The Oregon Personal Income Tax

Legislative Revenue Office
January 2009
Personal Income Tax Details

- Component details
- Component trends
- Collections
- Part-Year and Nonresident
Personal Income Tax Components

- Number of returns
- Tax base
- Oregon adjustments
- Tax rates and credits
Tax Year 2006

Number of Returns
- All: 1.76 million
- FY: 1.55 million

Tax Liability
- All: $5.1 billion
- FY: $4.8 billion
Oregon Income (2006)

- Personal Income: $123.7b
- Gross (Total) Income: $85.3b
- Adjusted Gross Income: $83.8b
- Taxable Income: $63.6b
From Personal Income to AGI

BEA Personal Income

Non-Taxable Income:
- Transfer Payments
- Employer contributions to pension and insurance funds
- Investment income retained by pension and insurance funds

Taxable Income:
- Capital gains
- Taxable pensions

Adjusted Gross Income
Components of Gross Income

2006: $85.3 billion

- Wages: 64%
- Int. & Div.: 5%
- Schedule C: 4%
- Retirement: 11%
- Capital Gains: 9%
- Schedule E: 6%
- Other: 1%
- Int. & Div.: 5%
- Schedule C: 4%
Distribution of Tax Returns

2006 FY Returns: 1.55 million
Share of Capital Gains by Filer Percentile
Tax Year 2006

Oregon ($8b)  U.S. ($779b)
Share of Schedule E Income by Filer Percentile
Tax Year 2006

Percent of Filers

Percent of Capital Gains

Oregon ($5b)  U.S. ($466b)
From AGI to Taxable Income

Federal Adjusted Gross Income $83.8b

+ Oregon Additions:
  - Interest on non-Oregon bonds... $0.3b

- Oregon Subtractions:
  - Federal income tax up to $5,000... $7.2b

Deductions
  Standard $1,840 single
  $3,685 joint
  Itemized $15.0b

= Oregon Taxable Income $63.6b
## Top Five Subtractions ($M)

**Tax Year 2006, Total = $7.2 billion**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Income Tax</td>
<td>$3,286</td>
</tr>
<tr>
<td>Social Security Income</td>
<td>$1,894</td>
</tr>
<tr>
<td>Federal Pension Income</td>
<td>$897</td>
</tr>
<tr>
<td>Oregon Tax Refund</td>
<td>$444</td>
</tr>
<tr>
<td>U.S. Bond Interest</td>
<td>$244</td>
</tr>
</tbody>
</table>
## Top Five Deductions ($M)

**Tax Year 2006, Total = $13.1 billion**

<table>
<thead>
<tr>
<th>Deduction</th>
<th>Amount ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Mortgage Interest</td>
<td>$6,093</td>
</tr>
<tr>
<td>Charitable Contributions</td>
<td>$2,075</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$1,751</td>
</tr>
<tr>
<td>Medical and Dental Expenses</td>
<td>$1,283</td>
</tr>
<tr>
<td>Oregon Special Medical</td>
<td>$675</td>
</tr>
</tbody>
</table>
From Taxable Income to Tax

- **Oregon Taxable Income**: $63.6b

- **Tax Rates**: 5%, 7%, 9%

- **Tax Before Credits**: $5.3b

- **Tax Credits**: $0.6b
  - $159 personal credit...

- **Tax Liability**: $4.8b
### 2006 Personal Income Tax Brackets and Rates

<table>
<thead>
<tr>
<th></th>
<th>SINGLE</th>
<th>Rate</th>
<th>JOINT</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $2,750</td>
<td>5%</td>
<td>&lt; $5,500</td>
<td></td>
</tr>
<tr>
<td>$2,750 - $6,850</td>
<td>7%</td>
<td>$5,500 - $13,700</td>
<td></td>
</tr>
<tr>
<td>&gt; $6,850</td>
<td>9%</td>
<td>&gt; $13,700</td>
<td></td>
</tr>
</tbody>
</table>
## Top Five Credits ($M)

**Tax Year 2006, Total = $582 million**

<table>
<thead>
<tr>
<th>Credit</th>
<th>Amount ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Exemption</td>
<td>$443</td>
</tr>
<tr>
<td>Tax Paid to Other States</td>
<td>$37</td>
</tr>
<tr>
<td>Working Family Child Care</td>
<td>$21</td>
</tr>
<tr>
<td>Earned Income</td>
<td>$18</td>
</tr>
<tr>
<td>Residential Energy</td>
<td>$11</td>
</tr>
</tbody>
</table>
# Earned Income and WFCC Credits

(2006 FY Returns)

<table>
<thead>
<tr>
<th>AGI ($000s)</th>
<th>Total (non-refund)</th>
<th>Total (refund)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 5</td>
<td>3</td>
<td>926</td>
</tr>
<tr>
<td>5-10</td>
<td>393</td>
<td>3,214</td>
</tr>
<tr>
<td>10-15</td>
<td>1,801</td>
<td>4,599</td>
</tr>
<tr>
<td>15-20</td>
<td>3,402</td>
<td>4,132</td>
</tr>
<tr>
<td>20-25</td>
<td>3,854</td>
<td>3,214</td>
</tr>
<tr>
<td>25-30</td>
<td>3,676</td>
<td>1,926</td>
</tr>
<tr>
<td>30-35</td>
<td>2,284</td>
<td>937</td>
</tr>
<tr>
<td>35-40</td>
<td>1,380</td>
<td>466</td>
</tr>
<tr>
<td>40-45</td>
<td>933</td>
<td>200</td>
</tr>
<tr>
<td>45-50</td>
<td>697</td>
<td>86</td>
</tr>
<tr>
<td>50+</td>
<td>669</td>
<td>46</td>
</tr>
</tbody>
</table>

Non-refundable total: $19.1 million  
Refundable total: $19.7 million
Component Trends

- Income
- Tax expenditures
- Tax liability
Oregon Income, 1990-2006
Annual Change in Wage Income
(1990-2006)

Wages (64%)

Percent

Tax Year

Annual Change in Income (1990-2006)

Capital Gains (9%)

Interest & Dividends (5%)

Schedule C Income (4%)

Schedule E Income (6%)
Trends in Subtractions
Tax Years 2003-2006, Full-Year Returns

- Federal Income Tax
- Social Security Income
- Federal Pensions
- Oregon Tax Refund
- U.S. Bond Interest
- Other

$ Millions

0 500 1,000 1,500 2,000 2,500 3,000 3,500

2003
2004
2005
2006
Trends in Deductions
Tax Years 2003-2006, Full-Year Returns

![Bar chart showing trends in deductions for different categories over the years 2003 to 2006.](chart.png)

- **Home Mortgage Interest**
- **Charitable Contributions**
- **Property Taxes**
- **Medical and Dental Expenses**
- **Oregon Special Medical**

$ Millions

- **2006**
- **2005**
- **2004**
- **2003**
Trends in Credits
Tax Years 2003-2006, Full-Year Returns

- Tax Paid to Other States
- Working Family
- Earned Income
- RETC
- BETC

$ Millions

- 2006
- 2005
- 2004
- 2003
Percent of Total Liability for Top 1% of Full-Year Filers
Tax Collections
Oregon Personal Income Tax Collections

Fiscal Year

$ Millions


$0 $1,000 $2,000 $3,000 $4,000 $5,000 $6,000
Tax Payments & Refunds
2006 Full-Year Returns
Total Tax Liability: $4.8 billion

- Withholding: $3,022
- Estimated: $7,577
- Paid with returns: $1,469
- Refunds: $764

Average: $1,469
Total Withholding

All Sectors
Oregon Withholding Payments - 12-Month Moving Totals

Oregon Department of Revenue, Research Section
Withholding for Selected Sectors
12-Month Moving Totals

SECTOR: Manufacturing

SECTOR: Finance and Insurance

SECTOR: Health Care and Social Assistance

SECTOR: Retail Trade
Collections for Tax Year 2006

Month          $ Million
Jan-06        $700
Mar-06        $500
May-06        $300
Jul-06        $100
Sep-06        $300
Nov-06        $500
Jan-07        $700
Mar-07        $100
May-07        $-300
Jul-07        $-500
Sep-07        $-700
Nov-07        $-700
Collections for Tax Year 2008

$ Million

Jan-08  Mar-08  May-08  Jul-08  Sep-08  Nov-08  Jan-09  Mar-09  May-09  Jul-09  Sep-09  Nov-09

Month
Part Year and Nonresident Taxpayers

State has nexus to tax income from Oregon sources earned by nonresidents

Applies to:

**Part Year Residents**
- lived in Oregon but moved out
- lived elsewhere but moved to Oregon

**Nonresidents**
- absentee landlord
- commute from Vancouver, WA
Part Year Taxpayer Example

Income
- Federal: $20,000
- Oregon: $5,000

less Deductions
- Federal: -$1,840
- Oregon: $5,000

equals Taxable Income
- Federal: $18,160

Oregon percentage ($5,000/$20,000) = 25%

Gross Tax = $1,443 * 25% = $361

Net Tax = $361 – ($159 * 25%) = $321
### Nonresident Taxpayer Example

<table>
<thead>
<tr>
<th>Federal</th>
<th>Oregon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$20,000</td>
</tr>
<tr>
<td>less Deductions ($1,840 * 25%)</td>
<td></td>
</tr>
<tr>
<td>equals taxable income</td>
<td></td>
</tr>
</tbody>
</table>

Oregon percentage ($5,000/$20,000) = 25%

Gross Tax = $263

Net Tax = $263 – ($159 * 25%) = $223