennsylvania	\$0.381	2
Rhode Island	\$0.300	8
South Carolina	\$0.168	44
South Dakota	\$0.240	25
Tennessee	\$0.184	41
Texas	\$0.200	37
Utah	\$0.245	23
Vermont	\$0.260	21
Virginia	\$0.199	38
Washington	\$0.340	5
West Virginia	\$0.270	18
Wisconsin	\$0.329	7
Wyoming	\$0.140	47

Source: The State Laws Newsletter

This source is used by the ATA (American Trucking Association)

Source: Trucking Permit Guide, J.J. Keller & Associates, Inc.

Note: Assumes intrastate for-hire carrier registering 2000 model year 3-S2 tractor semi trailer combination with gross vehicle weight of 80,000 lbs. and unladen weight of 46,000 lbs.

* Hawaii: Does not include applicable county registration and weight taxes.

** Nebraska: In addition each county assesses a motor vehicle tax and motor vehicle fee.

*** Utah based carriers are required to pay an additional ad valorem tax.

TIMBER TAXATION

A Brief History

Prior to 1929, all private forestland in Oregon (8 million acres) was taxed based on the value of standing timber and the land beneath it. Between 1929 and 1977, an optional Forest Fee and Yield tax was allowed for qualified reforestation lands (860,000 acres) in lieu of property taxes. In 1947, a Forest Products Harvest Tax was imposed per thousand board feet on all merchantable harvests from both public and private land (first 25,000 bf exempt). In 1961 legislation, the Western Oregon Small Tract Optional Tax (WOSTOT) allowed small forestland owners to pay property tax on the productivity value of qualified forestland (200,000 acres). Beginning in 1962 (eastern Oregon) and in 1978 (western Oregon), severance taxes were imposed on the value of timber harvested in lieu of property tax on the value of standing timber (not applicable to forestland under WOSTOT). The 1977 Legislature repealed the Forest Fee and Yield Tax, returning the reforestation lands to the regular program phased in over the next 20 years. State collected severance taxes were distributed to local taxing districts as an offset to property taxes.

In 1991, in response to Measure 5 (1990), severance taxes were converted to privilege taxes with temporary rate reductions. The 1993 Legislature exempted standing timber from property tax, set new statutory forestland values, assessed forestland at 20% of the statutory value, reduced privilege tax rates, and completed the transition for reforestation lands. Privilege taxes were imposed in lieu of property tax on 80% of forestland value.

Under Measure 50 (1997), WOSTOT productivity values were converted to statutory forestland values and maximum assessed values were established for all forestland (see RR #6-00 for more detail). The 1999 Legislature phased in a new program for forestland in ownerships of 5,000 or more acres and the 2001 Legislature extended this program to all forestland as of 2003. Forestland was assessed at 100% of the lesser of its maximum specially assessed value or its specially assessed value as determined by the Department of Revenue (Department). Privilege taxes were repealed. The 2003 Legislature passed HB 2197, which extended the 1999 phase in for one year for ownerships of less than 5,000 acres and created an optional Small Tract Forestland (STF) program (see below). The 2005 Legislature simplified the time requirements for filers who apply for a continued classification of a parcel as STF; and clarified that unless the Tax Assessor determines that the property does not constitute forestland, a disqualified STF parcel will automatically be qualified as either Western or Eastern Oregon forestland. A \$200 late filing fee was also enacted for applications for continued classification as STF parcels if the applications are filed after a 30 day notification period has ended.

Current Law

As of July 1, 2004 all forestland is subject to the Forest Products Harvest Tax and all private forestland is taxed under the Oregon Forestland program (sometimes referred to either as the 100% program or the industrial program) unless the owner elects to have qualified parcels taxed under the STF program. Under the Oregon Forestland program, forestland is assessed for property tax at the lesser of either its maximum specially assessed value or its specially assessed value as determined by the Department. There are no privilege or severance taxes imposed at the time of harvest other than the Forest Products Harvest Tax. The Forest Products Harvest Tax Rate is established annually.

Under the STF program, forestland has an assessed value equal to 20% of the specially assessed forestland values determined by the Department. The 2008-09 values are shown in the table below. The amount of tax that is not imposed due to the 80% reduction is recovered when a severance tax is applied to harvested timber. The severance tax applies to the net volume of logs from harvested timber. The Forest Products Harvest Tax also applies to this volume. The severance tax rates for calendar year 2008 are \$4.35 (Western Oregon) and \$3.40 (Eastern Oregon) per 1,000 board feet harvested. These rates are indexed annually in proportion to the increase in value of forestland in the Program in each area.

For a parcel of forestland to qualify for the STF program, it must be held in common ownership of at least 10 acres but less than 5,000 acres of Oregon forestland and meet minimum stocking and species requirements. The owner must apply to the relevant county assessor(s) and the application must include all forestland owned in contiguous parcels. Assessors must disqualify forestland from the STF program if it fails to meet minimum stocking and species requirements or becomes part of an ownership of less than 10 acres or more than 5,000 acres. Disqualification from the program is subject to additional taxes equal to the tax on the 80% of value not assessed while in the program to a maximum of 10 years.

The values per acre shown in the table below are the maximum assessed values for forest land in the Oregon Forestland program (OFP) and the value limits set in HB 2197 for forest land in the Small Tract Forestland program (STF).

2007-08 Limit on Per Acre Forestland Value		
Site Class by Region	OFP	STF
Western Oregon		
FA	\$521.66	\$103.53
FB	\$413.85	\$82.15
FC	\$346.60	\$68.64
FD	\$294.43	\$58.51
FE	\$195.89	\$38.26
FF	\$141.40	\$28.12
FG	\$59.11	\$11.23
FX	\$6.94	\$1.12
Eastern Oregon	\$59.11	\$11.23

The historically complex distribution system for privilege taxes has been eliminated. Property taxes on forestland are treated like any other property taxes. The severance taxes under the STF program are deposited to the appropriate Eastern or Western Oregon Timber Severance Tax Fund. After payment of administrative expense, the balance in each Fund is distributed to the State School Fund (60.5%), the Community College Support Fund (4.5%) on May 1st of each year, and to the counties in either eastern or western Oregon (35%) on August 15th following the end of the fiscal year.

As noted above, the Forest Products Harvest Tax applies to harvests of merchantable timber from both publicly and privately owned forestland. The tax is levied per 1,000 board feet of timber harvested and the tax rates are set to fund various forestry related activities as listed in the table below. The activities include OSU forestry research, fire protection fund, and administration of the Forest Practices Act and forest monitoring funded by the Department of Forestry. The 'Other' rates include \$1.75 (11 months) for salmon reclamation and \$0.15 for

assistance to nonindustrial landowners. Rates shown for the Oregon Forest Research Institute (OFRI) in 2009 are subject to change by the governing board of the institute. The statutory rate for fire suppression is \$0.625 but the State Forester may suspend this rate if the balance in the Forest Land Protection Fund is estimated to exceed \$15 million for a calendar year or increase the rate if additional funding is required.

FOREST PRODUCTS HARVEST TAX RATES					
Year	OSU Research	Protection Fund	Forest Practices	OFRI	Other
1990-91	\$0.21	\$0.30	\$0.16	-	-
1991-92	0.3	0.5	0.53	\$0.31	-
1992-93	0.3	0.66	0.53	0.31	-
1993.2, 3	0.4	0.66	0.77	0.31	-
1994	0.4	0.66	0.77	0.31	-
1995	0.4	0.66	0.77	0.31	-
1996	0.5	0.5	0.6	0.51	-
1997	0.5	0.5	0.6	0.51	-
1998	0.55	0.5	0.7	0.51	\$1.75
1999	0.55	0.5	0.7	0.79	-
2000	0.67	0.5	1.08	0.79	0.15
2001	0.67	-	1.08	0.79	0.15
2002	0.67	0.5	0.91	0.79	
2003	0.67	0.5	0.91	0.79	
2004	0.67	0.5	0.79	0.99	
2005	0.67	0.5	0.79	0.89	
2006	0.67	0.5	0.55	0.89	
2007	0.67	0.5	0.55	0.89	
2008	0.92	0.625	1.1456	0.89	

Local Revenues from Federally-Owned Forest Lands.

Notwithstanding the importance of the Forest Products Harvest Tax and Severance Tax revenues to the state and to local taxing districts, among certain counties primarily located in the SW, federally-owned forestlands are a critical revenue source. Under federal law, harvested timber from federally-owned lands must be shared with the state and counties in which the federally-owned forestlands are located. On October 30, 2000, Congress passed Public Law 106-393 (the Secure Rural School and Community Self-Determination Act of 2000, commonly known as "Payments to States") in order to offset the effect of decreased revenues available to counties from declining timber harvests on federal lands.. In FY 2007-08, estimated federal forest payments totaled \$238 million. When these payments are not extended after four years, several counties located in SW Oregon will lose about 85% of these revenues. In addition, these counties will be unable to recoup their losses by imposing additional property taxes because of very low permanent rates under Measure 50.

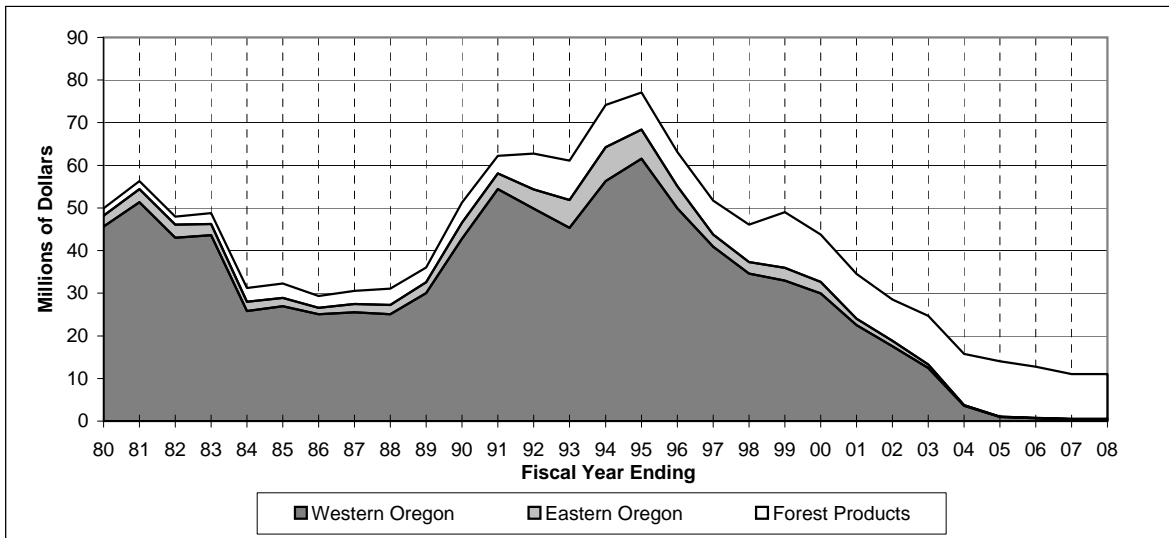
TIMBER TAX COLLECTIONS

(millions of dollars)

Fiscal Year	Privilege Taxes				Forest Products		Small Tract Forestland	
	Eastern Oregon		Western Oregon		Harvest Tax		Tax	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
1979-80	2.53	6.1%	45.67	8.3%	1.75	0.2%		
1980-81	3.10	22.4%	51.36	12.5%	1.81	3.3%		
1981-82	3.05	-1.7%	43.04	-16.2%	1.89	4.4%		
1982-83	2.64	-13.3%	43.62	1.4%	2.50	31.9%		
1983-84	2.15	-18.5%	25.85	-40.8%	3.23	29.2%		
1984-85	1.98	-8.2%	26.92	4.1%	3.35	3.8%		
1985-86	1.51	-23.8%	25.04	-7.0%	2.79	-16.7%		
1986-87	1.97	30.8%	25.49	1.8%	3.11	11.7%		
1987-88	2.15	9.2%	25.08	-1.6%	3.87	24.3%		
1988-89	2.57	19.4%	30.02	19.7%	3.48	-10.0%		
1989-90	3.72	44.9%	42.80	42.6%	4.76	36.8%		
1990-91	3.66	-1.7%	54.43	27.2%	4.12	-13.5%		
1991-92	4.50	23.0%	49.84	-8.4%	8.41	104.3%		
1992-93	6.51	44.6%	45.33	-9.0%	9.26	10.1%		
1993-94	7.94	22.0%	56.30	24.2%	9.94	7.3%		
1994-95	6.85	-13.7%	61.56	9.3%	8.70	-12.4%		
1995-96	5.18	-24.3%	49.93	-18.9%	8.01	-7.9%		
1996-97	2.88	-44.4%	40.90	-18.1%	7.96	-0.7%		
1997-98	2.71	-6.0%	34.59	-15.4%	8.77	10.1%		
1998-99	2.95	9.1%	32.97	-4.7%	13.05	48.8%		
1999-00	2.73	-7.6%	29.95	-9.2%	11.11	-14.9%		
2000-01	1.50	-45.1%	22.53	-24.8%	10.48	-5.7%		
2001-02	1.28	-14.9%	17.60	-21.9%	9.67	-7.7%		
2002-03	0.78	-39.1%	12.49	-29.0%	11.42	18.0%		
2003-04	0.18	-76.3%	3.60	-71.2%	11.94	4.6%		
2004-05	0.04	-78.3%	1.00	-72.2%	13.02	9.0%	0.33	
2005-06	0.03	-25.0%	0.70	-30.0%	12.00	-7.8%	0.32	-3.1%
2006-07	0.08	166.7%	0.44	-37.1%	10.53	-12.3%	0.37	17.0%
2007-08	0.01	-92.0%	0.19	-57.5%	10.18	-3.3%	0.31	-16.0%

Source: Oregon Department of Revenue, Monthly Receipts Statement.

TIMBER TAX COLLECTIONS

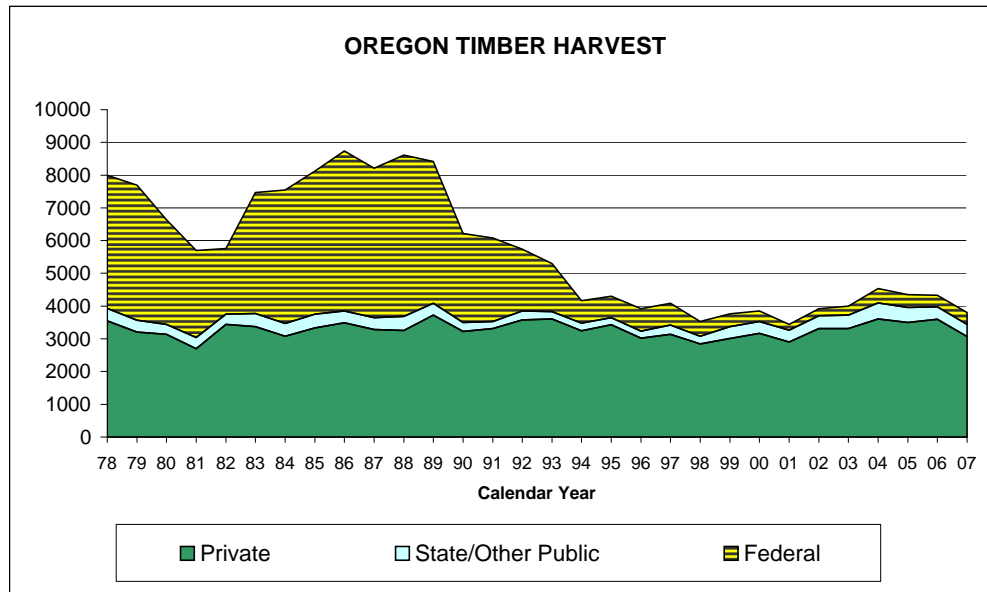


OREGON TIMBER HARVEST

Million Board Feet - Scribner Scale

Calendar Year	Private		Federal		State / other public		Total	
	Volume	% Change	Volume	% Change	Volume	% Change	Volume	% Change
1978	3,550		4,069		378		7,997	
1979	3,208	-9.6%	4,123	1.3%	363	-4.0%	7,694	-3.8%
1980	3,134	-2.3%	3,196	-22.5%	310	-14.6%	6,640	-13.7%
1981	2,702	-13.8%	2,658	-16.8%	335	8.1%	5,695	-14.2%
1982	3,440	27.3%	2,000	-24.8%	318	-5.1%	5,758	1.1%
1983	3,373	-1.9%	3,691	84.6%	400	25.8%	7,464	29.6%
1984	3,078	-8.7%	4,084	10.6%	388	-3.0%	7,550	1.2%
1985	3,332	8.3%	4,371	7.0%	423	9.0%	8,126	7.6%
1986	3,494	4.9%	4,892	11.9%	357	-15.6%	8,743	7.6%
1987	3,281	-6.1%	4,566	-6.7%	368	3.1%	8,215	-6.0%
1988	3,259	-0.7%	4,926	7.9%	430	16.8%	8,615	4.9%
1989	3,721	14.2%	4,333	-12.0%	366	-14.9%	8,420	-2.3%
1990	3,229	-13.2%	2,718	-37.3%	272	-25.7%	6,219	-26.1%
1991	3,311	2.5%	2,554	-6.0%	214	-21.3%	6,079	-2.3%
1992	3,581	8.2%	1,886	-26.2%	275	28.5%	5,742	-5.5%
1993	3,609	0.8%	1,463	-22.4%	222	-19.3%	5,294	-7.8%
1994	3,244	-10.1%	688	-53.0%	235	5.9%	4,167	-21.3%
1995	3,432	5.8%	654	-4.9%	218	-7.2%	4,304	3.3%
1996	3,018	-12.1%	690	5.5%	214	-1.8%	3,922	-8.9%
1997	3,133	3.8%	659	-4.5%	290	35.5%	4,082	4.1%
1998	2,840	-9.4%	455	-31.0%	237	-18.3%	3,532	-13.5%
1999	3,014	6.1%	383	-15.8%	363	53.2%	3,760	6.5%
2000	3,167	5.1%	328	-14.4%	359	-1.1%	3,854	2.5%
2001	2,905	-8.3%	173	-47.3%	361	0.6%	3,439	-10.8%
2002	3,318	14.2%	222	28.3%	382	5.8%	3,922	14.0%
2003	3,313	-0.2%	281	26.6%	408	6.8%	4,002	2.0%
2004	3,606	8.8%	433	54.1%	412	1.0%	4,451	11.2%
2005	3,495	-3.1%	397	-8.3%	463	12.3%	4,355	-2.2%
2006	3,596	2.9%	346	-12.8%	386	-16.6%	4,327	-0.6%
2007	3,070	-14.6%	364	5.2%	366	-5.1%	3,800	-12.2%

Source: http://egov.oregon.gov/ODF/STATE_FORESTS/FRP/2007MENU.shtml

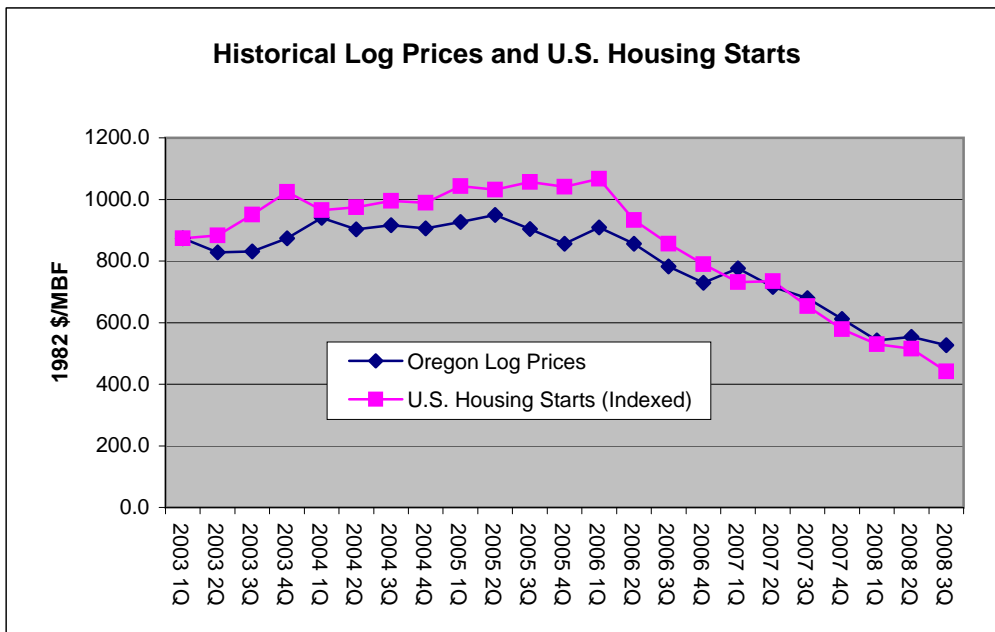


Historical Log Prices and U.S. Housing Starts

Harvest Year and Quarter	Oregon Log Prices 1982 price, \$/MBF	U.S. Housing Starts	
		\$ million, annualized	Indexed
2003 1Q	873.5	1.736	873.5
2003 2Q	828.0	1.754	882.6
2003 3Q	830.8	1.890	951.0
2003 4Q	873.9	2.036	1024.5
2004 1Q	940.4	1.918	965.1
2004 2Q	903.1	1.937	974.7
2004 3Q	916.7	1.977	994.8
2004 4Q	906.5	1.965	988.8
2005 1Q	926.7	2.072	1042.6
2005 2Q	949.2	2.051	1032.0
2005 3Q	903.6	2.100	1056.7
2005 4Q	856.0	2.069	1041.1
2006 1Q	909.0	2.120	1066.8
2006 2Q	856.5	1.855	933.4
2006 3Q	782.4	1.702	856.4
2006 4Q	729.8	1.570	790.0
2007 1Q	775.7	1.453	731.1
2007 2Q	715.6	1.460	734.7
2007 3Q	679.1	1.298	653.1
2007 4Q	612.4	1.151	579.2
2008 1Q	542.0	1.053	529.9
2008 2Q	553.6	1.025	515.8
2008 3Q	526.4	0.877	441.3

Source: Oregon Department of Forestry

Note: All Oregon log prices adjusted for species, grade, location and inflation.



EXCISE TAXES

Taxes on Cigarettes and Other Tobacco Products

Excise taxes are imposed on distribution of all tobacco products in Oregon. Taxes are levied on each cigarette and as a percent of wholesale price of other tobacco products, but limited to 50¢ per cigar. With the passage of Measure 20 (in 2002), the permanent tax rate on cigarettes is \$1.18 and the other tobacco products tax rate is 65% of wholesale price. A temporary tax of 10¢ on cigarettes, dedicated to the Oregon Health Plan was passed in the 1993 Session. It continued in 1995, 1997, 1999, 2001, and 2003 until the defeat of Measure 30 in 2004. Of Cigarette tax, 22 cents is distributed to the General Fund (18.64%), the Health Plan gets 85.7 cents (72.66%), 3.4 cents (2.9%) go to the tobacco cessation programs, and 2.3 cents (1.93%) each to cities, counties, and to ODOT (senior and disabled transit). Distributions within cities and counties are based on population. The Other Tobacco Products tax is distributed to the General Fund (53.85%), the Health Plan (41.54%), and tobacco cessation programs (4.62%). Additional tobacco revenue is received under the Master Settlement Agreement. Through June 30, 2005, Oregon has received \$501.2 million in payments from cigarette manufacturers and expects to receive unless reduction by tobacco companies stands) slightly above \$145 million for the 2005-07 biennium. The 2003 Session (SB 856) managed to pledge much of this revenue for payments on \$450 million in bonds. Other bonds also pledged against the expected revenues, leave small future unobligated amounts. In 2006, the tobacco companies started withholding about \$15 million a year as their market share decreased both nationally and in Oregon. The AG has gone into litigation against this action. The 2007 legislature sent the voters a tax increase (Measure 50), that failed to pass. The same session instituted an indoor smoking ban, which is expected to reduce revenue by \$20 million.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAXES

Fiscal Year	Tax Rate (per pack)	Cigarettes		Other Tobacco	
		Millions	Change	Millions	Change
1994-95	38.0¢	107.2	11.7%	9.9	13.8%
1995-96	38.0¢	109.2	1.9%	10.8	9.1%
1996-97	50.1¢	141.7	29.8%	12.8	18.5%
1997-98	68.0¢	199.5	40.8%	19.5	52.3%
1998-99	68.0¢	172.0	-13.8%	19.8	1.5%
1999-00	68.0¢	161.8	-5.9%	20.2	2.0%
2000-01	68.0¢	156.7	-3.2%	20.8	3.0%
2001-02	68.0¢	155.0	-2.6%	20.1	-2.4%
2002-03	103.0¢	222.0	43.2%	20.9	4.4%
2003-04	123.0¢	240.1	8.2%	25.3	20.8%
2004-05	118.0¢	217.8	-9.3%	26.0	2.7%
2005-06	118.0¢	238.7	9.6%	31.2	20.0%
2006-07	118.0¢	240.2	0.6%	30.9	-0.8%
2007-08	118.0¢	222.2	-7.5%	32.8	5.9%

DISTRIBUTION OF TOBACCO TAXES

Fiscal Year	General Fund	Health Plan	TURA	Special Transit	Local Govt.
1997-98	74.3	117.1	9.7	5.9	11.9
1998-99	66.4	101.7	8.5	5	10.1
1999-00	63.4	99	8.3	4.9	9.8
2000-01	63	93	7.8	4.6	9.1
2001-02	60.9	92.7	7.8	4.6	9.1
2002-03	57.1	164	7.9	4.7	9.3
2003-04	53.9	184.8	7.8	4.4	8.8
2004-05	52.5	168.5	7.3	4.3	8.6
2005-06	59.4	180.7	8.1	4.1	8.9
2006-07	60.6	185.3	8.3	4.6	9.2
2007-08	59.0	176.1	8.0	4.6	9.2

Source: Oregon Department of Revenue and DAS's Economic and Revenue Forecast

Oregon Liquor Control Commission (OLCC) Revenue: (Alcohol)

Taxes are imposed on beer and wine manufactured or distributed in Oregon. The current rates are \$2.60 per 31 gallon barrel of beer (8.4¢ per gallon), 67¢ per gallon of wine with 14% or less alcohol, and 77¢ per gallon of wine with 14% to 21% alcohol. Two cents of the wine tax goes to the Wine Board, 50% of the remaining beer and wine taxes go to Mental Health and Drug Abuse Prevention, and the balance goes into the OLCC Account. Beverages with 21% or more alcohol are exclusively imported and distributed by the state of Oregon. Currently OLCC sets retail prices, on average, at 101% above cost, shipping, and federal taxes. The net revenue from these operations goes into the OLCC account. Available revenue is distributed 56% to state General Fund, 10% to counties by population, 20% to cities by population, and 14% to cities by formula.

OLCC REVENUE (millions)

Fiscal Year	Beer & Wine Tax	Change	Net Liquor Sales	Net Liquor Revenue	Change
1993-94	10.6	-3.6%	89.7	65.2	4.8%
1994-95	10.6	0.0%	90.1	65.9	1.1%
1995-96	11.2	5.7%	93.4	67.7	2.7%
1996-97	11.8	5.4%	97.1	70.9	4.7%
1997-98	12.0	1.7%	102.4	73.8	4.1%
1998-99	12.1	0.8%	107.8	76.5	3.7%
1999-00	12.4	2.5%	116.1	84.8	10.8%
2000-01	12.5	0.8%	121.7	85.8	1.2%
2001-02	12.7	1.6%	127.8	93.0	8.4%
2002-03	13.3	4.7%	134.4	97.1	4.4%
2003-04	13.7	2.7%	145.1	107.3	10.4%
2004-05	14.0	2.2%	155.0	111.1	3.5%
2005-06	14.8	6.3%	172.2	126.1	13.5%
2006-07	15.2	2.4%	187.1	130.8	3.8%
2007-08	16.1	5.9%	199.2	141.1	7.9%

Source: Oregon Liquor Control Commission

OLCC REVENUE DISTRIBUTIONS (millions)

Fiscal Year	Wine Board	Mental Health	General Fund	Counties	Cities
1993-94	0.1	5.2	40.6	7.1	24.1
1994-95	0.1	5.2	41.3	7.4	25.1
1995-96	0.2	5.5	37.3	6.7	22.7
1996-97	0.2	5.8	48.9	8.7	29.7
1997-98	0.2	6.0	45.3	8.1	27.5
1998-99	0.2	5.9	45.7	8.2	27.7
1999-00	0.2	6.0	51.4	9.2	31.2
2000-01	0.2	6.2	52.5	9.4	31.9
2001-02	0.2	6.3	54.8	9.8	33.2
2002-03	0.2	6.6	60.1	10.2	34.7
2003-04	0.2	6.7	62.8	11.2	38.2
2004-05	0.2	6.9	65.6	11.6	39.6
2005-06	0.2	7.3	74.0	13.2	44.9
2006-07	0.2	7.5	75.1	13.4	45.6
2007-08	0.3	7.9	82.7	14.8	50.2

Source: Oregon Liquor Control Commission.

STATE EXCISE TAX RATES AS OF JANUARY 1, 2008
Ranked by Sum of Excise and Sales Tax Rates (Dollars)

Rank	Malt Liquor (Beer) per Gallon			Table Wine (14% alcohol) per Gallon			Cigarettes per Pack		
	State	Excise	Sales	State	Excise	Sales	State	Excise	Sales
1	South Carolina	0.770	0.600	Florida	2.25	2.40	New Jersey	257.5	0.28
2	Hawaii	0.930	0.400	Tennessee	1.21	2.80	Rhode Island	246.0	0.28
3	Mississippi	0.427	0.700	Iowa	1.75	2.00	Washington	202.5	0.26
4	Florida	0.480	0.600	New Mexico	1.70	2.00	Connecticut	200.0	0.24
5	Alaska	1.070	0.000	Virginia	1.51	2.00	Maryland	200.0	0.24
6	North Carolina	0.530	0.425	New Jersey	0.70	2.80	Michigan	200.0	0.24
7	Alabama	0.530	0.400	Washington	0.87	2.60	Arizona	200.0	0.22
8	California	0.200	0.725	Rhode Island	0.60	2.80	Maine	200.0	0.20
9	Washington	0.261	0.650	West Virginia	1.00	2.40	Alaska	200.0	0.00
10	New Mexico	0.410	0.500	Alabama	1.70	1.60	Hawaii	180.0	0.16
11	Utah	0.410	0.465	Nevada	0.70	2.60	Vermont	179.0	0.24
12	Nebraska	0.310	0.550	South Carolina	0.90	2.40	Wisconsin	177.0	0.20
13	Maine	0.350	0.500	Illinois	0.73	2.50	Montana	170.0	0.00
14	Oklahoma	0.400	0.450	Arkansas	0.75	2.40	South Dakota	153.0	0.16
15	Tennessee	0.140	0.700	Mississippi	0.35	2.80	Massachusetts	151.0	0.20
16	Arkansas	0.230	0.600	Nebraska	0.95	2.20	New York	150.0	0.16
17	New Jersey	0.120	0.700	Georgia	1.51	1.60	Texas	141.0	0.25
18	Texas	0.190	0.625	California	0.20	2.90	Iowa	136.0	0.20
19	Illinois	0.185	0.625	Arizona	0.84	2.24	Pennsylvania	135.0	0.24
20	Nevada	0.160	0.650	Connecticut	0.60	2.40	Ohio	125.0	0.22
21	Michigan	0.200	0.600	Hawaii	1.38	1.60	Minnesota	123.0	0.26
22	Minnesota	0.150	0.650	Vermont	0.55	2.40	Oregon	118.0	0.00
23	Rhode Island	0.100	0.700	Michigan	0.51	2.40	Delaware	115.0	0.00
24	Connecticut	0.190	0.600	Minnesota	0.30	2.60	New Hampshire	108.0	0.00
25	West Virginia	0.180	0.600	Indiana	0.47	2.40	Oklahoma	103.0	0.18
26	Virginia	0.260	0.500	Idaho	0.45	2.40	Dist. of Columbia	100.0	0.23
27	Idaho	0.150	0.600	Maryland	0.40	2.40	Indiana	99.5	0.24
28	Ohio	0.180	0.550	Texas	0.20	2.50	Illinois	98.0	0.25
29	Arizona	0.160	0.560	Dist. of Columbia	0.30	2.30	New Mexico	91.0	0.20
30	Georgia	0.320	0.400	Maine	0.60	2.00	California	87.0	0.29
31	Louisiana	0.320	0.400	South Dakota	0.93	1.60	Colorado	84.0	0.12
32	Indiana	0.115	0.600	Oklahoma	0.72	1.80	Nevada	80.0	0.26
33	Kansas	0.180	0.530	Alaska	2.50	0.00	Kansas	79.0	0.21
34	Iowa	0.190	0.500	North Dakota	0.50	2.00	Utah	69.5	0.19
35	Maryland	0.090	0.600	Ohio	0.30	2.20	Nebraska	64.0	0.22
36	Pennsylvania	0.080	0.600	North Carolina	0.79	1.70	Tennessee	62.0	0.28
37	South Dakota	0.270	0.400	Pennsylvania	0.00	2.40	Wyoming	60.0	0.16
38	Dist. of Columbia	0.090	0.575	Wisconsin	0.25	2.00	Arkansas	59.0	0.24
39	North Dakota	0.160	0.500	Missouri	0.30	1.69	Idaho	57.0	0.24
40	Wisconsin	0.060	0.500	Utah	0.00	1.86	West Virginia	55.0	0.24
41	New York	0.110	0.400	New York	0.19	1.60	North Dakota	44.0	0.20
42	Missouri	0.060	0.423	Louisiana	0.11	1.60	Alabama	42.5	0.16
43	Wyoming	0.020	0.400	Wyoming	0.00	1.60	Georgia	37.0	0.16
44	Colorado	0.080	0.290	Colorado	0.32	1.16	Louisiana	36.0	0.16
45	New Hampshire	0.300	0.000	Montana	1.06	0.00	North Carolina	35.0	0.17
46	Vermont	0.265	0.000	Delaware	0.97	0.00	Florida	33.9	0.24
47	Delaware	0.160	0.000	Oregon	0.67	0.00	Kentucky	30.0	0.24
48	Montana	0.140	0.000	Massachusetts	0.55	0.00	Virginia	30.0	0.20
49	Massachusetts	0.110	0.000	Kentucky	0.50	0.00	Mississippi	18.0	0.28
50	Kentucky	0.080	0.000	Kansas	0.30	0.00	Missouri	17.0	0.17
51	Oregon	0.080	0.000	New Hampshire	0.00	0.00	South Carolina	7.0	0.24

Source: Excise tax rates from Federation of Tax Administrators (web).

Sales tax rates assume \$10 per gallon for beer, \$40 a gallon for wine, and \$4 per pack for cigarettes.

LOTTERY

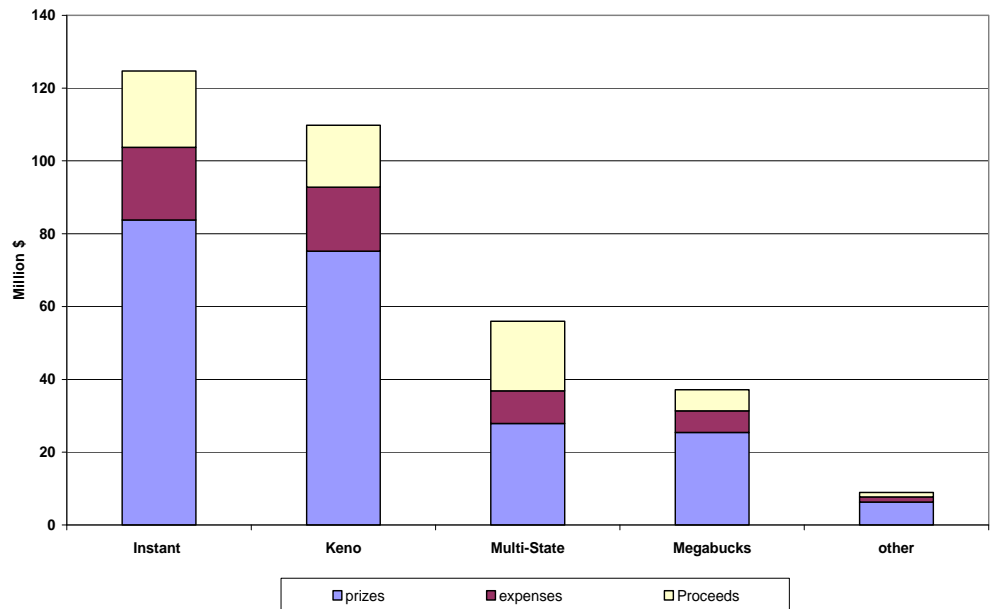
History

An initiative petition created the Oregon State Lottery and the five members Oregon State Lottery Commission in 1984. Commission members are appointed by the governor and charged to produce the maximum amount of net revenue to benefit the public purpose. The lottery currently offers 8 traditional games through 2,600 retailers, which are open to persons age 18 or older. Video lottery (poker and line games) is played on almost 10,000 machines in more than 2,000 licensed premises, which are available to persons age 21 or older. The Constitution limits administrative expense to 16% of lottery revenue and requires that at least 50% of revenue be returned in the form of prizes. The Constitution, originally, dedicated the net lottery proceeds to the purpose of creating jobs and furthering economic development. This was expanded by Measure 21 (May 1995) to include financing public education, and by Measure 66 (Nov 1998) to include restoring and protecting Oregon's parks, beaches, watersheds, and critical fish and wildlife habitats. Measure 21 also gave lottery bonds first claim on lottery proceeds and dedicated 15% of net proceeds to the Education Endowment Fund. Measure 66 dedicated 15% of net proceeds to the Parks and Natural Resources Fund with 50% dedicated to parks and recreational areas and 50% dedicated to fish and wildlife habitats. Measure 19 (Sept. 2002) converted the Education Endowment Fund to an Education Stability Fund, transferred \$150 million of the principal to the State School Fund, and increased the lottery dedication to 18%. If the balance in the Stabilization Fund reaches 5% of General Fund revenue, the lottery dedication is reduced to 15% and deposited in a new school capital matching Subaccount. The 2005 legislature (HB 3466) repealed lottery games on sporting events starting in July 2007. The same bill also dedicated 1.0% of lottery proceeds to fund sports programs at Oregon universities.

2007-08 Traditional Lottery Games

Traditional Games

The chart at right shows prizes, expense and net proceeds for the 2004-05 traditional games. The "other" group includes Breakopen, Daily 4/Win for Life and Pick 4. The initial game in 1985 was Instant (Scratch-it), which was followed by a number of games, some of which have been discontinued or modified. The 1989 Legislature initiated Sports Action as a separate lottery game. Proceeds of this game are transferred to the State Board of Higher

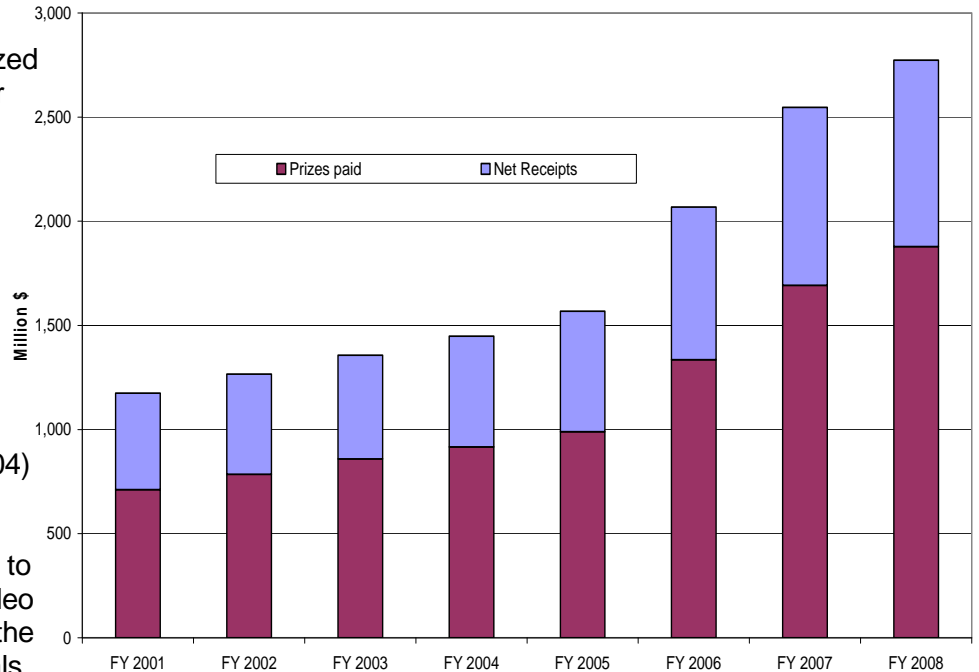


Education for intercollegiate athletics. However, the 2005 legislature repealed sports games starting in July 2007, and replaced that funding with a 1% of net proceeds. This amount reaches about \$7.5 million a year to university athletic programs.

**Total Dollars Played
Video Lottery**

Video Lottery

The 1989 Legislature authorized video lottery but the Governor suspended implementation. The 1991 Legislature reauthorized the commission to offer video lottery but otherwise prohibited such games. Video poker began in 1992. The Commission may contract with persons, which have Oregon Liquor Control Commission licenses to install up to 6 (5 before 2004) video terminals (10 at race meets) on supervised premises which are restricted to persons age 21 and over. Video lottery revenue is the sum of the dollars put into lottery terminals



and the value of games won. Prizes are the sum of the value games won plus amounts returned to the players. Statutes dedicate 2.5% of video net receipts (revenue less prizes) to counties for economic development. HB 2148 amended the dedication to counties "not to exceed" 2.5% of net receipts. Beginning July 1, 2001, 1% of net proceeds to go to the Problem Gambling Addiction Fund, and 1% (up to \$1.55 million annually) to the County Fair Account. Beginning July 2005, the lottery started offering Line games (slots) in addition to video poker. Since then, Lottery revenue is generating more than one billion dollars a biennium to the state.

Fiscal Year	LOTTERY REVENUE							
	Traditional Games				Video Games			
	Gross Revenue	Prizes	Expense	Net Revenue	Gross Revenue	Prizes	Expense	Net Revenue
1992-93	258.6	154.5	40.8	63.3	-	-	-	-
1993-94	288.4	171.6	45.8	71.0	1,548.4	1,376.0	84.7	87.7
1994-95	340.9	208.2	54.7	78.1	2,211.8	1,964.8	107.6	139.4
1995-96	344.2	213.7	53.9	76.6	2,983.2	2,652.1	137.9	193.2
1996-97	333.1	207.6	52.6	72.8	3,285.1	2,929.5	149.8	205.9
1997-98	310.4	195.1	50.6	64.8	3,636.7	3,243.5	168.7	224.5
1998-99	325.9	206.0	49.0	70.9	4,245.2	3,837.8	179.0	228.5
1999-00	323.7	210.5	56.6	56.6	5,660.1	5,257.5	172.0	230.5
2000-01	323.3	211.9	56.8	54.5	6,566.3	6,129.8	183.4	253.2
2001-02	336.8	223.5	57.4	55.9	7,293.4	6,831.0	194.7	267.7
2002-03	354.8	235.5	60.1	59.2	7,725.0	7,244.8	199.8	280.4
2003-04	362.3	234.9	59.5	67.9	8,133.3	7,634.6	201.8	297.0
2004-05	360.2	234.2	58.6	67.9	8,587.6	8,056.6	209.4	321.6
2005-06	363.1	239.5	58.1	66.4	9,189.0	8,609.3	206.1	373.6
2006-07	354.6	233.6	60.1	61.0	10,928.8	10,195.9	236.0	504.4
2007-08	338.7	220.0	56.9	61.8	12,093.0	11,239.5	271.8	581.7

Lottery Revenues

Lottery revenues include non-game revenues (not shown in the table) such as interest earnings, penalties, and allowances for bad debts in addition to game revenues. The table shows the history of traditional and video lottery game revenues for 15 years. With the introduction of video lottery games, Lottery revenue grew rapidly through 1994-95. During that period, traditional games also grew reaching peak revenue of \$78.1 million in 1994-95. Since then, traditional games have gone through a period of decline then stabilized at an average of \$65 million a year. At this time, net revenue from traditional games comprises less than 10% of revenue, while video lottery is more than 90% of total. Net revenue from Video lottery, has grown 12.2% per year on average since 1994. Line games have pushed the growth in 2006 to more than 26.5%. This rapid growth is stabilizing to a more sustainable long time average of about 5%.

Lottery Transfers

Fiscal year lottery revenues cannot be mapped into lottery transfers because there is a one-quarter lag in transfers from the previous quarter's revenues. There are also revenues such as unclaimed prizes and administrative savings, which are not considered in determining net lottery revenue. Transfers may also differ from revenues because of amounts moved into or out of various contingency reserves.

The table below shows the amounts transferred since 85-87. Debt service on lottery revenue bonds has first claim on lottery revenue transferred to the Economic Development Fund. Thereafter the exact pecking order is not clear, but the Constitutional dedications for the Education Stability Fund and the Parks and Natural Resources Fund probably follow. Next comes the statutory dedications to county economic development, to the Board of Education, to the Gambling Addiction Fund, and to the County Fair Account. Any balance available after these transfers will be used by the legislature in any of the areas allowed by the constitution. Amounts available for legislative allocation do not include beginning balances, reversions, or interest earned on the Economic Development Fund. The table shows the distribution of lottery transfers through 2007-09 and the amounts forecast for the 2009-11 Biennium. The allocation of \$3.3 million to County Fairs is not shown separately, but is reflected in the amount available for counties. Since the introduction of line games, Lottery proceeds are exceeding a billion dollars a biennium. The clean door act of 2007 (Smoking ban) to take affect on 2009, will impact the lottery growth by about 1 to 2%. However, the economic slowdown that is inflecting the state will cause the largest reduction of growth for lottery revenue.

Allocation of Lottery Transfers

Biennium	Revenue Bonds	Education Stability	Parks & Recreation	Counties	College Athletics	Gambling Addiction	Leg. Approp.
1985-87							59.6
1987-89							106.6
1989-91							92.5
1991-93	**			7.7	3.3		176.7
1993-95	20.0			19.0	4.6		403.3
1995-97	20.0			18.4	5.3		532.8
1997-99	21.7	91.2		20.1	3.9		471.1
1999-01	26.8	87.1	87.1	22.2	4.8	5.8	362.0
2001-03	71.3	110.7	110.7	24.3	5.2	6.2	409.7
2003-05	119.4	140.5	117.9	27.9	4.0	6.5	378.0
2005-07	133.7	195.8	163.2	45.5	3.6	8.3	486.4
2007-09*	167.5	238.3	198.6	55.5	11.7	13.2	723.7
2009-11*	166.3	208.3	196.6	59.0	13.1	13.1	752.8

*Revenue Forecast, December 2007, Department of Administrative Services

RECENT TAX VOTES

Year	Tax Change	Election	Proposed by	Outcome	Yes	No
1973	McCall Plan	May 1	Leg. referral	Failed	253,682	358,210
1974	New school tax bases	Primary	Leg. referral	Failed	166,363	371,897
	Higher income taxes for schools	Primary	Leg. referral	Failed	136,851	410,733
	Use Highway Fund for mass transit	Primary	Leg. referral	Failed	190,899	369,038
	Include revenue sharing in tax base	General	Leg. referral	Failed	322,023	329,858
1976	Allow local vehicle tax for transit	Primary	Leg. referral	Failed	170,331	531,219
	1¢ gas tax & 26% truck tax increase	General	Pet. referral	Failed	465,143	505,124
1977	School "safety net"	May 17	Leg. referral	Failed	112,570	252,061
1978	2¢ gas tax increase	Primary	Leg. referral	Failed	190,301	365,170
	1.5% property tax limit	General	Initiative	Failed	424,029	453,741
	50% home property tax relief	General	Leg. referral	Failed	383,532	467,765
	Vehicle registration fee increase	General	Pet. referral	Failed	208,722	673,802
1980	Continue 30% home property relief	Primary	Leg. referral	Passed	636,565	64,979
	Limits use of Highway Fund	Primary	Leg. referral	Passed	451,695	257,230
	1% property tax limit	General	Initiative	Failed	412,781	722,089
	2¢ gas tax increase	General	Leg. referral	Failed	320,613	823,025
	Dedicates oil taxes to schools	General	Leg. referral	Passed	604,188	494,657
1982	3¢ gas tax increase	Primary	Leg. referral	Failed	308,574	323,268
	1.5% property tax limit	General	Initiative	Failed	504,836	515,626
	Increase tax base for new const.	General	Leg. referral	Failed	219,034	768,150
1984	Vehicle registration fee increase	Primary	Leg. referral	Failed	234,060	487,457
	1.5% property tax limit	General	Initiative	Failed	599,424	616,252
	Establish state lottery	General	Initiative	Passed	794,441	412,341
	Lottery statute	General	Initiative	Passed	786,933	399,231
1985	5% sales tax	Sept. 17	Leg. referral	Failed	189,733	664,365
1986	Prohibit tax on social security	Primary	Leg. referral	Passed	534,476	118,766
	Adjust tax bases for merger	Primary	Leg. referral	Passed	333,277	230,866
	5% sales tax	General	Initiative	Failed	234,804	816,369
	1.5% property tax limit	General	Initiative	Failed	449,548	584,396
	Homestead exemption	General	Initiative	Failed	381,727	639,034
	Increase income taxes	General	Initiative	Failed	299,551	720,034
1987	School "safety net"	May 19	Leg. referral	Passed	223,417	178,839
1988	1¢ cig. & beer tax for sports	General	Initiative	Failed	449,797	759,360
1989	New school tax bases	May 16	Leg. referral	Failed	183,818	263,283
1990	Change Oregon school finances	Primary	Leg. referral	Advisory	462,090	140,747
	Funded school taxes on homes	Primary	Leg. referral	Advisory	177,964	408,842
	4% sales tax for schools	Primary	Leg. referral	Advisory	128,642	449,725
	5% sales tax for schools	Primary	Leg. referral	Advisory	202,367	385,820
	Combines tax bases: school mergers	Primary	Leg. referral	Advisory	222,611	374,466
	Taxes public pensions	General	Leg. referral	Failed	406,372	617,586
	1.5% property tax limit (M5)	General	Initiative	Passed	574,833	522,022
	Tax credit for private education	General	Initiative	Failed	351,977	741,863
1992	Gas tax for highway police	Primary	Leg. referral	Failed	244,173	451,715
	Gas tax for parks	General	Leg. referral	Failed	399,259	1,039,322
	Split-roll property tax limit	General	Initiative	Failed	362,621	1,077,206
1993	5% Sales Tax for Education	Nov 9	Leg. referral	Failed	240,991	721,930

RECENT TAX VOTES

Year	Tax Change	Election	Proposed by	Outcome	Yes	No
1994	Gas tax to prevent contamination	Primary	Leg. referral	Failed	158,029	446,665
	Vote on tax or fee increases	General	Initiative	Failed	543,302	671,025
	Minimum funding for schools (Kids First)	General	Initiative	Failed	438,018	760,853
	2% Equal Tax	General	Initiative	Failed	284,195	898,416
1995	Lottery revenue for education	May 16	Leg. referral	Passed	671,027	99,728
1996	3/5 vote to raise revenue	Primary	Leg. referral	Passed	349,918	289,930
	State pays for local mandates	General	Leg. referral	Passed	731,127	566,168
	Tobacco taxes for Health Plan	General	Initiative	Passed	759,048	598,543
	Counts non-voters as "no" votes	General	Initiative	Failed	158,555	1,180,148
	Cut and Cap property tax limit (M47)	General	Initiative	Passed	704,554	642,613
1997	Replace cut and cap (M50)	May 20	Leg. referral	Passed	429,943	341,781
1998	Authorize Lottery-backed school bonds (M54)	General	Leg. referral	Passed	569,982	474,727
	Dedicate 15% of Lottery to parks & salmon (M66)	General	Initiative	Passed	742,038	362,247
1999	Vehicle cost responsibility (M76)	Special	Leg. referral	Passed	372,613	314,351
2000	Transportation funding (M82)	Primary	Leg. referral	Failed	109,741	767,329
	Highway fund for State Police (M80)	Primary	Leg. referral	Failed	310,640	559,941
	Kicker Refunds in Constitution (M86)	General	Leg. referral	Passed	898,793	550,304
	Increases federal tax subtraction to \$5,000 (M88)	General	Leg. referral	Passed	739,270	724,097
	Full deduction for federal taxes (M91)	General	Initiative	Failed	661,342	814,885
	Voter approval for taxes and fees (M93)	General	Initiative	Failed	581,186	865,091
	Funding of school equity goals (M1)	General	Initiative	Passed	940,223	477,461
	Property value reduced by regulation (M7)	General	Initiative	Passed	Court Ruled Unconstitutional	
	State growth limit (M8)	General	Initiative	Failed	608,090	789,699
2002	Establishes Ed. Stability Fund and Transfers \$220 million (M13)	May 21	Leg. referral	Failed	376,605	411,923
	General Obligation Bond Financing for OHSU Research (M11)	May 21	Leg. referral	Passed	589,869	190,226
	Establishes Ed. Stability Fund and Transfers \$150 million (M19)	Sept. 17	Leg. referral	Passed	496,815	306,440
	Increases Cigarette Tax (M20)	Sept. 17	Leg. referral	Passed	522,613	289,119
	General Obligation Bond Financing for Ed. Buildings (M15)	General	Leg. referral	Passed	624,789	505,797
	General Obligation Bond Financing for Emergency Buildings (M16)	General	Leg. referral	Passed	622,914	501,210
	Allows Different Permanent Property Tax Rates Within Tax Zones (M18)	General	Leg. referral	Failed	420,135	662,084
Tax Funded Universal Health Care (M23)	General	Initiative	Failed	254,280	936,753	
2003	Personal Income Tax Rate Increase (Top Tax Rate to 9.5%) (M 28)	Jan. 28	Leg. referral	Failed	545,846	676,312
	Authorizes General Obligation Debt for Savings on Pension Liabilities (M29)	Sept. 16	Leg. referral	Passed	360,209	291,778
2004	Temporary Personal Income Tax Surcharge, Corporate Tax Increase & Other tax changes (M30) Property value reduced by regulation (M37)	Feb. 3	Legislation (HB 2152) referred by initiative petition	Failed	481,315	691,462
		Nov. 2	Initiative	Passed	1,054,589	685,079
2006	Allows Income Tax Deduction Equal to Federal Exemptions (M41)	Nov. 7	Initiative	Failed	483,443	818,452
	Amends Constitution: Limits Biennial Percentage Increase in State Spending (M48)	Nov. 7	Initiative	Failed	379,971	923,629
2007	Right To Build Homes; Limits Large Developments; Protects Farms, Forests, Groundwater (M49)	Nov. 6	Leg. referral	Passed	718,023	437,351
	Dedicates Funds To Provide Health Care For Children, Fund Tobacco Prevention, Through Increased Tobacco Tax (M50)	Nov. 6	Leg. referral	Failed	472,063	686,470
2008	Provides That May And November Property Tax Elections Are Decided By Majority Of Voters Voting (M56)	Nov. 4	Leg. referral	Passed	959,118	735,500
	Creates An Unlimited Deduction For Federal Income Taxes On Individual Taxpayers' Oregon Income-Tax Returns(M59)	Nov. 4	Initiative	Failed	615,894	1,084,422
	Exempts Specified Property Owners From Building Permit Requirements For Improvements Valued At/Under 35,000 Dollars (M63)	Nov. 4	Initiative	Failed	784,376	928,721

OTHER REPORTS AVAILABLE

This section lists some other reports prepared by the Legislative Revenue Office that you may find useful. The research report number follows each title in parentheses, along with the year in which the report was written. The more recent reports may be found at <http://www.leg.state.or.us/comm/lro/home.htm>

GENERAL

SUMMARY OF LEGISLATIVE SESSIONS AND COMMITTEE REPORTS

- "Revenue Measures Passed by the 74th Legislature- Feb 2008 Special Session" (Report #1-08)
- "Revenue Measures Passed by the 74th Legislature 2007" (Report #3-07)
- "Revenue Measures Passed by the 2005 Legislative Session" (Report #2-05)
- "Oregon's Tax System" (Brief #2-04)
- "Ballot Measure 30 Referendum on Legislative Revenue Plan" (Report #6-03)
- "Revenue Measures Passed by the 2003 Legislative Session" (Report #4-03)
- "Review of Special Session 5 Revenue Actions: Ballot Measure 28" (Report #10-02)
- "2002 Special Session III Revenue Package" (Brief #8-02)
- "2002 Special Session II Revenue Package" (Brief #7-02)
- "February 8-10 Special Session Revenue Package" (Brief #4-02)
- "Interim Senate Revenue Options Committee Report" (Report #1-02)
- "Revenue Measures Passed by the 2001 Legislative Session" (Report #4-01)
- "Revenue Measures Passed by the 1999 Legislative Session" (Report #3-99)
- "Revenue Measures Passed by the 1997 Legislative Session" (Report #5-97)

ALL TAXES

- "Oregon's 2% Surplus Kicker" (Report #2-07)
- "2007 Oregon Public Finance: Basic Facts" (Report #1-07)
- "Measure 48: Proposed Constitutional Spending Limit" (Report #5-06)
- "2006 Oregon Public Finance: Basic Facts" (Report #1-06)
- "2005 Oregon Public Finance: Basic Facts" (Report #1-05)
- "2004 Oregon Public Finance: Basic Facts" (Report #1-04)
- "2003 Oregon Public Finance: Basic Facts" (Report #1-03)
- "Oregon Tax Incidence Model (OTIM)" (Report #2-01)
- "Oregon's 2% Surplus Kicker: 2001 Update" (Brief #5-01)
- "Oregon Public Finance: Basic Facts" (Report #1-01)
- "Measure 93: Taxpayer Protection Initiative" (Report #9-00)
- "Measure 8: State Spending Limit" (Report #8-00)
- "Basic Tax Packet 1999" (Report #1-99)
- "Oregon's Tax Shift" (Report #4-98)
- "Oregon's 2% Surplus Kicker" (Report #3-98)
- "Oregon Tax Reform: Some Basic Numbers" (Report #1-98)
- "Oregon's State Spending Limit and 2% Surplus Kicker" (Report #1-96)
- "Oregon Tax Expenditures" (Report #6-94)
- "How High are Oregon Taxes?" (Report #3-94)
- "The Effect of Measure 20, 2% Equal Tax" (Report #2-94)

PROPERTY TAX

- "Measure 59 Full Deductibility of Federal Income Taxes" (Report #2-08)
- "2006 Oregon's Enterprise Zone Programs" (Report #3-06)

"Oregon's Senior Population Growth and Property Tax Relief Programs" (Report #7-01)
"The Urban Renewal Program Under the Past and Current Property Tax Systems" (Report #1-00)
"The New Direction of the Oregon Property Tax System Under Measure 50" (Report #9-99)
"The Effect of Measure 47 and Measure 50 on Taxpayers and Taxing Districts" (Report #3-97)
"The Effect of Measure 47, Cuts and Caps Property Taxes" (Report #3-96)
"The Effect of Measure 5, Requires Vote on Taxes and Charges" (Report #5-94)
"Impact of Measure 7: Split-Roll Property Tax Limit" (Report #1-92)
"Implementation of Measure 5: HB 2550 - Final" (Report #5-91)
"Impact of Measure 5: 1.5% Property Tax Limit" (Report #3-90)

INCOME TAX

"Measure 41: Changing Oregon's Treatment of Personal Exemptions" (Report #6-06)
"Impact of 1997 Legislation – Earned Income and Working Family Child Care Tax Credits in Oregon" (Report #6-04)
"Changes in Oregon's Additional Medical Deduction for Seniors Incorporated in the 2003 Revenue Package" (Report #5-03)
"The Graduated Personal Income Tax Assessment: Frequently Asked Questions" (Brief #3-03)
"Ballot Measure 23, Health Care Finance Plan" (Brief #3-01)
"Oregon Income Tax Reconnect and "The Job Creation and Worker Assistance Act of 2002" (Brief #3-02 updated)
"Oregon Income Tax Reconnect" (Brief #3-02)
"Revenue Impact of H.R. 1836: The Economic Growth and Tax Relief Reconciliation Act of 2001" (Brief #3-01)
"Initiative Petition 10: Full Deductibility for Federal Income Taxes" (Measure 91) (Report #4-00)
"Status of Pension Taxation" (Report #5-98)
"Status of the PERS Taxation Issue" (Report #2-97)
"Recommendations of the Joint Task Force on Retirement Income Equity" (Report #2-91)
"Taxes on Corporate Income" (Report #4-90)
"Taxation of Retirement Income" (Report #2-90)

SCHOOL FINANCE

"Small School District Funding" (Report #4-08)
"Student Weights for small Schools" (Report #3-08)
"2007 School Finance Legislation: Funding and Distribution" (Report #4-07)
"Student Weights: Individualized Education Program" (Report #7-06)
"K-12 and ESD School Finance: State School Fund Distribution" (Report #4-06)
"Student Weights: English as a Second Language" (Report #2-06)
"2005 School Finance Legislation, Funding and Distribution" (Report #3-05)
"The Education Stability Fund" (Report #5-04)
"School Local Option Property Tax Legislation & Utilization" (Report #4-04)
"K-12 and ESD School Finance State School Fund Distribution" (Report #3-04)
"Revenue Options, School Funding and Accountability Task Force Report" (Report #2-03)
"Education Stability Fund" (Brief #6-02)
"Impact of Changing the School Payment Schedule" (Brief #2-02)
"K-12 and ESD School Finance, State School Fund Distribution" (Report #8-01)
"2001 School Finance Legislation Funding and Distribution" (Report #3-01)
"Federal Forest Revenue for Schools" (Brief #11-00)
"Local School Revenue Estimate" (Brief #5-00)
"School Local Property Tax Option, 1999 Legislation" (Report #5-99)
"1999 State School Finance Legislation, Funding and Distribution" (Report #4-99)

"K-12 School Finance: State School Fund Distribution" (Report #2-99)
"1997 School Finance Legislation: Funding and Distribution" (Report #2-98)
"Senate Finance Committee: Report on School Finance" (Report #5-96)
"The Current State and School Finance Revenue Picture" (Report #2-96)
"The State School Fund: Funding and Distribution for 1995-97" (Report #3-95)
"The State School Fund: Oregon's New School Finance" (Report #2-95)
"The Effect of Measure 15, The 'KID's First' Initiative" (Report #4-94)
"The Current State & School Revenue Picture" (Report #1-94)
"Report of the School Finance Formula Subcommittee" (Report #2-92)
"Impact of Measure 11: Education Tax Credits" (Report #5-90)

TRANSPORTATION TAXES

"Measure 82: Frequently Asked Questions: (Brief #3-00)
"Measure 82: Referendum on the Effect of Transportation Funding" (Report #2-00)
"Summary of Work on Heavy Vehicle Taxes" (Report #1-97)
"Oregon Cost Responsibility: Studies Compared to Other States" (Report #4-96)
"Oregon Highway Revenue: An Introduction" (Report #4-95)

TIMBER TAXES

"Oregon's Forestland Revenue – Impacts on State and Local Public Services" (Report #5-07)
"Federal Forest Revenue for Schools" (Report #11-00)
"Revenues From Timber in Oregon" (Report #7-00)
"History of Timber Taxation" (Report #6-00)
"Report of the Subcommittee on Timber Taxation" (Report #2-93)
"Revenue From Timber in Oregon" (Report #9-91)
"History of Timber Taxes" (Report #8-91)

MISCELLANEOUS

"Housing Affordability in Oregon" (Report #6-07)
"Master Settlement Agreement (Financial Provisions)" (Brief #9-02)
"Oregon's Inheritance Tax" (Brief #9-01)
"Taxation of Pensions in Oregon: 2001 Update" (Brief #6-01)
"Oregon's Workers' Compensation Insurance Market" (Report #10-00)
"Impact of Measure 1, Sales Tax for Schools" (Report #3-93)