



2005 OREGON PUBLIC FINANCE: BASIC FACTS

Research Report #1-05

**LEGISLATIVE REVENUE
OFFICE**

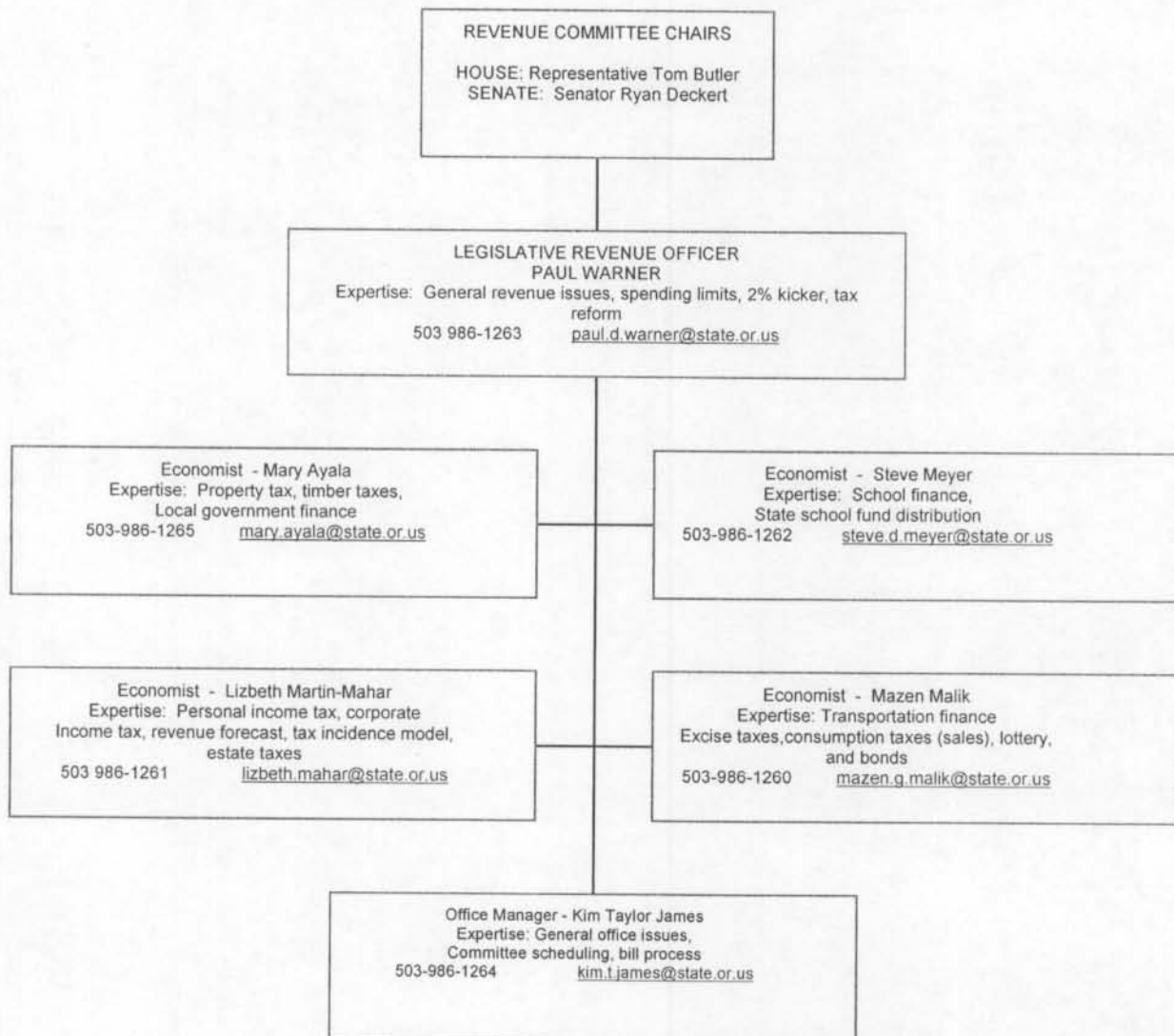
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2005 Legislative Session Legislative Revenue Office

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OVERVIEW OF OREGON'S REVENUE SYSTEM

A better understanding of Oregon's revenue system can be gained by looking at it from two perspectives. The first is at a point in time. This perspective addresses how Oregon compares with other states using the latest available consistent information for all the states. On a comparative basis, Oregon's overall revenue burden on its citizens and economy can be compared. The mix of Oregon's revenue sources can also be compared with other revenue systems around the country.

The second perspective is how Oregon's revenue system has changed through time. Changes in Oregon's tax burden and revenue composition can be examined, along with how Oregon's system has changed compared to other states.

OREGON'S CURRENT SYSTEM COMPARED TO OTHER STATES

U.S. Census data for the 2001-02 fiscal year (released in August of 2004) provides a consistent set of information for the states. It also combines state revenue with local revenue so revenue systems can be shown in their entirety. The Census Bureau divides state and local revenue into six major categories: taxes, federal funds, charges, miscellaneous, government enterprises and insurance trusts. Taxes are defined as compulsory contributions extracted by governments for public purposes. Other revenue categories are federal government transfers to state and local governments, direct charges for services such as tuition and park fees, and miscellaneous revenue. Miscellaneous revenue includes interest earnings and proceeds from sale of government property. It also includes net revenue from state run lotteries. Government enterprises include government owned utilities and state run liquor stores. Government insurance trusts are the current revenue of trust funds such as unemployment compensation, employee retirement and workers' compensation.

Table 1 shows Oregon's revenue from five major categories with insurance trusts and government enterprises combined. It also shows Oregon's rank among the 50 states—number one ranking means highest revenue. Revenue is shown on a per capita basis (revenue divided by state population) and as a percentage of total personal income of state residents.

Table 1. OREGON'S STATE & LOCAL GOVERNMENT REVENUE SOURCES

REVENUE SOURCE	01-02 REVENUE (MILLIONS)	REVENUE PER CAPITA	RANK	REVENUE AS % OF PERSONAL INCOME	RANK
ALL REVENUE	\$23,201.1	\$6,591	11	23.4%	14
TAXES	\$9,003.2	\$2,558	41	9.1%	46
CHARGES	\$3,894.2	\$1,106	7	3.9%	10
FEDERAL	\$6,437.9	\$1,829	4	6.5%	8
MISCELLANEOUS	\$2,290.0	\$651	11	2.3%	14
GOV ENTERPRISES & TRUSTS	\$1,578.8	\$448	18	1.6%	16
OWN SOURCES REVENUE*	\$15,187.4	\$4,315	28	15.3%	30

*Sum of taxes, charges and miscellaneous revenue.

State and local government revenue in Oregon totaled \$23.2 billion for the 2001-02 fiscal year. This translates into \$6,591 per person or 23.4% of total 2001 Oregon resident personal income.

Oregon ranks #11 among the states in overall revenue per person and #14 in revenue as a percentage of personal income. In contrast to overall revenue, Oregon's tax burden ranks near the bottom among the states. All state and local taxes came to \$2,558 per person or 9.1% of personal income. This ranks Oregon #41 on a per capita basis (9 states with lower per capita tax burden) or #46 as a percentage of personal income (4 states with a lower burden). The combination of a relatively high rank in overall revenue and relatively low rank in tax revenue indicates that Oregon is less reliant on taxes as a revenue source than other states. Indeed, taxes make up only 38.8% of total revenue in Oregon; only 3 states have a lower reliance on taxes as a revenue source (Alaska, Montana and Tennessee).

Compared to other states, Oregon's revenue system is heavily weighted to non-tax revenue sources. Direct charges for government services, including public higher education, hospitals, parking and recreation facilities, totaled \$1,106 per person in 2001-02. Only 6 states had higher charges on a per capita basis. Oregon is also highly dependent on the federal government as a source of revenue. Federal revenue going to state and local governments in Oregon (this measure does not include direct federal payments to individuals or businesses) came to \$6.4 billion or \$1,829 per person in 2001-02. This puts Oregon #4 in per capita revenue from the Federal government.

Table 2 narrows revenue sources to taxes only. This shows that Oregon's system is unique in another way. Oregon is one of 5 states (Montana, New Hampshire, Delaware and Alaska are the others) without a broad retail sales tax. This leaves the state tied with three other states (Alaska has a small amount of collections that Census classifies as gross receipts revenue) at no per capita revenue from this source. Personal income taxes on the other hand are 6th highest on a per capita basis and 3rd highest as a percentage of personal income. Oregon's corporate income tax and property tax burden are ranked 34th and 27th on a per capita basis, respectively.

Table 2. OREGON'S TAX SOURCES

REVENUE SOURCE	01-02 REVENUE (MILLIONS)	REVENUE PER CAPITA	RANK	REVENUE AS % OF PERSONAL INCOME	RANK
PERS. INC TAX	\$3,675	\$1,044	6	3.7%	3
CORP. INC. TAX	\$196.3	\$56	34	0.2%	35
PROPERTY TAX	\$3,138.9	\$892	27	3.2%	25
GEN. SALES TAX	\$0	\$0	47(T)	0%	47(T)
SEL. SALES TAXES	\$888.8	\$253	43	0.9%	43
OTHER TAXES	\$1,104.3	\$314	10	1.1%	12
ALL TAXES	\$9,003.2	\$2,558	41	9.1%	46

Table 3 provides another look at Oregon's revenue system by comparing state taxes (excluding local taxes) with other western states for the 2002-03 fiscal year. The first row shows state revenue as a percentage of total own source (excluding federal) revenue. This is a measure of how centralized a state's revenue system is. The state collects a slightly higher percentage of revenue in Oregon than the typical western state. However, both Idaho and Utah have a more centralized revenue system. Oregon has more dependence on the personal income tax than any other state in the region or the country. The same is true for Washington in the case of the sales tax. Idaho and Utah have the most balanced tax systems between personal income and sales taxes in the region.

TABLE 3. STATE TAX SYSTEMS (2003 FISCAL YEAR)

STATE TAXES	OR	CA	WA	ID	UT	AZ	NV
STATE REV. AS % OF TOTAL	56.6	54.7	56.1	58.5	64.2	53.5	49.4
TAXES AS % OF INCOME	5.6	6.9	6.5	6.9	6.9	6.1	6.2
TAX BURDEN RANK	37	17	23	18	15	33	28
SHARE- PERS. INCOME TAX	70.6	41.3	---	36.0	39.7	24.2	---
SHARE- SALES	---	31.4	61.8	35.9	37.6	49.9	53.1
SHARE- CORP	4.0	8.6	---	4.0	3.8	4.5	---
SHARE- EXCISE	13.1	8.9	16.2	13.9	13.3	13.6	31.7
SHARE- PROPERTY	---	2.4	11.6	---	---	3.5	2.7
SHARE- OTHER	11.9	7.4	10.5	10.2	5.6	4.4	12.5

Finally Table 4 shows a complete listing of all Oregon state taxes for the 2003-04 fiscal year. These data come from state sources and captures the most recent fiscal year. Table 4 also contains a listing of identifiable local tax sources. Because there is no comprehensive source listing all local taxes, Table 4 has a balancing category to match local revenue with an extrapolation of the latest Census data.

TABLE 4. SUMMARY OF OREGON TAXES

STATE	2001-02 COLLECTIONS	2002-03 COLLECTIONS	2003-04 COLLECTIONS
PERSONAL INCOME TAX	\$3,677,677,986	\$4,021,863,000	\$4,268,572,769
EMPLOYMENT INSURANCE TAXES	499,672,800	548,301,000	649,097,000
GASOLINE AND USE FUEL TAXES	387,907,000	393,692,000	401,968,000
CORPORATE INCOME TAX	195,180,047	224,892,000	317,506,034
WEIGHT MILE TAX	192,309,705	196,487,000	217,370,000
CIGARETTE TAX	154,981,173	221,962,042	240,069,022
INSURANCE TAXES	65,998,038	56,689,231	51,732,659
OTHER LABOR TAXES	90,226,066	89,684,296	87,956,364
TIMBER PRIVILEGE TAXES	18,875,225	13,272,563	3,787,065
INHERITANCE TAX	65,201,985	51,431,289	73,609,092
WORKERS' COMP INSURANCE	48,738,305	56,530,332	58,192,322
TELEPHONE EXCHANGE ACCESS	30,393,245	29,884,723	33,255,970
OTHER TOBACCO PRODUCTS TAX	20,053,176	20,933,588	25,278,884
REAL ESTATE RECORDING TAX	26,601,971	28,344,258	21,925,857
BEER & WINE TAXES	12,684,516	13,323,065	13,665,748
FOREST PRODUCTS HARVEST	9,671,710	11,416,237	11,940,279
ELECTRIC COOP TAX	4,562,691	5,663,245	4,555,367
PHONE ACCESS SURCHARGE	4,052,817	5,216,399	5,377,192
AMUSEMENT DEVICE TAX	1,911,253	1,988,399	798,200
HAZARDOUS SUBSTANCE TAXES	2,445,115	2,604,792	2,565,657
AVIATION GAS AND JET FUEL	1,957,000	2,098,000	2,379,798
PETROLEUM LOADING FEE	1,256,440	1,276,404	1,267,559
BOXING TAX	5,156	93,617	87,915
PRIVATE RAIL CAR TAX	263,251	215,508	189,168
OIL & GAS SEVERANCE TAX	127,446	138,365	109,322
DRY CLEANERS TAX	810,271	704,812	117,593
STATE LODGING TAX	0	0	1,457,243

TABLE 4. SUMMARY OF OREGON (LOCAL) TAXES

LOCAL TAXES	2001-02 COLLECTIONS	2002-03 COLLECTIONS	2003-04 COLLECTIONS
PROPERTY TAXES	3,251,868,000	3,414,602,961	3,612,927,649
TRANSIT PAYROLL & SELF EMPLOYMENT TAXES	172,851,331	171,908,222	173,563,613
FRANCHISE TAXES	133,970,000	136,582,000	139,656,000
HOTEL-MOTEL	62,500,000	65,200,000	65,600,000
PORTLAND BUSINESS LICENSE	45,941,414	44,055,374	45,364,373
MULTN. COUNTY BUSINESS TAX	26,935,000	27,214,830	30,286,000
MULTNOM. COUNTY INCOME TAX	0	0	100,144,000
MOTOR FUEL TAXES	10,846,000	11,134,000	12,926,000
WASH COUNTY TRANSFER TAX	3,152,336	3,355,000	4,057,444
OTHER TAXES AND LICENSES	131,485,919	155,801,908	169,728,290

OREGON'S REVENUE SYSTEM OVER TIME

The fundamental shape of Oregon's revenue system has changed dramatically over the past 12 years. Taxes fell from 54% of general revenue in 1989-90 to 42% in 2001-02. Tax revenue has been replaced by increased reliance on federal revenue and direct charges for services in Oregon's revenue mix. Miscellaneous revenue declined as a source of revenue despite the state's increased dependence on lottery. The primary reason for the decline was the low interest rates prevailing through most of the past decade. This reduced interest earnings on state and local government accounts.

Table 5. OREGON'S CHANGING REVENUE MIX

General Revenue Source*	% of 1989-90 Total	% of 2001-02 Total
Taxes	54 %	42 %
Federal Revenue	20 %	30 %
Charges	13 %	18 %
Miscellaneous	13 %	11 %

*General revenue excludes revenue from enterprises and trust funds.

Table 6 tracks annual collections from Oregon's three major tax revenue sources: personal income taxes, property taxes and corporate income taxes. The responsiveness of the personal income tax to changing economic conditions can be seen in the table. The payment of 2% surplus kicker refunds and credits has increased the year-to-year volatility of both personal and corporate income tax collections. The impact of voter initiatives on property taxes can be seen in falling collections through much of the 1990s.

Table 6
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%	2,572.2	3.9%
1999-00	4,197.3	13.4%	405.2	30.8%	2,745.1	6.7%
2000-01	4,539.7	8.2%	373.0	-7.9%	3,014.0	9.8%
2001-02	3,677.7	-19.0%	195.2	-47.7%	3,221.1	6.9%
2002-03	4,021.9	9.4%	224.9	15.2%	3,414.6	6.0%
2003-04	4,268.6	6.1%	317.5	41.2%	3,611.1	5.8%

Source - Department of Revenue

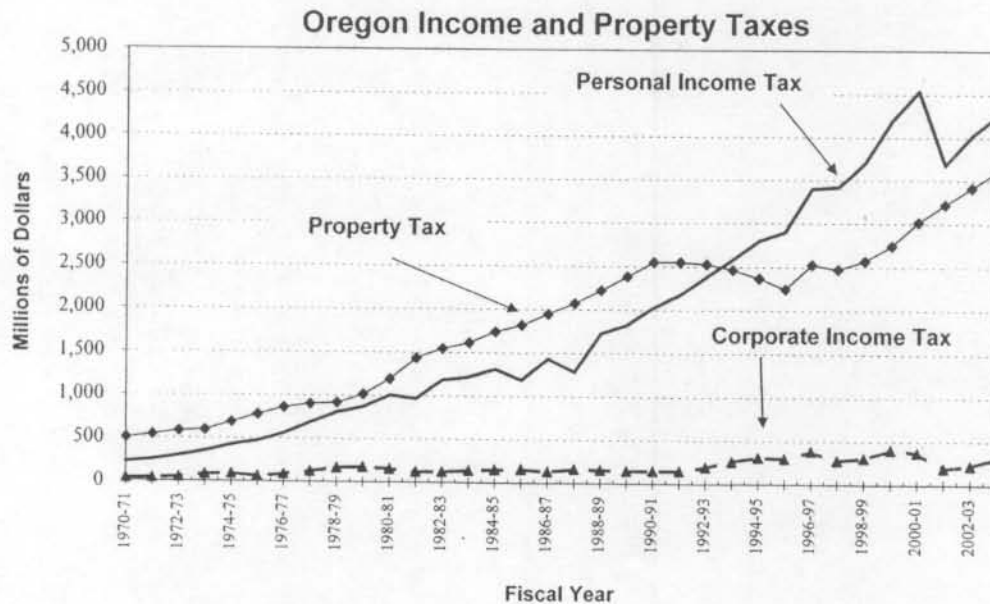


Table 7 shows how Oregon taxes have changed relative to other states over the past twenty years. Oregon's tax burden consistently ranked between #10 and #20 from 1982-83 through 1993-94, slightly lower on a per capita basis. The phase in of lower property tax rates under Measure 5 (passed in 1990) and 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.

Table 7. HISTORY OF OREGON'S RANK AMONG U.S. STATES OF STATE AND LOCAL TAXES AS % OF PERSONAL INCOME AND PER CAPITA

	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

Table 8 shows how Oregon's rankings have varied over the past 12 years. Oregon's variability is greater than any other state for the period. This largely reflects the fundamental change in the state's tax burden caused by Measures 5 and 50 but it also is caused by variability in income taxes due to kicker refunds and the sensitivity of income taxes to economic activity.

**TABLE 8: U.S. STATE RANKINGS OF STATE AND LOCAL TAXES AND CHARGES BURDEN
AND VARIANCE OF RANKINGS BY STATES FROM 1990-2001**

2001-02 RANKINGS (excluding D.C.)	Taxes as % of Personal Income	RANK - Taxes % of Personal Income (excludes DC)	Variance for Rankings of Taxes as % of Personal Income ¹	Total Taxes + Charges as % of Personal Income	RANK - Total Taxes + Charges as % of Personal Income	Variance for Rankings of Taxes + Charges as % of Personal Income ¹
Alabama	8.76%	48	0.5	14.16%	14	47
Alaska	10.3%	28	160	13.7%	21	33
Arizona	10.45%	19	89	12.54%	37	121
Arkansas	10.40%	22	81	13.55%	25	69
California	10.60%	17	36	13.77%	20	11
Colorado	9.23%	45	19	12.29%	42	35
Connecticut	10.36%	27	78	11.56%	47	15
Delaware	10.72%	15	73	14.35%	11	18
Florida	9.37%	44	2	12.51%	38	8
Georgia	10.04%	34	24	12.94%	36	15
Hawaii	12.06%	4	2	15.01%	7	11
Idaho	9.98%	36	47	13.93%	17	25
Illinois	10.13%	29	12	12.05%	45	3
Indiana	10.04%	33	22	13.44%	29	15
Iowa	10.38%	24	45	14.48%	10	18
Kansas	10.37%	26	37	13.07%	33	24
Kentucky	10.62%	16	43	13.40%	30	24
Louisiana	11.13%	10	127	15.18%	6	23
Maine	13.02%	2	14	15.31%	4	70
Maryland	10.44%	20	37	12.50%	39	6
Massachusetts	9.59%	40	30	11.12%	48	9
Michigan	10.38%	25	60	13.54%	26	34
Minnesota	11.31%	7	1	14.30%	13	8
Mississippi	10.39%	23	51	15.28%	5	37
Missouri	9.61%	39	14	12.07%	44	4
Montana	9.81%	38	94	13.24%	31	48
Nebraska	10.77%	14	27	13.68%	22	16
Nevada	10.12%	30	40	13.57%	24	37
New Hampshire	8.46%	49	10	10.36%	50	2
New Jersey	10.42%	21	36	12.47%	40	16
New Mexico	11.14%	9	3	13.96%	16	14
New York	13.08%	1	0.2	15.75%	2	2
North Carolina	10.02%	35	24	13.81%	19	41
North Dakota	10.52%	18	50	14.81%	8	4
Ohio	11.10%	11	45	13.89%	18	35
Oklahoma	9.95%	37	30	13.65%	23	8
Oregon	9.09%	46	174	13.03%	35	52
Pennsylvania	10.09%	31	20	13.06%	34	23
Rhode Island	11.36%	6	27	13.11%	32	18
South Carolina	9.58%	41	11	14.08%	15	134
South Dakota	9.04%	47	1	11.12%	49	12
Tennessee	8.39%	50	1	11.71%	46	2
Texas	9.55%	42	34	12.17%	43	29
Utah	10.84%	13	7	15.34%	3	9
Vermont	11.06%	12	4	13.52%	27	21
Virginia	9.52%	43	4	12.32%	41	145
Washington	10.09%	32	59	13.50%	28	24
West Virginia	11.17%	8	49	14.32%	12	12
Wisconsin	11.73%	5	2	14.79%	9	6
Wyoming	12.20%	3	33	16.86%	1	0.3

¹ The variance measures the variability in the state rankings for fiscal years from 1989-90 through 2001-02.

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). Calculation of the surplus kicker will take place under the constitution for the first time following the 2003-05 biennium.

How it Works

The 2 % surplus kicker gives taxpayers an income tax refund or credit if actual revenues for the biennium are more than 2% higher than forecast at the time the budget was adopted.

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 claimed in the tax year in which the biennium ends.

Surpluses in the "all other" pot fund a personal income tax refund. Taxpayers receive a check by December 1st of the year the biennium ends. The amount refunded is an identical proportion of each taxpayer's personal income tax liability for the prior year. For example, if the kicker refund is 5% and the taxpayer had a liability 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.

History

Table 9 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.

Table 9. 2% KICKER (1979/81 – 2003/05)

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	-1,249.5	None	-439	None
2003-05*	2004/05	-582.9	None	43.3	17.2%

* December 2004 Forecast

Large corporate kicker credits were applied following the 1993-95 and 1995-97 biennia. Corporations have not been eligible for a corporate kicker credit since the 1995-97 biennium. 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.

There was not a personal or corporate income tax refund/credit following the 2001-03 biennium as revenue came in well below the May 2001 close of regular session forecast.

The latest forecast for the 2003-05 biennium projects that revenue used in the calculation of the personal income tax kicker will fall short of triggering a kicker refund in the fall of 2005. This is because the close of session forecast used as the base for the kicker calculation included revenue from Measure 30. This measure, which included an income tax surcharge, was defeated in a referendum in January of 2004. This had the effect of reducing the General Fund forecast by nearly \$800 million for the 2003-05 biennium. However, a surplus kicker credit of \$43.3 million is being forecast for corporations. This reflects a bounce back in corporate profits from the low 2001-03 levels.

For the 13 biennia in which the kicker has been in effect, including the current biennium, the personal income tax trigger has been exceeded eight times. Kicker refunds/credits were distributed on seven occasions and suspended once. Five times, including the current biennium, revenue has fallen short of the 2 % personal income tax trigger. For the corporate calculation, actual collections have exceeded the trigger seven times, including the current biennium, and fallen below six times. Of the six times in the past when the corporate trigger was exceeded, the kicker was credited to corporate taxpayers five times and suspended once.

STATE REVENUE AND EXPENDITURES

Recent state budget history is shown in Table 10. The table shows state General Fund revenue and expenditures and state All Funds revenue and expenditures for the 1989-2005 period. All Funds revenue is not shown for the 2003-05 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.

The General Fund Budget

The General Fund budget grew 125 % between the 1989-91 biennium and the estimated 2003-05 biennium. The impact of the 2001 recession and its aftermath is clearly visible in the 2001-03 and 2003-05 General Fund revenue numbers. Fueled by the strong economy and stock market boom, General Fund resources (revenue plus beginning balance) increased 112.3 % between the 1989-91 and 1999-2001 biennia. However, 2001-03 General Fund resources fell 7.0 %. The decline would have been more severe if the Legislature had not issued \$450 million in bonds to fund General Fund operations through the remainder of the 2001-03 biennium. Revenue from the bond sales shows up as "other revenue" in Table 10. The latest 2003-05 forecast shows General Fund resources 6.0 % above the 2001-03 level but 1.4% below the 1999-2001 level.

Table 10 also contains general growth measures for comparative purposes. Between 1990 and 2004, Oregon personal income (a measure of the overall state economy) increased 106.5 %, while the state's population grew 25.3 %. The general price level, as measured by the U.S. consumer price index, increased 44.4 % over the fourteen-year period.

The All Funds Budget

The All Funds budget is a much more comprehensive measure of the state's finances. However, it contains large revenue sources, such as public employee retirement contributions and earnings that are not available for the provision of general public services. The All Funds budget grew slightly less than the General Fund budget between 1989-91 and 1999-2001, however, it has grown considerably faster over the past two budget cycles. Like the General Fund budget, education and public safety grew in relative terms. However, the degree of increase is less pronounced in the broader All Funds budget.

All Funds revenue increased 97.2 % between 1989-91 and 2001-03, slightly faster than personal income growth. Personal income increased 92.3 % between 1990 and 2002. All Funds revenue slowed significantly over the past two biennia as interest earnings have declined. Interest earnings, predominantly earnings on employee retirement accounts, have been reduced by weak financial markets.

TABLE 10
STATE BUDGET HISTORY: 1989-2005

GENERAL FUND BUDGET (IN MILLIONS)								
PROGRAM AREA	1989-91	1991-93	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05
EDUCATION	\$2,176.9	\$2,995.9	\$3,572.3	\$4,131.0	\$5,096.0	\$5,788.2	\$5,210.9	\$5,910.4
HUMAN RESOURCES	\$1,201.7	\$1,439.6	\$1,618.1	\$1,872.8	\$1,924.0	\$2,274.4	\$2,387.4	\$2,285.6
PUBLIC SAFETY	\$416.2	\$486.2	\$608.4	\$769.7	\$1,000.5	\$1,176.1	\$1,231.2	\$1,213.5
ECON. & COMM. DEV. + CONS & BUS. SERV.	\$117.6	\$59.2	\$29.0	\$31.1	\$42.0	\$41.6	\$29.5	\$29.0
NAT. RES.	\$115.4	\$111.6	\$104.1	\$101.3	\$162.8	\$146.8	\$144.5	\$112.9
TRANS.	\$1.0	\$1.2	\$0.1	\$0.3	\$0.8	\$4.5	\$17.1	\$3.9
ADMIN.	\$260.3	\$137.1	\$114.7	\$119.2	\$119.8	\$135.0	\$149.3	\$129.2
LEGISLATURE	\$36.5	\$35.9	\$36.5	\$38.6	\$42.4	\$54.1	\$52.6	\$58.7
JUDICIAL	\$206.9	\$238.0	\$261.8	\$283.1	\$316.3	\$359.1	\$374.0	\$389.2
MISC.	\$0.0	\$0.0	\$65.0	\$80.0	\$80.0	\$146.2	\$0.0	\$58.7
TOTAL	\$4,532.5	\$5,504.7	\$6,410.1	\$7,426.9	\$8,784.5	\$10,125.9	\$9,596.5	\$10,191.1

GENERAL FUND RESOURCES (IN MILLIONS)								
	1989-91	1991-93	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05*
BEGINNING BALANCE	\$298.14	392.2	\$366.40	\$496.33	\$800.10	\$338.14	\$362.98	\$113.50
PERSONAL INCOME TAXES	3,853.90	4561.89	5381.1	6303.37	7123.1	8,737.00	7,699.54	8,816.05
CORPORATE INCOME TAXES	297.4	354.93	575.77	684.44	589.1	754.90	420.07	583.04
OTHER TAXES	283.6	321.3	398.65	428.24	336.77	325	350.68	347.9
OTHER REVENUE	193.20	239.28	180.58	315.55	275.63	305.00	895.71	451.80
TOTAL	\$4,926.24	\$5,869.60	\$6,902.50	\$8,227.93	\$9,124.70	\$10,460.04	\$9,728.98	\$10,312.29

** DECEMBER 2004 FORECAST

ALL FUNDS BUDGET (IN MILLIONS)								
PROGRAM AREA	1989-91	1991-93	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05
EDUCATION	\$4,011.4	\$5,186.6	\$5,451.0	\$6,878.7	\$8,481.6	\$9,498.0	\$10,178.3	\$11,252.6
HUMAN RESOURCES	\$2,764.4	\$3,589.0	\$4,373.5	\$5,196.4	\$6,193.1	\$7,553.3	\$9,014.3	\$9,306.6
PUBLIC SAFETY	\$584.3	\$649.8	\$820.0	\$1,811.7	\$1,481.7	\$1,977.2	\$2,138.3	\$1,888.0
ECON. & COMM. DEV. + CONS & BUS. SERV.	\$3,596.4	\$4,271.1	\$4,166.6	\$4,178.0	\$4,020.0	\$3,998.2	\$5,753.8	\$5,174.6
NAT. RES.	\$635.1	\$803.6	\$708.7	\$707.0	\$956.6	\$1,152.7	\$1,170.0	\$1,269.1
TRANS.	\$1,129.2	\$1,253.8	\$1,361.8	\$1,559.8	\$1,735.6	\$1,660.8	\$1,836.9	\$2,649.7
ADMIN.	\$1,794.9	\$1,429.2	\$1,672.1	\$2,546.2	\$3,389.8	\$4,058.8	\$4,448.2	\$6,426.0
LEGISLATURE	\$41.1	\$39.6	\$42.6	\$43.7	\$46.6	\$57.9	\$59.8	\$63.1
JUDICIAL	\$208.2	\$239.7	\$264.7	\$286.7	\$321.6	\$368.4	\$393.2	\$426.5
MISC.	\$0.0	\$0.0	\$65.0	\$80.0	\$80.0	\$0.0	\$0.0	\$58.7
TOTAL	\$14,765.0	\$17,462.4	\$18,926.0	\$23,288.2	\$26,706.6	\$30,325.3	\$34,992.8	\$38,514.9

ALL FUNDS REVENUE (IN MILLIONS)							
	1989-91	1991-93	1993-95	1995-97	1997-99	1999-01	2001-03
TAXES	\$6,636.8	\$7,643.3	\$8,951.3	\$10,228.4	\$11,363.3	\$13,168.9	\$11,912.3
FEDERAL FUNDS	\$3,157.7	\$4,243.8	\$4,688.5	\$5,197.4	\$6,488.6	\$7,352.3	\$9,604.1
INTEREST EARNINGS	\$3,304.8	\$4,385.4	\$4,206.6	\$5,127.4	\$9,238.6	\$4,247.9	\$801.9
DONATIONS&CONTRIB.	\$1,446.3	\$1,540.5	\$1,522.1	\$1,681.9	\$1,950.8	\$2,917.5	\$5,073.7
BOND SALES	\$629.0	\$609.6	\$573.3	\$1,277.8	\$1,316.5	\$1,768.1	\$2,486.4
LIQUOR & OTHER SALES	\$351.6	\$371.4	\$361.2	\$383.7	\$430.6	\$412.8	\$469.6
LOAN REPAYMENTS	\$1,116.5	\$1,318.1	\$1,243.5	\$934.2	\$945.3	\$673.4	\$790.2
CHARGES	\$1,118.2	\$1,312.8	\$964.4	\$1,037.4	\$1,243.0	\$1,283.9	\$1,491.7
LICENSES & FEES	\$434.9	\$497.0	\$510.6	\$547.6	\$664.2	\$665.6	\$1,021.6
LOTTERY	\$84.2	\$184.5	\$447.0	\$576.4	\$608.1	\$630.6	\$738.1
OTHER	\$412.0	\$403.9	\$450.0	\$537.4	\$550.1	\$1,136.9	\$2,463.7
TOTAL	\$18,692.0	\$22,510.3	\$23,918.5	\$27,529.6	\$34,799.1	\$34,257.9	\$36,853.3

GROWTH MEASURES								
	1990	1992	1994	1996	1998	2000	2002	2004 **
OREGON PERSONAL INC (MILL.)	\$52,178	\$58,163	\$66,130	\$75,561	\$85,262	\$96,400	\$100,400	\$107,800
OREGON POPULATION(MILL.)	2.86	2.99	3.12	3.24	3.35	3.437	3.505	3.583
U.S. CONSUMER PRICE INDEX	130.7	140.3	148.2	156.9	163	172.2	179.9	188.7

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. In the personal income tax change scenarios, the first fiscal year includes all the tax liability of tax year 2005 as well as a portion of tax year 2006. In addition due to time lags in the tax system, a proposed tax change might not have the effect shown here in the first fiscal year.

TAX REDUCTIONS	Revenue Effect (in millions)		
	FY 2005-06	FY 2006-07	FY 2007-08
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	-2.8	-2.8	-2.9
Senior Homeowner Property Tax Freeze: Freeze property taxes on residences who are over the age of 65 and have income < \$35,000	-4.1	-8.8	-14.1
Personal Income Tax			
Earned Income Credit (EIC) (Estimates begin tax year 2005)			
Increase EIC to 10% of federal EIC (non-refundable)	-9.8	-9.3	-8.9
Increase EIC to 15% of federal EIC (non-refundable)	-18.1	-17.7	-17.3
Convert non-refundable 5% EIC to 5% refundable credit	-2.5	-2.5	-2.4
Rate Reductions (current rates 5% – 7% – 9%) (Estimates begin tax year 2005)			
Reduce rates 1 percentage point (to 4 - 6 - 8%)	-847.6	-649.6	-691.4
Reduce rates 1/2 percentage point (to 4.5 - 6.5 - 8.5%)	-424.2	-325.1	-346.0
Reduce rates 1/4 percentage point (to 4.75 - 6.75 - 8.75%)	-212.2	-162.7	-173.1
Reduce rates 0.1 percentage point (to 4.9 - 6.9 - 8.9%)	-84.9	-65.1	-69.3
Tax Bracket Changes (Estimates begin tax year 2005)			
Double width of 5% and 7% brackets	-487.8	-372.5	-395.8
Widen 5% and 7% brackets by \$2,000 (\$4,000 on joint returns)	-300.4	-229.5	-243.9
Income Exemptions and Deductions (Estimates begin tax year 2005)			
Eliminate tax on unemployment income	-94.3	-70.0	-72.5
Double standard deduction (currently \$1,750 single; \$3,500 joint)	-205.6	-143.9	-148.7
Increase Maximum Federal Tax Subtraction to \$10,000	-183.4	-120.6	-115.4
No limit on maximum subtraction for federal income taxes	-607.3	-446.4	-463.0
Credits (Estimates begin tax year 2005)			
Increase personal exemption credit \$10	-40.5	-30.3	-31.6
Capital Gains (currently taxed at 5-7-9% rates) (Estimates begin tax year 2005)			
Reduce tax rate on capital gains to 5%	-85.9	-92.8	-100.2
Reduce tax rate on capital gains to 4%	-122.3	-132.1	-142.7
Estate Taxes (Estimates begin 2005)			
Connect to 2001 Federal law changes and eliminate estate taxes in Oregon (currently connected to Federal Taxpayer Relief Act of 1997)	-43.6	-60.0	-61.9
Corporate Income Tax			
Reduce corporate tax rate 0.1 percentage point (to 6.5%)	-2.5	-3.7	-3.7
Reduce corporate tax rate 1 percentage point (to 5.6%)	-24.5	-36.9	-37.2

TAX INCREASES/NEW TAXES	Revenue Effect (in millions)		
	FY 2005-06	FY 2006-07	FY 2007-08
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	239.2	249.2	259.2
Personal Income Tax (Estimates begin tax year 2005)			
Increase All Rates 5% (5.25, 7.25, 9.45%)	212.5	162.8	175.2
Increase All Rates 10% (5.5, 7.7, 9.9%)	708.7	543.3	583.7
Increase All Rates 1 Percentage Point (6, 8, 10%)	851.2	652.3	702.2
Increase Top Tax Rate to 9.5%	324.5	249.0	265.6
Increase Rate to 10% for Income Above \$100,000 Joint (indexed)	156.0	119.4	113.9
Increase Rate to 10% for Income Above \$50,000 Joint (indexed)	301.7	231.1	233.8
Increase Rate to 10% for Income Above \$25,000 Joint (indexed)	507.2	390.0	411.8
Decrease Maximum Federal Tax Subtraction Limit to \$3,000 (2005 Federal Tax Subtraction is \$4,500)	106.2	104.9	125.9
1% Surtax	63.0	48.3	51.5
Reduce Personal Exemption Credit by \$10	40.7	30.4	31.8
Limit Property tax Deduction to \$2,500 if Income > \$100,000 Joint	46.6	39.9	46.9
Limit Mortgage Interest Deduction to \$15,000	44.8	35.1	38.1
Corporate Income Tax (Estimates begin tax year 2005)			
1% Surtax	1.6	2.4	2.5
Increase Rate One Percentage Point (to 7.6%)	24.5	36.9	37.2
Increase Corp. Min Tax to \$500	43.1	44.9	46.7
Increase Corp. Min Tax = \$500 - Corps. with Gross Sales < \$500,000 & Corp. Min Tax = \$1,000 - Corps. with Sales > \$500,000 and < \$1 million & Corp. Min Tax = \$3,000 - Corps. with Sales > \$1 million	95.6	99.5	103.6
Sales Taxes (Estimates begin 2006)			
Broad Retail Sales Tax – 1% Rate (exempts shelter & in-home food)	399.8	857.4	908.7
Restricted Retail Sales Tax – 1% Rate (exempts shelter, in-home food, public transport, health care, education, personal insurance, utilities, gasoline, tobacco products)	282.2	605.3	641.5
Broad Retail Sales Tax – 3% Rate (exempts shelter & in-home food)	1,199.4	2,572.1	2,726.2
Restricted Retail Sales Tax – 3% Rate (exempts same items as described in 1% restricted retail sales tax)	846.7	1,815.8	1,924.6
Broad Retail Sales Tax – 5% Rate (exempts shelter & in-home food)	1,999.0	4,286.9	4,543.7
Restricted Retail Sales Tax – 5% Rate (exempts same items as described in 1% restricted retail sales tax)	1,411.2	3,026.2	3,207.6
Business Activity Taxes (Estimates begin 2006)			
Washington Gross Receipts Tax (B&O) – .1% Rate (no income tax credit)	130.0	269.9	286.2
Business Activities Tax (first \$25,000 of tax base is exempt) – 1% rate	211.4	432.8	447.3
Excise Taxes			
Washington Real Estate Transfer Tax – 1% Rate	226.1	234.2	243.6
Increase Cigarette Tax by 10¢ per Pack	14.6	16.0	16.12
Increase Other Tobacco Products by 10% of wholesale price	1.9	2.32	2.4
Increase Beer Tax by \$1 per barrel	2.5	2.6	2.6
Increase Wine Tax by 25¢ per gallon	2.3	2.3	2.3
Increase OLCC Mark-up by 10% (current = 101%)	9.1	10.5	11.0
Transient Lodging Tax – 1% Rate (no exemption amount)	8.3	9.4	9.9

OREGON INCOME TAXES

Personal Income Tax

Oregon residents and nonresidents earning income in Oregon pay the personal income tax. Oregon taxable income is the same as federal taxable income with some adjustments. Under a 1997 law, Oregon is continuously tied to the definition of federal taxable income. See page C8 for the tax calculation.

Tax rates range from 5% to 9% of taxable income. Taxable income is total income less exclusions and either the standard or itemized deductions. Due to deductions and credits, the average effective tax rate is just below 6% of adjusted gross income. Since 1993, the income tax brackets have been indexed to changes in the U.S. Consumer Price Index. The rate schedule for the most recent tax year is shown below:

2004 TAX YEAR RATE SCHEDULE

SINGLE RETURNS		JOINT RETURNS	
<u>Taxable Income</u>	<u>Tax Before Credits</u>	<u>Taxable Income</u>	<u>Tax Before Credits</u>
Not over \$2,600	5% of taxable income	Not over \$5,200	5% of taxable income
\$2,600 to \$6,500	\$130 + 7% of income over \$2,600	\$5,200 to \$13,000	\$260 + 7% of income over \$5,200
Over \$6,500	\$403 + 9% of income over \$6,500	Over \$13,000	\$806 + 9% of income over \$13,000

In 2002, all personal income tax returns had a total of \$66.6 billion of adjusted gross income and Oregon taxpayers paid a total of \$3.74 billion in personal income tax. The total tax liability in 2002 was down -2.5% from 2001 and below 2000 by -12%. In tax year 2002, the average adjusted gross income for all returns was \$41,210, which was a drop of -1.3% from 2001. The average Oregon tax after credits per tax return was \$2,314, representing a decline of 2% from the prior year.

The standard deduction in tax year 2004 is \$3,445 on a joint return, \$1,720 on a single and separate return and \$2,770 for a head of household. These deduction amounts are indexed to changes in the U.S. Consumer Price Index. 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 2002, the average total deduction per tax return was \$7,648, an annual increase of 3.2%. A personal exemption credit is allowed all taxpayers and dependents. This credit is indexed for inflation and equals \$151 for 2004. The average credit per tax return taken in 2002 was \$307, an increase of 3% over 2001.

Oregon taxes both individual and small 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 2002, the total number of sole proprietors was 212,573, 2% increase from prior year, and the total number of S-corporations was 45,723. The total amount of adjusted gross income that small businesses generated in 2002 was \$3.8 billion (Sole Proprietors Only) (6% of total gross income). Recent trends in Oregon's small businesses can be seen on pages C15 and C16. Between 1990 and 2002, there has been an increase in both the number of sole proprietors by 12% and S-corporations by 148%. On average over this time period, sole proprietors have been growing annually by 1% and S-corporations by 12%. The average annual growth in S-corporations has slowed in recent years (2000- 2002).

Personal income tax collections are the largest source of state tax revenue. Personal income tax collections are projected to comprise 90% of the total General Fund revenues in the 2005-07 biennium. This is a 4% increase from the personal income tax collections portion of the total general fund revenues projected in the 2003-05 biennium. The following table on Tax Collections History summarizes the personal income tax collections since fiscal year 1997-98.

Tax Collections History Fiscal Year 1997-2003

Fiscal Year	Personal Income Tax Collections (\$ billions)	Percent Change	Corporate Excise Tax Collections (\$ millions)	Percent Change
1997-98	\$3.4	.6%	\$275	
1998-99	\$3.7	8.2%	\$314	14.2%
1999-00	\$4.2	13.4%	\$382	21.7%
2000-01	\$4.5	8.2%	\$373	- 2.3%
2001-02	\$3.7	-19.0%	\$195	-47.7%
2002-03	\$4.0	9.4%	\$225	15.2%
2003-04	\$4.3	6.1%	\$318	41.2%

Corporate Excise Tax

C-Corporate net income attributable to Oregon is taxed under the corporate excise tax. The tax rate is 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 4.1% of General Fund revenues in the 2005-07 biennium. Oregon uses federal taxable income with some modifications as its tax base.

Corporations pay taxes only on income attributable to Oregon. For multi-state C-corporations, a three-factor formula utilizing property, payroll and sales is used to apportion income to Oregon. Prior to May 2003, Oregon had a double weighted corporate apportionment formula where the sales factor was .5 and the payroll and property factors were each .25. Changes to the corporate apportionment formula, made during the 2001 legislative session (HB 2281) and 2003 legislative sessions (HB 3183), have increased the sales factor and decreased the payroll and property factors in the apportionment formula. The following table gives the corporate apportionment formula weights for each factor and the effective date of the apportionment change.

Corporate Apportionment Formula Weights by Tax Year and Factor

Tax Year	Sales	Payroll / Property	Date of Change
2003	.8	.2	May 1
2004	.8	.2	
2005	.8	.2	
2006	.9	.1	July 1
2007	.9	.1	
2008 and subsequent years	1	0	July 1

C-corporations can be divided into two groups: corporations which do business only in Oregon and those which do business in multiple states. In 2002, the total number of Oregon only corporate returns was 23,205 (67% of total corporate returns) and the total number of multi-state corporations was 11,548 (33% of all 34,753 corporate returns). The total taxable income of multi-state corporations was \$3.2 billion (84% of total taxable income) and total taxable income of Oregon only corporations was \$.6 billion (16% of total taxable income). Page C13 illustrates the trends in the Oregon only and multi-state corporations between 1990 and 2002. Over the past twelve years, the number of Oregon only corporations has declined by 15% but the number of multi-state corporations has increased by 42.5%. Annually, the Department of Revenue processes approximately 35,000 C-corporation returns each year. More than 45,000 S-corporations pay the minimum tax of \$10 but do not pay the corporate tax based on their net income.

PERSONAL INCOME TAX 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, 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.
- 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.

CORPORATE INCOME AND EXCISE TAX 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 1925.¹

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

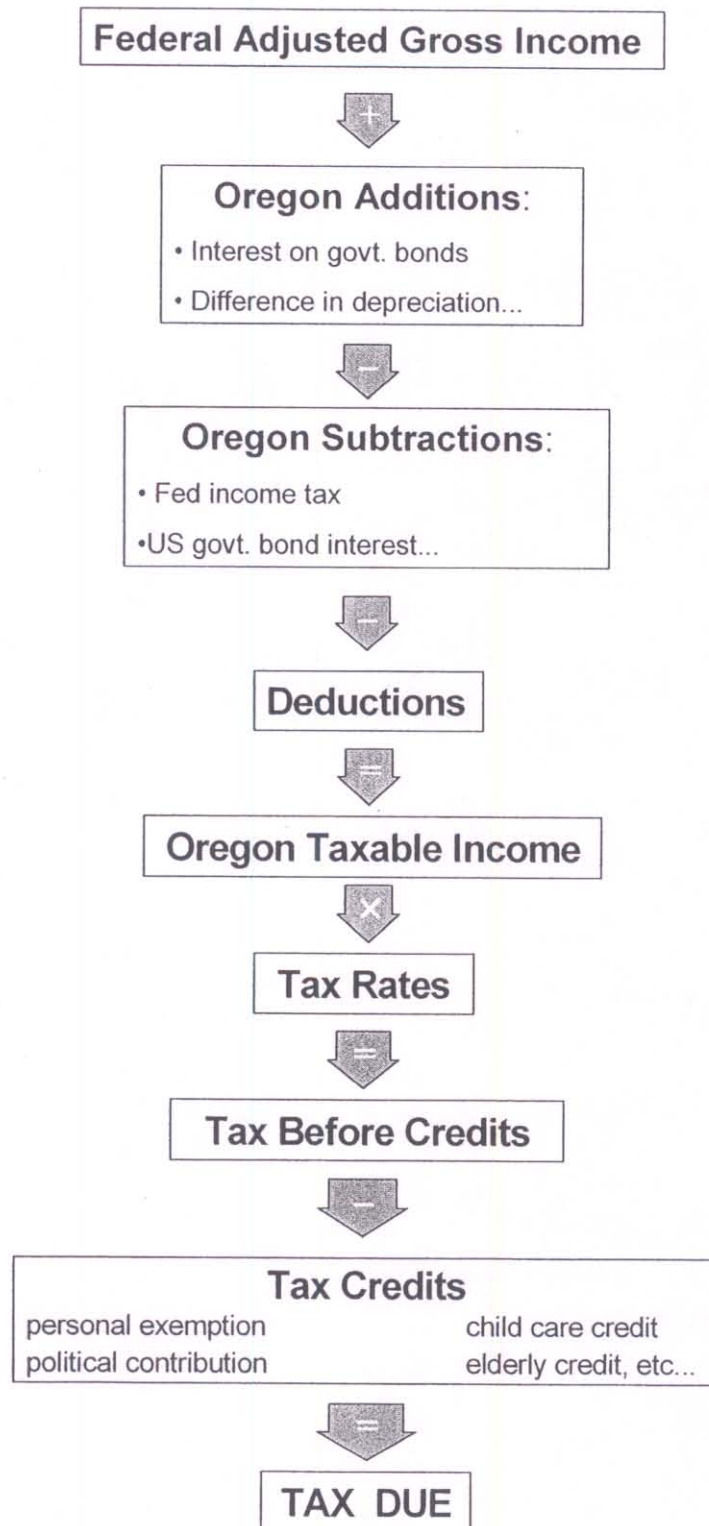
- 1929 The legislature passed a law titled the Corporate Excise of 1929 which enacted a corporate excise tax on corporations doing business within the state of Oregon. The tax rate was set at 5%, with a few corporations being exempt. The corporate minimum tax was set at \$25. The excise tax was measured 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. 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%.

¹ Handbook Of Oregon State Taxes, Oregon Tax Foundation, May 1983

- 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 extraterritorial 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 May 1, 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.

Calculation of Oregon Personal Income Tax



PERSONAL INCOME TAX STATISTICAL TABLES (Pages C10-C12)

- ALL TABLES:**
- Personal income tax statistics.
 - 2002 tax year.
 - Classified by adjusted gross income group, first column shows income class.
 - Totals are shown at bottom.

- TABLE A:**
- General summary of major tax items for all tax returns.
 - Income and tax items are in thousands of dollars.
 - See outline on previous page for general scheme of table.
- Example: Taxpayers in the \$40,000 to \$45,000 adjusted gross income class had total Oregon Adjusted Gross Income(AGI) of \$3,045,554,000, a total Oregon taxable balance of \$2,155,422,000 and total tax due after credits of \$148,502,000.

- TABLE B:**
- Same as Table A except numbers are averages.
- Example: Taxpayers in the \$40,000 to \$45,000 adjusted gross income class had average Oregon AGI of \$42,459, average taxable balance of \$30,050 and average tax due after credits of \$2,070.

- TABLE C:**
- Summary of sources of adjusted gross income for all full-year tax returns.
- Example: Taxpayers in the \$40,000 to \$45,000 adjusted gross income class had total wages and salaries of \$2,123,201,000 (76% of total AGI), taxable interest and dividends of \$81,838,000 (3% of total AGI) and taxable pensions of \$327,766,000 (12% of total AGI).

TABLE A: TOTAL INCOME AND TAX (THOUSANDS OF DOLLARS) **All 2002 returns**

AGI Category Distribution											
AGI Level (\$000)	Number of Returns	Number of Exemptions	Adjusted Gross Income	Oregon Adjustments			Deductions	Taxable Income	Oregon Tax	Credits	Tax After Credits
				Additions	Federal Tax Subtraction	Other Subtractions					
Less than zero	25,882	43,413	-1,360,425	14,501	459	65,250	188,064	765	55	17	37
0-5	174,771	179,290	429,907	7,441	3,621	19,956	346,424	196,646	10,617	4,415	6,202
5-10	158,459	208,239	1,180,264	4,911	15,165	32,553	475,472	744,391	45,190	18,903	26,287
10-15	146,660	245,020	1,830,201	5,098	40,011	66,567	573,108	1,224,952	82,967	31,402	51,565
15-20	137,014	251,863	2,390,449	4,938	80,019	105,143	599,418	1,660,891	119,442	37,654	81,787
20-25	119,497	231,764	2,680,724	4,983	118,011	120,684	577,416	1,910,612	143,830	37,152	106,678
25-30	103,665	208,492	2,846,478	4,411	148,912	134,825	562,791	2,034,772	157,646	33,604	124,042
30-35	91,930	191,633	2,982,341	4,699	171,078	150,410	571,773	2,120,489	167,462	30,020	137,443
35-40	80,540	176,869	3,016,795	4,451	172,380	160,716	567,417	2,140,050	171,204	27,403	143,802
40-45	71,729	166,083	3,045,554	4,615	170,216	167,753	574,160	2,155,422	174,226	25,724	148,502
45-50	63,836	154,640	3,029,391	4,191	163,325	167,864	564,243	2,152,910	175,537	23,826	151,711
50-60	107,411	274,766	5,888,372	8,861	300,727	343,258	1,087,541	4,187,570	344,735	42,538	302,197
60-70	84,033	226,139	5,444,978	8,121	253,568	309,959	973,591	3,931,043	327,418	35,424	291,994
70-80	63,176	174,599	4,721,780	6,507	197,466	250,393	822,359	3,468,124	291,747	27,697	264,050
80-90	46,343	130,820	3,927,183	4,905	146,875	188,038	665,343	2,937,956	249,259	21,195	228,063
90-100	32,694	93,822	3,095,446	5,072	104,224	127,145	507,712	2,365,377	202,055	15,622	186,433
100-250	94,354	271,785	13,042,388	27,152	301,361	442,288	1,897,425	10,441,079	908,194	54,567	853,627
250-500	10,701	31,394	3,572,335	12,531	33,894	83,118	366,692	3,104,169	275,737	11,166	264,571
500 +	4,005	11,272	4,860,202	24,691	12,451	93,156	443,468	4,343,715	389,393	17,726	371,666
Quintile Distribution											
First 20%	323,337	378,489	-86,716	25,892	13,882	107,667	888,667	723,344	41,966	17,742	24,224
Second 20%	323,356	556,697	4,635,543	11,107	128,482	185,108	1,311,516	3,159,852	220,410	75,794	144,615
Middle 20%	323,321	650,448	8,860,203	14,574	459,702	424,604	1,773,411	6,316,416	489,205	103,667	385,538
Fourth 20%	323,352	778,086	15,277,038	22,554	817,225	859,773	2,846,333	10,850,437	884,484	120,386	764,098
Next 15%	242,499	674,527	19,454,444	28,305	757,028	950,407	3,312,311	14,497,212	1,226,292	108,984	1,117,308
Next 4%	64,668	186,740	9,694,963	21,414	206,472	316,112	1,380,508	7,823,387	682,508	39,311	643,197
Top 1%	16,167	46,916	8,788,889	38,324	50,374	185,405	851,669	7,750,283	691,849	30,171	661,677
Total	1,616,700	3,271,903	66,624,364	162,169	2,433,765	3,029,076	12,364,415	51,120,933	4,236,714	496,056	3,740,658

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TABLE B: AVERAGE INCOME AND TAX (DOLLARS)

All 2002 returns

AGI Category Distribution

AGI Level (\$000)	Number of Returns	Number of Exemptions	Adjusted Gross Income	Oregon Adjustments			Deductions	Taxable Balance	Gross Tax	Credits	Net Tax	Tax as Percent of AGI	Tax as Percent of Taxable
				Additions	Federal Tax Subtraction	Other Subtractions							
Less than zero	25,882		-52,563	560	18	2,521	7,266	30	2	1	1	0.0	4.7
0-5	174,771		2,460	43	21	114	1,982	1,125	61	25	36	1.4	3.2
5-10	158,459		7,448	31	96	205	3,001	4,698	285	119	166	2.2	3.5
10-15	146,660		12,479	35	273	454	3,908	8,352	566	214	352	2.8	4.2
15-20	137,014		17,447	36	584	767	4,375	12,122	872	275	597	3.4	4.9
20-25	119,497		22,433	42	988	1,010	4,832	15,989	1,204	311	893	4.0	5.6
25-30	103,665		27,458	43	1,437	1,301	5,429	19,628	1,521	324	1,197	4.4	6.1
30-35	91,930		32,442	51	1,861	1,636	6,220	23,066	1,822	327	1,495	4.6	6.5
35-40	80,540		37,457	55	2,140	1,996	7,045	26,571	2,126	340	1,786	4.8	6.7
40-45	71,729		42,459	64	2,373	2,339	8,005	30,050	2,429	359	2,070	4.9	6.9
45-50	63,836		47,456	66	2,559	2,630	8,839	33,726	2,750	373	2,377	5.0	7.0
50-60	107,411		54,821	83	2,800	3,196	10,125	38,986	3,210	396	2,814	5.1	7.2
60-70	84,033		64,796	98	3,018	3,689	11,586	46,780	3,896	422	3,475	5.4	7.4
70-80	63,176		74,740	103	3,126	3,963	13,017	54,896	4,618	438	4,180	5.6	7.6
80-90	46,343		84,742	106	3,169	4,058	14,357	63,396	5,379	457	4,921	5.8	7.8
90-100	32,694		94,679	155	3,188	3,889	15,529	72,349	6,180	478	5,702	6.0	7.9
100-250	94,354		138,228	288	3,194	4,888	20,110	110,659	9,625	578	9,047	6.5	8.2
250-500	10,701		333,832	1,171	3,167	7,767	34,267	290,082	25,768	1,044	24,724	7.4	8.5
500 +	4,005		1,213,534	6,165	3,109	23,260	110,729	1,084,574	97,227	4,426	92,801	7.6	8.6

Quintile Distribution

First 20%	323,337	1.2	-268	80	43	333	2,748	2,237	130	55	75	-27.9	3.3
Second 20%	323,356	1.7	14,336	34	397	573	4,056	9,772	682	234	447	3.1	4.6
Middle 20%	323,321	2.0	27,404	45	1,422	1,313	5,485	19,536	1,513	321	1,192	4.4	6.1
Fourth 20%	323,352	2.4	47,246	70	2,527	2,659	8,803	33,556	2,735	372	2,363	5.0	7.0
Next 15%	242,499	2.8	80,225	117	3,122	3,919	13,659	59,783	5,057	449	4,608	5.7	7.7
Next 4%	64,668	2.9	149,919	331	3,193	4,888	21,348	120,978	10,554	608	9,946	6.6	8.2
Top 1%	16,167	2.9	543,632	2,371	3,153	11,468	52,680	479,390	42,794	1,866	40,928	7.5	8.5
Total	1,616,700	2.0	41,210	100	1,505	1,874	7,648	31,621	2,621	307	2,314	5.6	7.3

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TABLE C: SOURCES OF ADJUSTED GROSS INCOME (THOUSANDS OF DOLLARS) **2002 Full-year returns****AGI Category Distribution**

AGI Level (\$000)	Number of Returns	Adjusted Gross Income	Wages, Salaries, Tips	Taxable Dividends and Interest	Business Income	Capital Gains and Supplemental Income	Taxable Pensions	Schedule E Income ¹	Farm Income	All Other Income ²	Adjustments
Less than zero	19,349	-926,940	105,959	90,261	-98,509	55,755	29,213	-425,727	-91,460	-580,116	12,314
0-5	124,667	331,034	280,281	39,576	17,240	-7,459	25,477	-11,878	-7,220	8,509	13,493
5-10	132,566	991,033	678,626	86,456	62,721	-4,637	124,522	1,747	-7,273	71,114	22,241
10-15	129,243	1,614,732	1,049,200	120,033	88,106	1,684	253,860	10,825	-10,823	129,554	27,707
15-20	123,423	2,154,025	1,478,935	122,462	94,754	10,278	314,058	13,298	-9,899	162,188	32,049
20-25	108,633	2,437,170	1,772,943	103,454	99,137	8,872	302,752	15,607	-10,444	179,725	34,875
25-30	94,524	2,595,640	1,944,211	93,150	96,821	11,061	305,746	15,357	-9,187	176,294	37,813
30-35	84,069	2,727,091	2,069,670	88,095	88,826	12,020	319,183	20,223	-8,399	175,016	37,544
35-40	73,519	2,753,737	2,091,532	83,140	89,023	12,346	325,498	25,102	-9,368	173,124	36,660
40-45	65,721	2,790,568	2,123,201	81,838	91,821	16,260	329,969	29,001	-9,307	166,076	38,290
45-50	58,986	2,799,396	2,139,178	80,544	90,003	21,518	327,766	26,099	-6,857	158,607	37,461
50-60	100,081	5,487,712	4,144,597	158,860	166,993	40,929	676,409	72,032	-14,301	310,158	67,966
60-70	79,120	5,127,142	3,852,107	144,509	152,081	53,975	648,095	81,370	-13,991	268,338	59,342
70-80	59,861	4,474,356	3,387,006	123,459	133,253	52,985	549,248	88,798	-9,755	203,647	54,285
80-90	44,095	3,736,556	2,851,469	105,951	116,064	52,239	432,729	94,826	-7,995	141,079	49,805
90-100	31,178	2,952,122	2,252,935	84,928	94,507	57,975	319,145	86,216	-7,331	108,264	44,518
100-250	90,130	12,456,309	8,494,424	492,547	698,411	538,956	1,141,994	990,981	-24,927	365,132	241,207
250-500	10,133	3,378,962	1,821,702	199,237	237,200	343,855	130,416	639,845	-7,850	88,304	73,747
500 +	3,673	4,480,225	1,388,320	425,347	131,159	1,215,169	63,826	1,189,285	-6,759	104,311	30,432

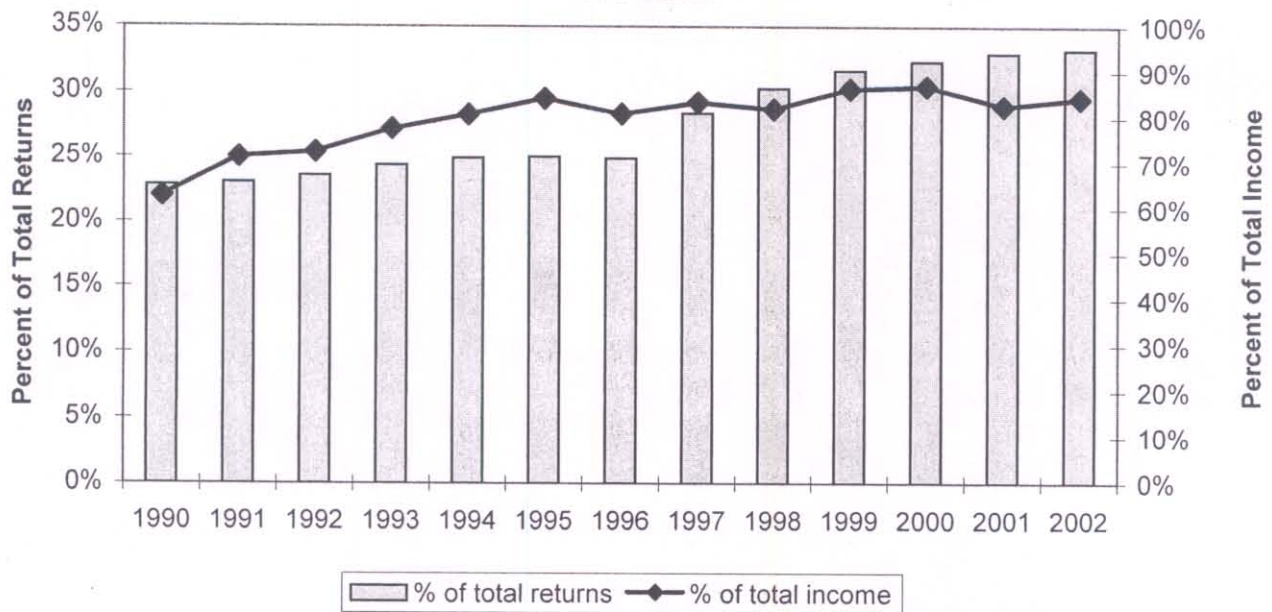
Quintile Distribution

First 20%	286,594	497,148	1,129,971	224,630	-11,827	43,630	194,718	-435,188	-106,644	-492,188	49,953
Second 20%	286,586	4,587,331	3,119,375	276,408	215,077	15,705	672,815	30,337	-24,507	363,326	71,204
Middle 20%	286,606	8,417,142	6,330,508	289,885	296,205	35,777	991,724	56,882	-29,067	563,079	117,851
Fourth 20%	286,594	14,207,346	10,759,198	412,176	446,951	101,585	1,724,576	170,192	-39,065	813,991	182,258
Next 15%	214,943	17,803,895	13,466,515	513,025	565,338	281,261	2,074,897	456,494	-41,186	727,203	239,654
Next 4%	57,319	8,859,310	5,838,652	376,889	559,044	444,312	758,766	833,341	-17,671	248,643	182,665
Top 1%	14,329	7,988,699	3,282,077	630,834	378,824	1,571,511	202,407	1,850,949	-15,007	195,269	108,165

Total	1,432,971	62,360,871	43,926,295	2,723,846	2,449,612	2,493,781	6,619,903	2,963,006	-273,147	2,409,324	951,750
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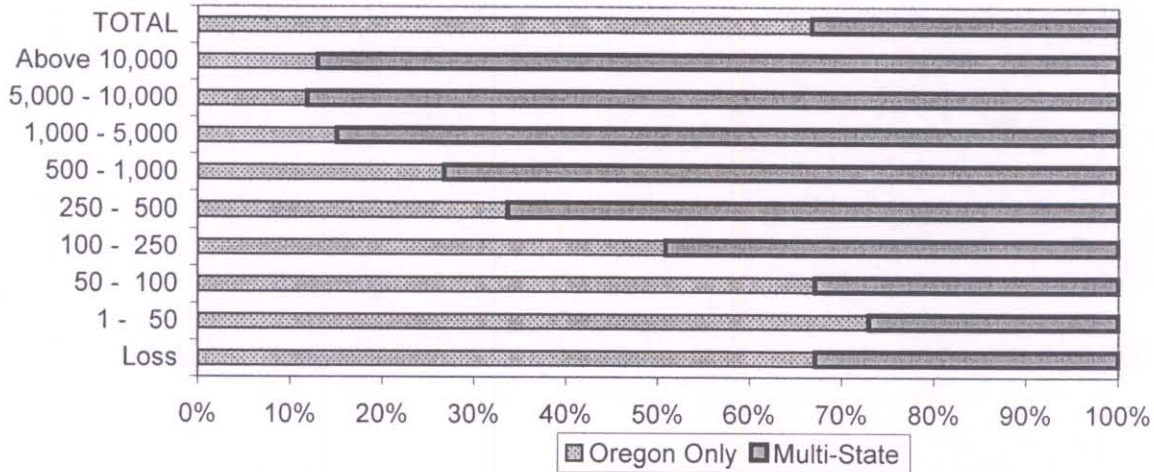
¹Schedule E income includes: rental real estate, royalties, partnerships, S corporations, and trusts.²All other income includes: taxable state income tax refunds, alimony received, unemployment compensation, and other income.Oregon Department of Revenue
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**Multi-State C-Corporations
Percent of Total Returns and Taxable Income
1990-2002**



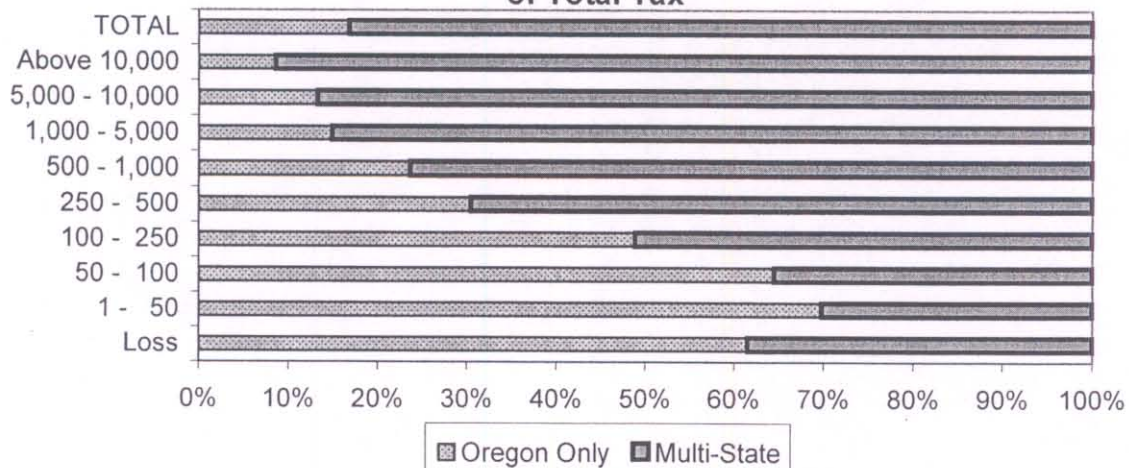
	Number of C-Corporation Returns			Taxable Income (000)		
	OREGON ONLY	MULTI-STATE	TOTAL	OREGON ONLY	MULTI-STATE	TOTAL
1990	27,405	8,105	35,510	766,187	1,296,475	2,062,662
1991	27,086	8,114	35,200	829,345	2,083,770	2,913,115
1992	27,262	8,398	35,660	950,930	2,513,922	3,464,852
1993	27,885	8,994	36,879	1,076,784	3,737,870	4,814,653
1994	28,785	9,559	38,344	1,109,122	4,656,363	5,765,485
1995	29,615	9,882	39,497	1,257,844	6,745,856	8,003,700
1996	29,173	9,678	38,851	1,184,077	5,027,948	6,212,025
1997	27,654	10,953	38,607	1,078,213	5,441,179	6,519,392
1998	27,203	11,821	39,024	1,128,284	5,127,083	6,255,368
1999	25,858	11,972	37,830	971,653	6,149,386	7,121,039
2000	24,610	11,756	36,366	967,623	6,448,846	7,416,469
2001	23,815	11,710	35,525	688,917	3,276,173	3,965,089
2002	23,205	11,548	34,753	598,131	3,208,741	3,806,872

Oregon Only and Multi-State C Corporations in 2002 - Percent of Total Returns

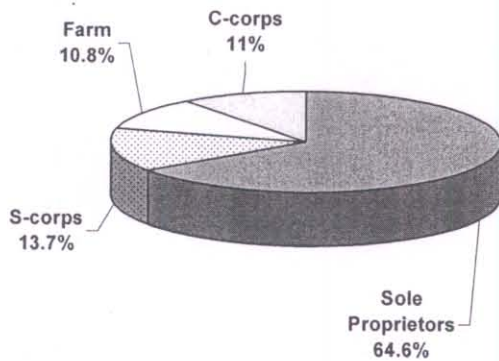


Income Before Net Loss Group (000)	Number of 2002 C-Corporation Returns			Oregon Tax (thousands)		
	OREGON ONLY	MULTI-STATE	TOTAL	OREGON ONLY	MULTI-STATE	TOTAL
Loss	11,627	5,695	17,322	115	72	187
0 - 50	9,345	3,470	12,815	4,228	1,829	6,056
50 - 100	1,191	584	1,775	3,601	1,982	5,584
100 - 250	659	636	1,295	4,460	4,667	9,127
250 - 500	196	386	582	2,932	6,691	9,623
500 - 1,000	105	287	392	3,201	10,345	13,546
1,000 - 5,000	63	356	419	6,457	36,944	43,401
5,000 - 10,000	9	67	76	3,584	23,453	27,037
Above 10,000	10	67	77	9,815	104,472	114,287
TOTAL	23,205	11,548	34,753	38,393	190,455	228,848

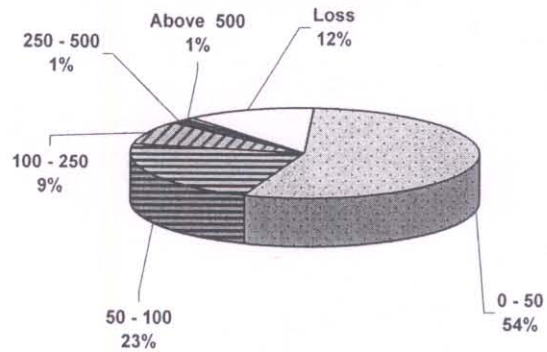
Oregon Only and Multi-State C Corporations in 2002 - Percent of Total Tax



Business Income Tax Returns By Business Type - Tax Year 2002

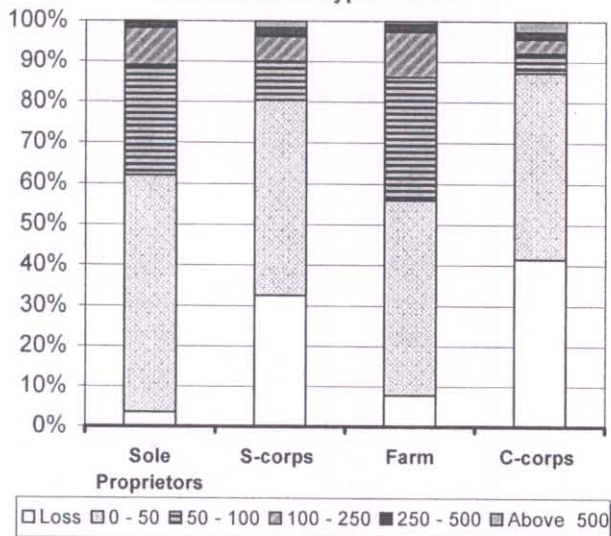


Business Income Tax Returns By Income Category - Tax Year 2002

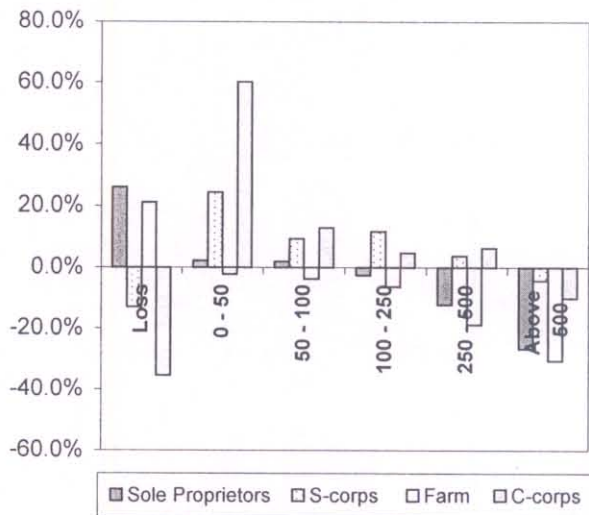


AGI Level (\$000)	Number of Returns									
	2000					2002				
	Personal Income			Corporate		Personal Income			Corporate	
	Sole Proprietors	S-corps	Farm	C-corps	TOTAL	Sole Proprietors	S-corps	Farm	C-corps	TOTAL
Loss	5,825	17,082	2,197	22,497	47,601	7,343	14,861	2,662	14,518	39,384
0 - 50	121,444	17,597	16,964	9,993	165,998	124,175	21,886	16,594	16,015	178,670
50 - 100	56,405	4,020	10,791	1,528	72,744	57,497	4,396	10,392	1,726	74,011
100 - 250	20,452	2,545	4,122	1,175	28,294	19,926	2,842	3,863	1,230	27,861
250 - 500	3,034	954	786	556	5,330	2,663	989	638	591	4,881
Above 500	1,321	783	388	1,045	3,537	969	749	269	940	2,927
TOTAL	208,481	42,980	35,248	36,794	323,503	212,573	45,723	34,418	35,019	327,733

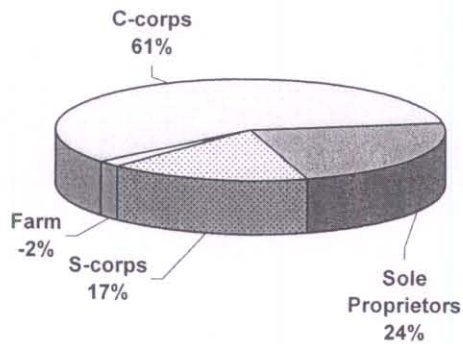
Number of Returns By Income Group (thousands) and Business Type - 2002



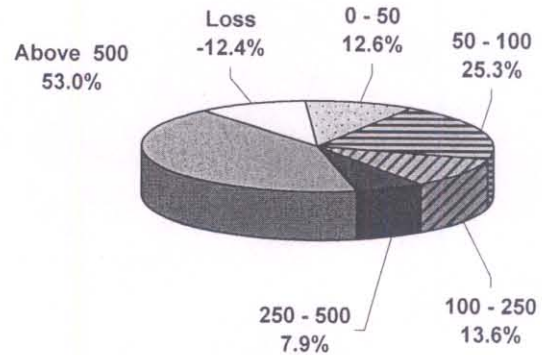
Percentage Change in Number of Returns By Income Group (thousands) - Between 2000 and 2002



**Business Income By Type of Business -
Tax Year 2002**

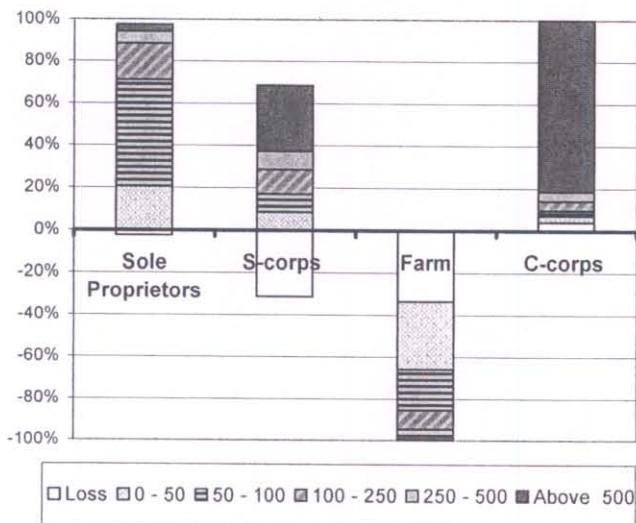


**Business Income By Income Category -
Tax Year 2002**

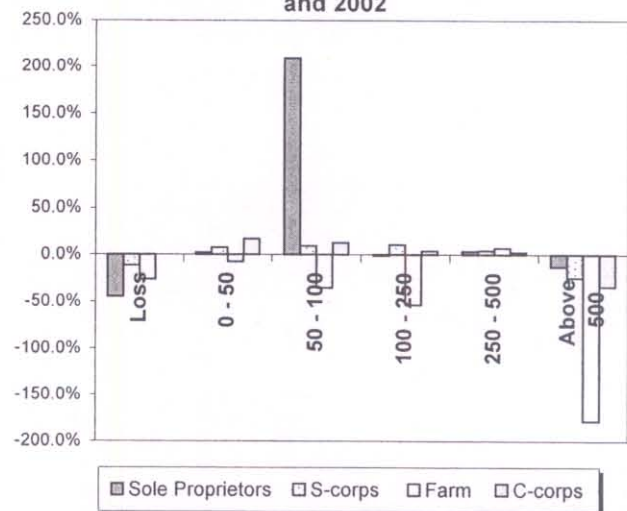


AGI Level (\$000)	Total Income Reported (\$000)									
	2000					2002				
	Personal Income Tax Filers			Corporate Filers		Personal Income Tax Filers			Corporate Filers	
	Sole Proprietors	S-corps	Farm	C-corps	TOTAL	Sole Proprietors	S-corps	Farm	C-corps	TOTAL
Loss	-68,289	-1,061,611	-72,690	0	-1,202,590	-98,509	-1,181,301	-91,460	188,165	-1,183,105
0 - 50	800,387	305,549	-82,834	120,494	1,143,596	818,452	328,844	-88,777	140,541	1,199,060
50 - 100	657,530	282,692	-39,439	107,739	1,008,522	2,031,658	308,707	-53,373	121,362	2,408,354
100 - 250	706,592	390,279	-16,247	187,094	1,267,718	698,411	432,289	-24,927	193,942	1,299,714
250 - 500	228,897	313,284	-8,426	195,105	728,860	237,200	325,981	-7,850	199,669	754,999
Above 500	150,136	1,562,244	-2,426	5,651,880	7,361,834	131,159	1,183,680	-6,759	3,748,310	5,056,390
TOTAL	2,475,253	1,792,437	-222,062	6,262,312	10,307,940	3,818,371	1,398,199	-273,146	4,591,988	9,535,412

**Total Income (thousands) By Income Group
and Business Type - 2002**



**Percentage Change in Total Income By
Income Group (thousands) - Between 2000
and 2002**



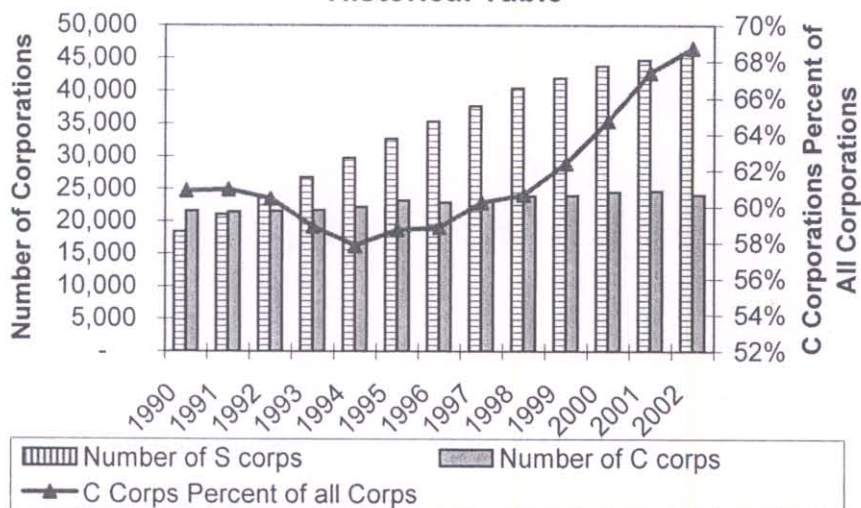
Number of Corporations Paying the Minimum Tax & C Corps. Paying the Minimum Tax Percent of All Corporations

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

Tax Year	Corporations Paying Min Tax		Total C-corps	% of all C-corps paying min tax
	C-corps	S-corps		
1990	21,621	18,437	35,510	61%
1991	21,462	21,090	35,200	61%
1992	21,555	23,731	35,660	60%
1993	21,726	26,751	36,879	59%
1994	22,182	29,752	38,344	58%
1995	23,192	32,689	39,497	59%
1996	22,872	35,337	38,851	59%
1997	23,259	37,711	38,607	60%
1998	23,896	40,390	39,024	61%
1999	23,978	41,935	37,830	63%
2000	24,498	43,782	36,366	67%
2001	24,672	44,678	35,525	69%
2002	24,070	45,723	34,753	69%

Oregon Dept. of Revenue, Research Section

Number of C and S Corporations Paying the Minimum Tax & C Corporations Percent of All Corporations Paying the Minimum Tax - Historical Table



Number of C Corporate Tax Returns By Oregon Sales and Amount of Tax - Tax Year 2002

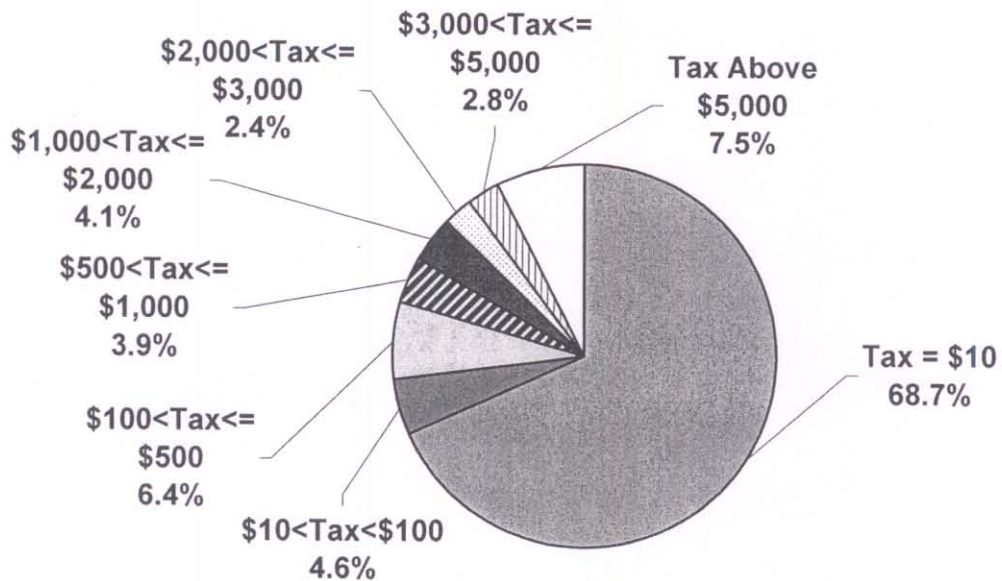
Oregon Sales ¹	Tax = \$10	\$10<Tax<\$100	\$100<Tax<=\$500	\$500<Tax<=\$1,000	\$1,000<Tax<=\$2,000	\$2,000<Tax<=\$3,000	\$3,000<Tax<=\$5,000	Tax Above \$5,000	Total
Sales <=0	3,966	276	220	89	102	61	46	93	4,853
0< Sales<=50,000	2,367	336	268	93	63	13	<10	29	3,169
50,000< Sales <=100,000	997	143	157	67	33	24	<10	27	1,448
100,000 < Sales <250,000	1,702	184	321	164	122	55	35	37	2,620
250,000 < Sales <500,000	1,492	89	228	177	154	67	60	44	2,311
500,000 < Sales <1,000,000	1,503	64	177	131	177	97	107	122	2,378
1,000,000 < Sales <=5,000,000	2,374	57	182	157	258	194	285	715	4,222
5,000,000 < Sales <=10,000,000	560	<10	<10	15	31	35	43	356	1,040
10,000,000 < Sales <=15,000,000	221	<10	<10	<10	<10	14	<10	207	442
15,000,000 < Sales <=20,000,000	115	<10	<10	<10	<10	<10	<10	122	237
20,000,000 < Sales <=25,000,000	103	<10	<10	<10	<10	<10	<10	78	181
Sales Above 25,000,000	420	<10	<10	<10	<10	<10	<10	400	820
Unknown	8,053	426	662	442	447	255	354	393	11,032
Total	23,873	1,586	2,229	1,348	1,411	822	988	2,623	34,753

¹ Oregon sales for apportioned corporations. Federal return gross receipts for non-apportioned C corporations. Federal return net receipts for non-apportioned S corporations.

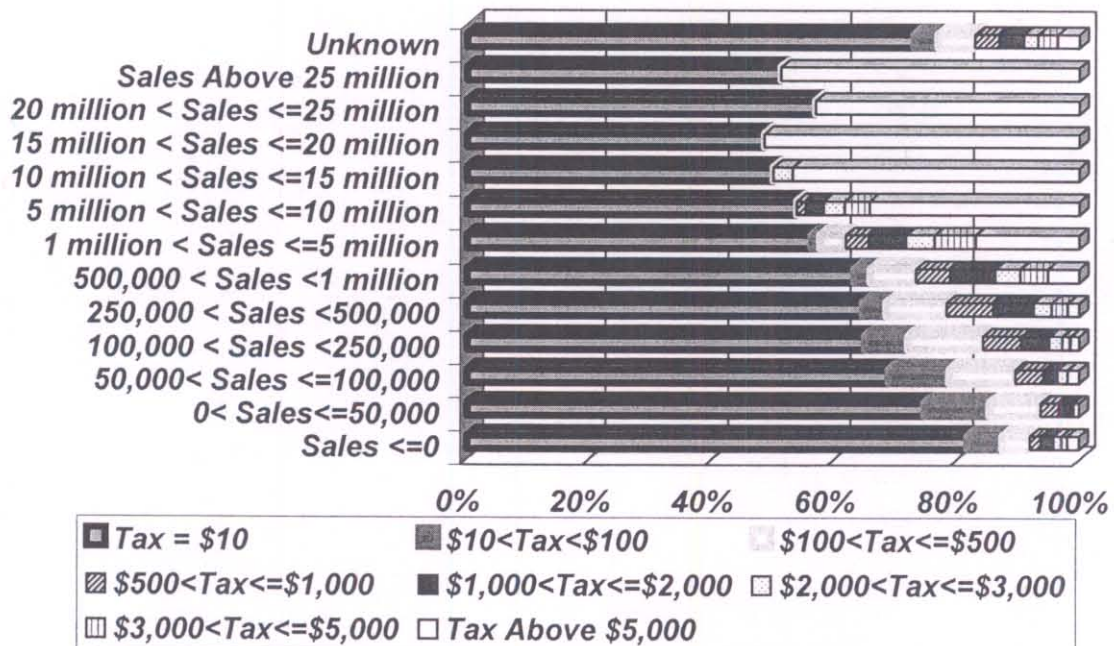
Percent of C Corporate Tax Returns By Oregon Sales and Amount of Tax - Tax Year 2002

Oregon Sales ¹	Tax = \$10	\$10<Tax<\$100	\$100<Tax<=\$500	\$500<Tax<=\$1,000	\$1,000<Tax<=\$2,000	\$2,000<Tax<=\$3,000	\$3,000<Tax<=\$5,000	Tax Above \$5,000	Total
Sales <=0	17%	17%	10%	7%	7%	7%	5%	4%	14%
0< Sales<=50,000	10%	21%	12%	7%	4%	2%	0.9%	1%	9%
50,000< Sales <=100,000	4%	9%	7%	5%	2%	3%	0.9%	1%	4%
100,000 < Sales <250,000	7%	12%	14%	12%	9%	7%	4%	1%	8%
250,000 < Sales <500,000	6%	6%	10%	13%	11%	8%	6%	2%	7%
500,000 < Sales <1,000,000	6%	4%	8%	10%	13%	12%	11%	5%	7%
1,000,000 < Sales <=5,000,000	10%	4%	8%	12%	18%	24%	29%	27%	12%
5,000,000 < Sales <=10,000,000	2%	0.2%	0.2%	1%	2%	4%	4%	14%	3%
10,000,000 < Sales <=15,000,000	1%	0.2%	0.2%	0.3%	0.5%	2%	0.9%	8%	1%
15,000,000 < Sales <=20,000,000	0%	0.2%	0.2%	0.3%	0.4%	0.1%	0.9%	5%	1%
20,000,000 < Sales <=25,000,000	0%	0.2%	0.1%	0.2%	0.2%	0.1%	0.9%	3%	1%
Sales Above 25,000,000	2%	0.1%	0.1%	0.2%	0.2%	0.1%	0.9%	15%	2%
Unknown	34%	27%	30%	33%	32%	31%	36%	15%	32%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Percent of 2002 Corporate Tax Returns By Different Tax Amounts



Breakdown of 2002 C Corporate Tax Returns By Gross Sales in Oregon and Size of Tax

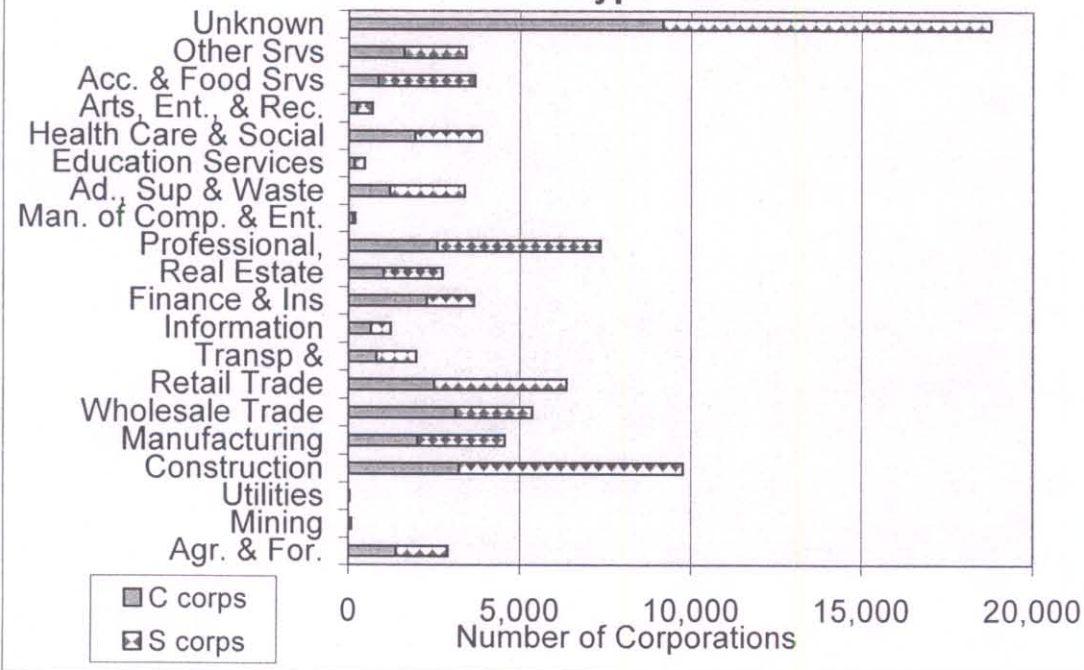


2002 Tax Year

Corp Filers by Industry

Industry	C-Corp Returns	S-Corp Returns
Agr. & For.	1,389	1,518
Mining	46	49
Utilities	35	13
Construction	3,230	6,550
Manufacturing	2,013	2,555
Wholesale Trade	3,120	2,246
Retail Trade	2,507	3,873
Transp & Warehousing	808	1,178
Information	655	588
Finance & Ins	2,284	1,385
Real Estate	1,016	1,734
Professional, Scientific & Tech Srv	2,594	4,770
Man. of Comp. & Ent.	129	71
Ad., Sup & Waste Man	1,207	2,185
Education Services	166	311
Health Care & Social Asst.	1,937	1,961
Arts, Ent., & Rec.	241	456
Acc. & Food Svcs	857	2,845
Other Svcs	1,614	1,819
Unknown	9,171	9,616
All	35,019	45,723

Number of C and S Corporations By Industry Type - 2002



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 deepened 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 was generally taxed based on its real market value. Since 1997-98 each property has a real market as well as an assessed value. Property 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 is done by the county tax collector.

In 2003-04, the total Real Market Value (RMV) of taxable property in Oregon was \$305.31 billion. RMV increased 6.3% over the previous year. The statewide total Assessed Value (AV) was \$227.9 billion. This represents a 3.6% growth rate over 2002-03 total assessed value. Property taxes imposed by all districts totaled \$3.61 billion in 2003-04, which was 5.76% over the prior year. This rate reflects an improvement over 2002-03 when the 5% growth rate was the lowest level of increase since the passage of Measure 50. Schools (K-12) continued to score a tax increase in excess of 5% in 2003-04; but a 9.6% growth rate for cities exceeded the growth rates of every major type of taxing district in the state.

Exemptions

Not all property is 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 property is taxed at lower values. This "specially assessed" property includes some forest land, farm land, and open space land. These properties are valued at their value in the restricted use and are subject to penalties if not continued in the use for which it is specially assessed.

Limitations

Measure 5

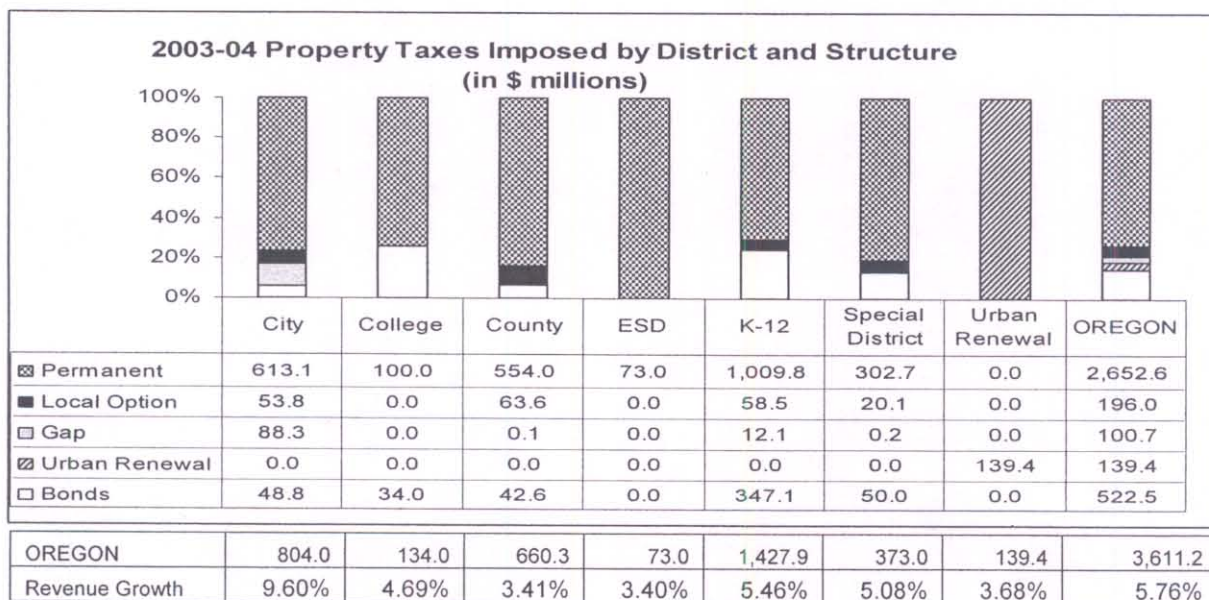
Measure 5 is a tax limitation constitutional amendment approved by Oregon voters in 1990. It restricted taxes on any parcel of property per \$1000 of real market value. The education category is limited to \$5 and general government to \$10. Tax compression occurs if the tax extended on a property exceeds either of Measure 5 limits. 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, GAP and urban renewal, are subject to Measure 5 tax limits. Local option levies, as well as general obligation bonds, must be approved at a general election or any election at which at least 50% of eligible voters cast a ballot.

Measure 50 also defined the concept of assessed Value. The 1997-98 Maximum Assessed Value (MAV) for each property is 90% of its 1995-96 real market value. If no new construction occurs on the property, in later years, the assessed value grows annually at 3% per year. However, assessed value can not exceed real market value. The ratio between RMV and AV is known as the property change ratio (PCR). This AV ratio in 2003-04, for all classes of property statewide, is about 74.6% of total real market value. New property is first assessed at the average county PCR of existing property of the same class.

The table below breaks down the 2003-04 property taxes by type of taxing district as well as tax source. The largest portion of any districts' property tax revenue comes from its permanent tax rates. Taxes from permanent rates, totaling \$2.65 billion or 73.4% of all taxes imposed, reflected an annual growth rate of 3.8%. General obligation bonds totaling \$522.5 million or 14.5% of all taxes imposed, reflected an annual growth rate of 3.5%. Roughly \$347 million (66.4%) of these bonds were levied by K-12 school districts. Local option levies took the lead again as the fastest growth area (+47%) of any tax type. Among the taxing districts that benefited substantially from the local option tax, cities levied \$53.8 million, reflecting an annual 155% growth rate over 2002-03; and the K-12 districts levied \$58.5 million, reflecting an annual growth rate of 59%. Growth in this tax source should stabilize in the future, however, as the distance between the two limits of Measures 5 and 50 become closer.



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%	232,070	5.6%		76.0%	15.10	-2.8%
Ave. Growth Rate (1970-2003)		9.0%		8.1%				-1.4%

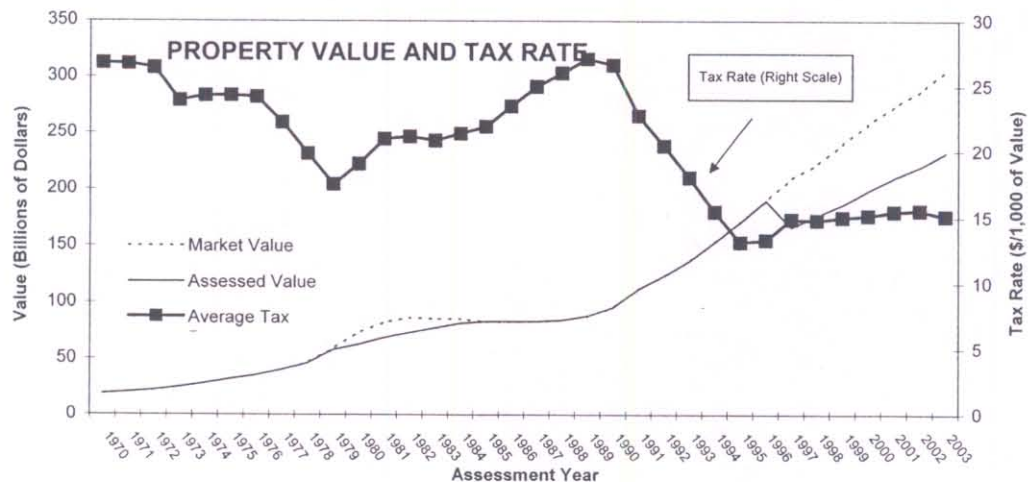
NOTE: Market value is the taxable property value certified by the Department of Revenue (ORS 309.360).

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

COUNTY	TOTAL RMV (\$,000)			TOTAL AV (\$,000)			RATIO - AV/RMV (PCR)		
	2002-03	2003-04	CHANGE	2002-03	2003-04	CHANGE	2002-03	2003-04	CHANGE
BAKER	1,046,981	1,071,147	2.3%	888,938	914,098	2.8%	84.90%	85.34%	0.5%
BENTON	6,051,348	6,054,453	0.1%	4,878,190	5,004,834	2.6%	80.61%	82.66%	2.5%
CLACKAMAS	32,394,752	34,245,170	5.7%	25,148,047	26,364,804	4.8%	77.63%	76.99%	-0.8%
CLATSOP	4,352,311	4,499,149	3.4%	3,463,040	3,581,351	3.4%	79.57%	79.60%	0.0%
COLUMBIA	3,580,601	3,647,536	1.9%	2,903,926	2,981,325	2.7%	81.10%	81.74%	0.8%
COOS	3,602,983	3,910,099	8.5%	3,178,855	3,280,143	3.2%	88.23%	83.89%	-4.9%
CROOK	1,216,604	1,321,366	8.6%	992,805	1,050,423	5.8%	81.60%	79.50%	-2.6%
CURRY	1,980,398	2,204,168	11.3%	1,751,621	1,828,684	4.4%	88.45%	82.96%	-6.2%
DESCHUTES	14,283,430	15,893,814	11.3%	10,354,948	11,159,454	7.8%	72.50%	70.21%	-3.2%
DOUGLAS	6,214,322	6,558,653	5.5%	5,250,719	5,428,270	3.4%	84.49%	82.77%	-2.1%
GILLIAM	259,165	265,501	2.5%	212,314	217,707	2.5%	81.92%	82.00%	0.1%
GRANT	420,421	429,167	2.1%	333,411	343,639	3.1%	79.30%	80.07%	1.0%
HARNEY	444,251	441,539	-0.6%	341,689	337,682	-1.2%	76.91%	76.48%	-0.6%
HOOD RIVER	1,586,076	1,682,667	6.1%	1,179,714	1,235,607	4.7%	74.38%	73.43%	-1.3%
JACKSON	14,817,809	15,950,252	7.6%	11,115,316	11,677,436	5.1%	75.01%	73.21%	-2.4%
JEFFERSON	1,300,382	1,396,173	7.4%	968,839	1,035,801	6.9%	74.50%	74.19%	-0.4%
JOSEPHINE	4,801,493	5,477,102	14.1%	4,019,027	4,232,512	5.3%	83.70%	77.28%	-7.7%
KLAMATH	4,107,504	4,401,885	7.2%	3,406,169	3,537,808	3.9%	82.93%	80.37%	-3.1%
LAKE	501,408	517,710	3.3%	393,285	400,732	1.9%	78.44%	77.40%	-1.3%
LANE	23,013,225	24,246,310	5.4%	18,690,110	19,412,692	3.9%	81.21%	80.06%	-1.4%
LINCOLN	5,344,289	5,460,233	2.2%	4,668,314	4,773,691	2.3%	87.35%	87.43%	0.1%
LINN	6,692,735	6,776,611	1.3%	5,533,236	5,662,737	2.3%	82.68%	83.56%	1.1%
MALHEUR	1,446,136	1,471,216	1.7%	1,230,005	1,257,923	2.3%	85.05%	85.50%	0.5%
MARION	17,573,591	18,173,721	3.4%	13,913,480	14,427,510	3.7%	79.17%	79.39%	0.3%
MORROW	1,326,365	1,157,353	-12.7%	1,148,836	1,007,515	-12.3%	86.62%	87.05%	0.5%
MULTNOMAH	63,415,110	66,463,085	4.8%	44,318,919	45,519,478	2.7%	69.89%	68.49%	-2.0%
POLK	3,630,674	3,839,968	5.8%	2,937,185	3,097,255	5.5%	80.90%	80.66%	-0.3%
SHERMAN	207,234	238,826	15.2%	188,650	209,186	10.9%	91.03%	87.59%	-3.8%
TILLAMOOK	3,209,276	3,291,889	2.6%	2,613,445	2,712,065	3.8%	81.43%	82.39%	1.2%
UMATILLA	4,218,068	4,165,958	-1.2%	3,450,110	3,395,676	-1.6%	81.79%	81.51%	-0.4%
UNION	1,284,959	1,354,602	5.4%	1,060,265	1,102,743	4.0%	82.51%	81.41%	-1.3%
WALLOWA	608,197	619,759	1.9%	465,504	480,552	3.2%	76.54%	77.54%	1.3%
WASCO	1,593,801	1,626,399	2.1%	1,313,970	1,334,841	1.6%	82.44%	82.07%	-0.5%
WASHINGTON	45,004,178	50,523,742	12.3%	33,039,658	34,258,289	3.7%	73.41%	67.81%	-7.6%
WHEELER	104,329	109,728	5.2%	75,447	76,273	1.1%	72.32%	69.51%	-3.9%
YAMHILL	5,625,565	5,823,658	3.5%	4,449,878	4,535,024	1.9%	79.10%	77.87%	-1.6%
OREGON	287,259,968	305,310,608	6.3%	219,877,864	227,875,759	3.6%	76.54%	74.64%	-2.5%

NET ASSESSED VALUE AND AVERAGE TAX RATE

COUNTY	--- NET ASSESSED VALUE (\$1000) ---			-- AVERAGE TAX RATE --		
	2002-03	2003-04	CHANGE	2002-03	2003-04	CHANGE
BAKER	889,104	914,268.6	2.8%	13.67	13.50	-1.2%
BENTON	4,860,981	4,988,767.6	2.6%	14.36	15.62	8.8%
CLACKAMAS	23,967,162	25,122,808	4.8%	15.21	15.26	0.3%
CLATSOP	3,424,765	3,539,332.0	3.4%	12.54	12.51	-0.2%
COLUMBIA	2,873,396	2,939,214.0	2.3%	13.02	12.96	-0.5%
COOS	3,079,716	3,167,520.2	2.9%	13.03	13.67	4.9%
CROOK	992,805	1,050,423.0	5.8%	14.24	14.21	-0.3%
CURRY	1,752,353	1,820,752.9	3.9%	8.89	8.89	0.0%
DESCHUTES	10,221,834	11,012,291.4	7.7%	14.40	14.41	0.1%
DOUGLAS	5,110,328	5,285,869.5	3.4%	11.25	11.27	0.1%
GILLIAM	213,857	219,296.4	2.5%	12.24	13.35	9.1%
GRANT	333,761	344,000.2	3.1%	15.67	15.50	-1.1%
HARNEY	341,689	337,681.6	-1.2%	13.81	13.81	-0.1%
HOOD RIVER	1,153,439	1,206,697.3	4.6%	12.90	12.74	-1.3%
JACKSON	10,583,880	11,012,291.4	4.1%	13.93	14.00	0.5%
JEFFERSON	968,839	1,026,533.5	6.0%	16.89	16.69	-1.2%
JOSEPHINE	3,924,305	4,121,916.7	5.0%	9.23	9.04	-2.0%
KLAMATH	3,387,371	3,515,035.7	3.8%	11.34	11.15	-1.6%
LAKE	394,155	401,637.9	1.9%	14.30	14.17	-1.0%
LANE	18,476,660	19,191,256.5	3.9%	14.89	15.38	3.3%
LINCOLN	4,305,971	4,415,547.5	2.5%	13.32	13.27	-0.4%
LINN	5,455,906	5,584,128	2.4%	14.40	14.86	3.2%
MALHEUR	1,231,270	1,259,223.5	2.3%	12.00	12.68	5.6%
MARION	13,324,345	13,851,148.1	4.0%	16.35	16.47	0.8%
MORROW	1,148,840	1,007,518.2	-12.3%	16.58	17.05	2.8%
MULTNOMAH	42,352,620	43,408,763.0	2.5%	19.60	20.23	3.2%
POLK	2,937,185	3,094,265.9	5.4%	15.06	15.23	1.1%
SHERMAN	188,677	209,213.6	10.9%	17.03	17.36	1.9%
TILLAMOOK	2,613,445	2,712,064.6	3.8%	10.37	10.12	-2.5%
UMATILLA (1)	3,431,150	3,373,716.0	-1.7%	15.39	16.19	5.2%
UNION	1,049,519	1,089,044.9	3.8%	13.48	13.53	0.4%
WALLOWA	466,028	481,091.7	3.2%	12.81	13.34	4.2%
WASCO	1,270,906	1,287,068.8	1.3%	16.69	16.90	1.3%
WASHINGTON	32,749,600	33,842,430.2	3.3%	15.67	16.27	3.9%
WHEELER	76,082	76,926.4	1.1%	16.45	16.51	0.3%
YAMHILL	4,446,493	4,535,024	2.0%	14.39	15.48	7.6%
TOTAL	213,998,432	221,444,769	3.5%	15.48	15.82	2.2%
URBAN RENEWAL	5,949,830	6,357,739.3	6.9%	22.62	21.93	-3.0%
OREGON	219,948,262	227,802,508	3.6%	15.52	15.99	3.0%

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

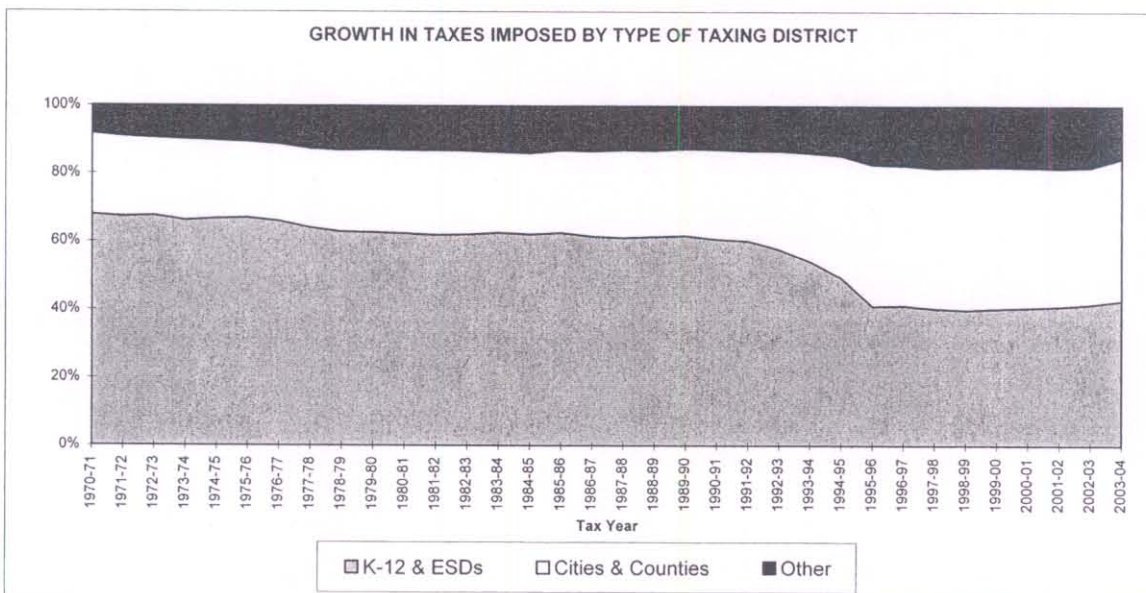
UR Assessed Value includes the used Excess Value only.

GROWTH OF IMPOSED PROPERTY TAX LEVIES

YEAR	TOTAL		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	3,503.4	2.6%	660.3	3.4%	804.0	9.6%	1,500.9	5.3%	134.0	4.0%	404.6	-17.3%
Ave. Growth Rate (1970-2004)	6.4%		8.1%		7.9%		5.1%		7.2%		9.8%	
Ave. Growth Rate (1990-2004)	2.9%		7.3%		6.0%		0.6%		1.9%		5.7%	

NOTES: Dollar figures in millions.

"Other Districts" include urban renewal districts.



PROPERTY TAXES IMPOSED

2003-04

COUNTY	TOTAL IMPOSED ----		---- COUNTIES ----		---- CITIES ----		---- SCHOOLS & ESDs ----		COMMUNITY COLLEGE		--SPECIAL DISTRICTS--	
	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	% CHANGE
BAKER	12,339,324	1.6%	3,714,221	-0.1%	2,419,585	6.3%	4,472,993	2.7%	562,777	2.6%	1,169,747	-6.8%
BENTON	77,922,808	11.8%	14,194,284	2.3%	21,921,005	4.0%	33,760,707	25.5%	3,338,484	-0.1%	4,708,328	2.0%
CLACKAMAS	379,173,659	5.5%	67,450,739	4.3%	62,074,089	6.5%	180,346,599	5.8%	17,307,734	5.0%	51,994,498	4.7%
CLATSOP	43,970,854	3.1%	5,330,100	3.3%	7,946,202	6.8%	20,580,789	3.7%	2,703,599	3.5%	7,410,165	-2.5%
COLUMBIA	38,000,060	1.9%	5,200,897	1.4%	3,985,151	-4.8%	17,979,567	3.1%	1,136,846	6.4%	9,697,598	2.3%
COOS	43,133,160	7.8%	5,316,667	37.3%	9,599,038	1.9%	18,044,505	4.7%	2,157,190	3.2%	8,015,761	8.6%
CROOK	14,922,507	5.5%	4,148,530	8.0%	1,276,907	4.9%	6,728,980	2.8%	759,185	4.7%	2,010,905	11.0%
CURRY	16,223,766	4.2%	1,048,794	3.9%	2,520,207	3.7%	8,653,982	11.2%	1,277,016	3.9%	2,723,766	-12.9%
DESCHUTES	156,803,768	7.7%	27,741,282	6.5%	19,070,315	6.1%	72,771,475	7.1%	8,048,308	6.5%	29,172,389	11.8%
DOUGLAS	59,552,975	3.5%	5,687,876	3.4%	13,775,581	4.6%	28,504,513	3.5%	2,452,036	3.7%	9,132,968	2.2%
GILLIAM	2,927,593	11.9%	839,107	2.5%	309,831	7.9%	1,373,656	22.6%	0	0.0%	404,999	3.7%
GRANT	5,331,936	2.0%	1,267,658	5.1%	582,466	3.5%	1,902,007	2.9%	0	0.0%	1,579,804	-1.9%
HARNEY	4,662,052	-1.2%	1,491,204	-1.6%	643,532	0.5%	1,815,738	-1.4%	0	0.0%	711,579	-1.4%
HOOD RIVER	15,109,504	3.1%	2,002,554	3.8%	1,205,485	-4.8%	8,913,701	4.5%	339,565	4.7%	2,648,198	1.9%
JACKSON	151,028,870	6.2%	27,885,784	10.9%	36,292,897	5.6%	65,655,135	4.9%	5,706,138	5.3%	15,488,916	5.3%
JEFFERSON	17,137,341	4.7%	5,407,832	5.5%	1,012,540	-0.2%	7,922,784	5.1%	736,345	4.9%	2,057,840	3.6%
JOSEPHINE	37,277,844	2.9%	3,627,031	-0.1%	6,932,611	8.7%	23,306,488	0.7%	2,111,446	5.1%	1,300,269	23.0%
KLAMATH	39,408,262	3.2%	8,397,892	0.8%	4,541,957	4.0%	14,339,809	3.9%	1,512,006	3.7%	10,616,599	3.8%
LAKE	5,689,358	0.9%	1,487,352	2.1%	560,329	-7.2%	2,334,715	1.9%	74,989	-1.9%	1,231,973	1.9%
LANE	293,347,111	7.3%	27,372,862	3.0%	103,765,087	18.3%	124,328,295	1.1%	16,635,748	3.3%	21,245,119	6.2%
LINCOLN	58,576,174	2.1%	13,100,340	3.7%	10,515,392	3.2%	26,607,578	0.6%	762,562	2.7%	7,590,302	3.0%
LINN	82,524,766	5.6%	17,990,645	9.6%	20,026,924	5.6%	33,726,234	4.1%	3,771,222	-0.1%	7,009,741	6.1%
MALHEUR	15,963,360	8.0%	3,721,730	1.9%	3,407,315	4.0%	5,832,271	1.4%	1,423,802	2.5%	1,578,243	122.2%
MARION	224,889,426	4.4%	41,647,267	4.0%	54,529,077	3.7%	94,684,437	4.1%	10,633,822	5.1%	23,394,824	7.9%
MORROW	17,175,360	-9.8%	4,087,878	-12.8%	1,967,527	-13.1%	7,829,296	-5.9%	989,170	-10.8%	2,301,490	-13.5%
MULTNOMAH	863,887,064	5.9%	213,620,875	2.2%	291,933,331	14.4%	312,827,038	1.9%	22,011,439	4.9%	23,494,381	0.6%
POLK	46,776,757	6.7%	6,246,215	3.9%	12,058,445	4.4%	22,591,354	8.0%	2,320,926	7.2%	3,559,818	10.6%
SHERMAN	3,631,253	13.0%	1,882,696	9.3%	118,778	2.9%	1,240,122	17.4%	0	0.0%	389,657	22.0%
TILLAMOOK	27,436,175	1.2%	6,963,759	-5.5%	1,560,378	12.7%	14,072,773	3.3%	706,392	3.7%	4,132,873	2.3%
UMATILLA	53,726,520	1.8%	10,755,755	-1.0%	9,873,048	6.4%	24,958,332	2.7%	3,212,950	0.0%	4,926,435	-4.2%
UNION	14,739,766	4.2%	3,249,221	3.4%	4,016,712	2.3%	6,443,772	6.0%	0	0.0%	1,030,061	3.8%
WALLOWA	6,418,442	7.5%	1,365,534	10.3%	681,175	2.8%	3,229,828	9.0%	0	0.0%	1,141,905	3.2%
WASCO	21,746,208	2.5%	5,841,326	2.7%	1,862,520	3.5%	9,067,578	2.1%	994,621	3.4%	3,980,162	2.6%
WASHINGTON	550,585,470	7.3%	97,979,711	2.6%	78,034,370	6.3%	257,095,631	10.7%	17,244,667	7.0%	100,231,092	4.8%
WHEELER	1,269,826	1.5%	637,946	0.8%	78,677	1.0%	463,044	2.4%	0	0.0%	90,159	1.5%
YAMHILL	70,195,451	9.7%	11,661,072	2.0%	14,785,032	2.7%	36,438,365	15.7%	3,012,048	4.3%	4,298,935	14.6%
TOTAL	3,473,504,772	5.9%	660,362,636	3.4%	805,883,517	9.8%	1,500,844,091	5.3%	133,943,031	4.4%	372,471,498	4.9%
URBAN RENEWAL(3)	139,445,191	3.6%										
OREGON	3,612,949,963	5.8%										

NOTE: Percent change from prior year imposed levy.

2003-04

PROPERTY TAX COMPRESSION LOSSES

COUNTY	INSIDE M5 LIMIT SCHOOL LEVIES			INSIDE M5 LIMIT NON-SCHOOL LEVIES			----- TOTAL LEVIES ----- (Excludes Urban Renewal)		
	LOSS	% of Tax	% Change	LOSS	% of Tax	% Change	LOSS	% of Tax	% Change
BAKER	450.2	0	-7.8%	183.6	2.3%	28.3%	633.9	5.1%	0.4%
BENTON	2,137.2	6.3%	10.0%	129.4	0.3%	632.0%	2,266.5	2.9%	15.6%
CLACKAMAS	3,881.7	2.2%	3.4%	165.6	0.1%	186.4%	4,047.3	1.1%	6.2%
CLATSOP	529.2	1.6%	-8.3%	164.6	0.4%	251.0%	693.9	1.0%	11.1%
COLUMBIA	259.9	1.4%	-5.7%	72.3	0.4%	22.2%	332.2	0.9%	-0.8%
COOS	284.1	1.6%	-25.4%	118.7	0.4%	629.9%	402.8	0.9%	1.5%
CROOK	100.6	1.5%	-13.3%	13.4	0.2%	1098.4%	113.9	0.8%	-2.7%
CURRY	4.1	0.05%	-46.4%	0.7	0.01%	43540.9%	4.7	0.0%	-37.9%
DESCHUTES	393.7	0.5%	-10.7%	95.8	0.1%	13.8%	489.5	0.3%	-6.8%
DOUGLAS	390.6	1.4%	-25.4%	214.6	0.7%	0.4%	605.1	1.0%	-17.9%
GILLIAM	221.8	16.1%	847.0%	13.0	0.8%	9.6%	234.8	8.0%	565.2%
GRANT	30.4	1.6%	0.3%	2.1	0.1%	15.9%	32.5	0.6%	1.2%
HARNEY	70.2	3.9%	8.1%	72.8	2.6%	27.8%	143.1	3.1%	17.3%
HOOD RIVER	104.4	1.2%	-1.4%	5.9	0.1%	551932.7%	110.3	0.7%	4.1%
JACKSON	85.8	0.1%	-16.1%	53.2	0.1%	4.8%	139.0	0.1%	-9.2%
JEFFERSON	151.7	1.9%	-6.3%	60.0	0.7%	178.7%	211.8	1.2%	15.4%
JOSEPHINE	22.4	0.1%	-30.3%	2.4	0.02%	17198.8%	24.7	0.1%	-22.9%
KLAMATH	1.8	0.0%	-14.7%	524.7	2.1%	-7.7%	526.4	1.3%	-7.8%
LAKE	12.0	0.5%	-9.0%	44.2	1.3%	-38.7%	56.1	1.0%	-34.1%
LANE	9,291.4	7.5%	-8.9%	225.3	0.1%	1228.1%	9,516.7	3.2%	-6.8%
LINCOLN	394.4	1.5%	-8.8%	226.0	0.7%	-17.8%	620.3	1.1%	-12.3%
LINN	802.1	2.4%	-5.9%	1,334.2	0.3%	118.9%	2,136.3	1.1%	46.1%
MALHEUR	176.6	3.0%	-14.0%	63.5	0.6%	368.2%	240.0	1.5%	9.7%
MARION	667.3	0.7%	7.5%	896.9	0.7%	7.1%	1,564.2	0.7%	7.3%
MORROW	131.8	1.7%	-32.3%	255.0	2.7%	67.9%	386.8	2.3%	11.6%
MULTNOMAH	8,655.2	2.8%	-8.5%	35,925.0	6.5%	95.0%	44,580.1	5.2%	59.9%
POLK	258.0	1.1%	-13.8%	32.1	0.1%	92231.2%	290.1	0.6%	-3.1%
SHERMAN	31.3	2.5%	-43.6%	92.0	3.8%	12.1%	123.3	3.4%	-10.4%
TILLAMOOK	168.6	1.2%	1.8%	10.0	0.1%	418.5%	178.6	0.7%	6.7%
UMATILLA	1,557.9	6.2%	-19.0%	194.5	0.7%	493.6%	1,752.4	3.3%	-10.5%
UNION	98.0	1.5%	-13.5%	79.9	1.0%	15.8%	177.9	1.2%	-2.4%
WALLOWA	178.1	5.5%	441.4%	0.4	0.01%	91.5%	178.5	2.8%	439.4%
WASCO	229.4	2.5%	-11.2%	127.2	1.0%	9.2%	356.6	1.6%	-4.8%
WASHINGTON	7,946.8	3.1%	157.6%	90.9	0.03%	2324.3%	8,037.6	1.5%	160.3%
WHEELER	16.1	3.5%	-20.7%	24.9	3.1%	6.7%	41.0	3.2%	-6.0%
YAMHILL	380.2	1.0%	-8.4%	30.6	0.1%	9745.7%	410.8	0.6%	-1.0%
TOTAL(4)	40,114.8	2.7%	7.3%	41,545.3	2.0%	88.2%	81,660.1	2.4%	37.4%

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 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 maximum of \$2,100 when income is zero and the minimum \$100 at \$10,000 income.

Taxpayers must file Form 90R to apply for a payment. Payments are made by check in October of each year. About 5,000 renters received an average ERA payment of \$767 for the year 2002 for a cost of roughly \$3.9 million to the General Fund. The numbers of participants for the year 2003, dropped off slightly from 2002. In 2002, the number of participants exceeded 4,700, the highest level since the new requirements of income was instated in 1991, albeit at a lower total cost than 1994, due to a reduction in the average payment by about \$65.

Senior Citizens Property Tax Deferral Program

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 gets 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 on the program, a taxpayer may defer only in years when federal adjusted gross income is 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 "once in the program limit" of \$32,000. These new income limits are indexed to the U.S. Urban CPI.

Between 1985 and 1995 the legislature appropriated General Fund money to fund the senior deferral tax program. The payments were considered a General Fund investment. However, since 1992 the amount of repayment by participants exceeded total payments to counties.

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	3,967	0	(14,468)	(10,501)	0	0	0	0

NOTE: * HARRP refunds ended with the Oct. 1991 payment based on the 1990 return.

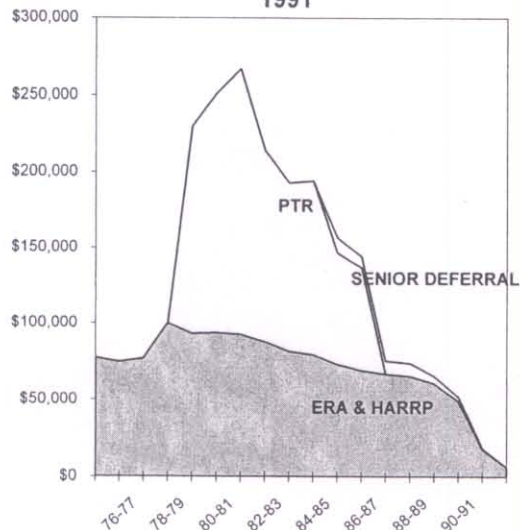
ERA, Elderly (age 58 or older) Rental Assistance for households with income less than \$25,000 continues.

** General Fund cost as current year payments less repayments for prior years.

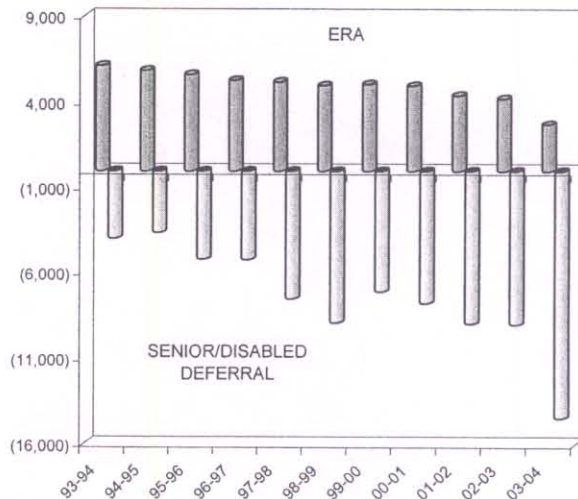
Prior to 1985-86 deferral payments were treated as General and Other Fund investments.

*** ERA numbers include Nonprofit Housing starting 1991-92.

**GENERAL FUND EXPENDITURES
FOR PROPERTY TAX RELIEF- 1976-
1991**



**GENERAL FUND EXPENDITURES FOR
PROPERTY TAX RELIEF -1992-2004**



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	HOME OWNER	RENTER	MOBILE HOME	HOME OWNER	RENTER	MOBILE HOME
1975	48,277	25,789	3,017	268,010	240,922	18,445	180.13	107.04	163.57
1976	44,044	25,939	3,055	234,813	241,469	18,229	187.57	107.42	167.59
1977	57,781	31,984	4,223	222,570	214,217	19,020	259.61	149.31	222.03
1978	53,172	32,015	3,878	209,977	221,354	20,410	253.23	144.63	190.00
1979	51,211	31,990	4,278	200,311	238,150	21,254	255.66	134.33	201.28
1980	49,861	33,297	4,422	185,111	238,498	20,997	269.36	139.61	210.60
1981	47,477	32,856	4,416	171,208	221,018	20,083	277.31	148.66	219.89
1982	43,886	26,677	4,174	152,214	175,902	18,069	288.32	151.66	231.00
1983	40,938	28,207	4,092	143,524	182,165	17,363	285.23	154.84	235.67
1984	37,002	28,229	3,950	129,900	179,968	16,335	284.85	156.86	241.81
1985	34,518	25,136	3,852	120,882	176,986	15,742	285.55	142.02	244.70
1986	32,942	25,329	4,047	112,816	169,351	15,255	286.68	149.57	265.29
1987	32,253	24,129	4,104	110,549	164,051	14,925	291.75	147.08	274.97
1988	29,851	22,646	3,886	103,337	157,141	14,127	288.87	144.11	275.08
1989	22,602	19,774	3,484	79,190	138,598	12,713	285.41	142.67	274.05
1990	4,578	4,487	747	26,873	56,711	4,772	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.

NON PROFIT HOUSING

RETURN YEAR	REFUNDS (\$000)			RETURNS			AVERAGE REFUND		
	FISCAL YEAR	HOME OWNER	RENTER	MOBILE HOME	FISCAL YEAR	HOME OWNER	RENTER	MOBILE HOME	FISCAL YEAR
1980	2,820	4,699	\$600		FY 94	648	25	\$25,920	
1981	2,184	3,525	620		FY 95	664	28	23,714	
1982	2,028	3,129	648		FY 96	760	31	24,516	
1983	1,757	2,738	642		FY 97	747	32	23,344	
1984	1,482	2,397	618		FY 98	828	34	24,353	
1985	1,358	2,228	610		FY 99	901	36	25,028	
1986	1,161	1,930	602		FY 00	1,009	38	26,553	
1987	1,063	1,810	587		FY 01	840	39	21,538	
1988	879	1,549	567		FY 02	1,083	41	26,415	
1989	549	1,045	526		FY 03	1,221	43	28,395	
1990	6,357	11,372	559		FY 04	1,365	45	30,333	
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	3,894	5,076	767						
2004									

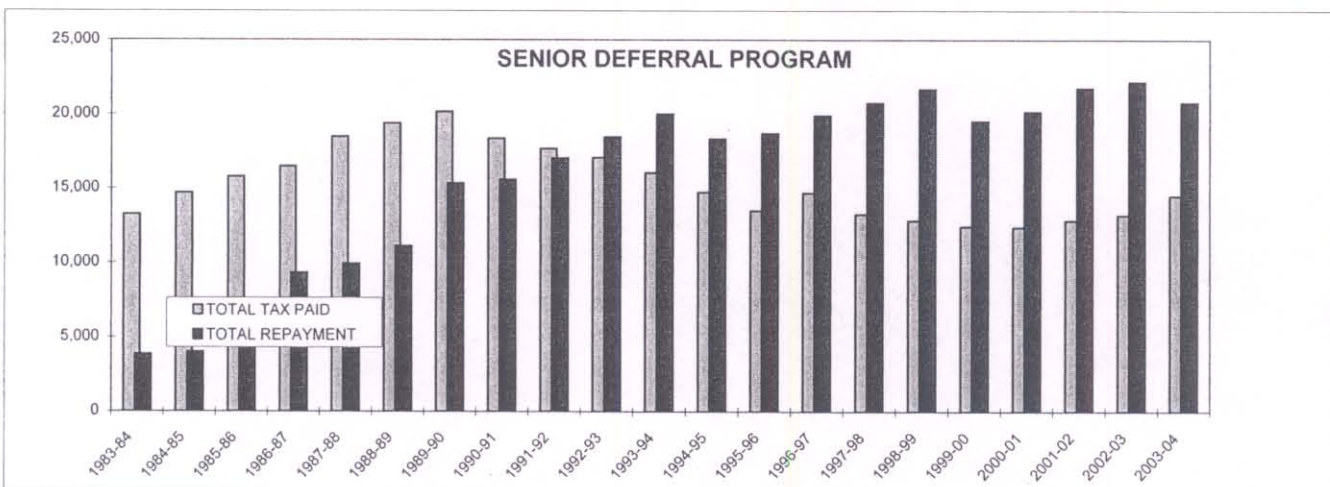
ELDERLY RENTAL ASSISTANCE (ERA)

RETURN YEAR	REFUNDS (\$000)			RETURNS			AVERAGE REFUND		
	HOME OWNER	RENTER	MOBILE HOME	HOME OWNER	RENTER	MOBILE HOME	HOME OWNER	RENTER	MOBILE HOME
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	3,894	5,076	767						
2004									

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	8,890	1,569	108	206	445	1,159	14,492	20,809	122,953

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% and 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, a large number of small Special Assessment Deferral accounts were paid out.



OREGON ESTATE AND INHERITANCE TAXES

Overview of Estate and Inheritance Tax Revenues

Currently, Oregon's estate tax is based on the federal estate law and the pick-up tax. 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. 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. Oregon does not impose any other estate or inheritance taxes besides collecting the federal pick-up tax. From legislation in 2003, Oregon is now connected to federal tax law with the adoption of the 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 \$116.6 million in estate tax in the 2001-03 biennium which was the third largest single tax source for the state general fund behind personal income and corporate excise taxes. This tax comprised 1.2% of the total state general fund. The estate tax is paid by a small number of taxpayers 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 2002-03, the annual percentage change had a range between a high of 103% increase in 1992-93 and a low of -60% 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 graduate 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 when the state was only collecting the federal pick-up tax. The primary reasons why the estate tax revenues in Oregon started growing again after 1988-89 was due to the rapid growth in the elderly population, as Oregon has been a net importer of the elderly, as well as the growth in property values. 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.

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 beginning in 1987. Then, 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. Prior to the 1997 and 2001 federal estate tax law, Oregon's estate tax law was connected to federal law which established the federal gross estate value filing threshold at \$600,000.

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. Generally 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
1998	\$ 625,000
1999	\$ 650,000
2000 and 2001	\$ 675,000
2002 and 2003	\$ 700,000
2004	\$ 850,000
2005	\$ 950,000
2006	\$ 1,000,000

2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA)

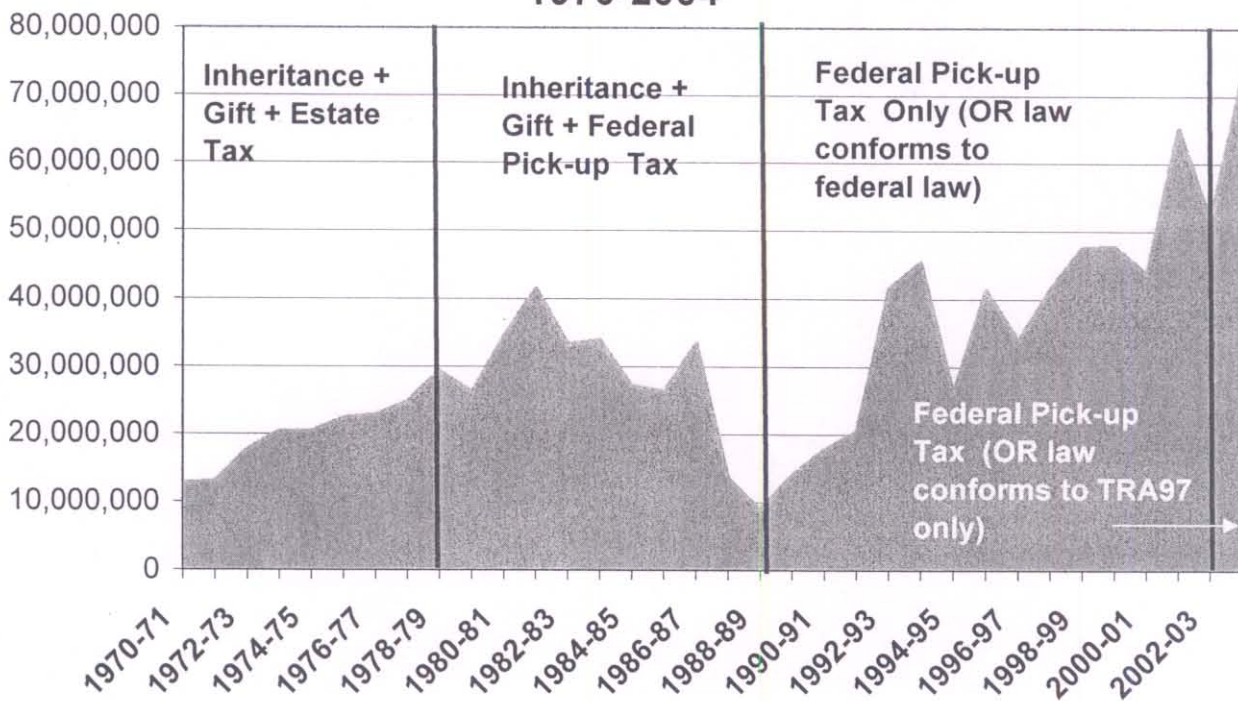
The 2001 federal Economic Growth and Tax Relief Reconciliation Act legislation – P.L. 107-16, made significant changes in a number of tax areas, including federal estate taxes. The 2001 federal estate tax law changes included a phase-out of the state death tax credit, an increase in the gross estate 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, Oregon's estate tax would be eliminated completely by tax year 2005.

Tax Year	% reduction	Tax Year	% reduction
Phase out of total state death tax			
2002	25%	2004	75%
2003	50%	2005	100%
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%

2003 Legislative Changes in HB 3072 – Clarification in Oregon Law

Prior to the 2003 Oregon legislation (HB 3072), 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. Up until 2001, Oregon's Department of Revenue had assumed Oregon had adopted the federal law change in 1997 (TRA97). The primary purpose of HB 3072 was to codify in law the connection to the Taxpayer Relief Act of 1997 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 HB 3072 was to clarify that Oregon's estate tax is connection 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.

Oregon Estate and Inheritance Tax Collections: 1970-2004



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%

Fiscal Yr.	\$ Amount	% Change
1987-88	13,476,313	-59.7%
1988-89	8,875,434	-34.1%
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%

OREGON ESTATE TAXES - FOR DEATHS IN 2000 - 2003
BREAKDOWN OF 2002 and 2003 ESTATE TAX RETURNS BY GROSS ESTATE VALUE

Tax Year	Total # of Returns	Total OR Payable Tax (\$ millions)
2000	879	44.2
2001	878	70.8
2002	736	42.8
2003	620	55.1

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	78	11%	4,935,443	11.5%
\$1 million up to \$1.5 million	285	39%	6,231,352	14.5%
\$1.5 million up to \$2 million	137	19%	4,181,559	9.8%
\$2 million up to \$3.5 million	138	19%	7,605,522	17.8%
\$3.5 million up to \$5 million	46	6%	4,337,274	10.1%
\$5 million up to \$10 million	33	4%	4,825,541	11.3%
\$10 million up to \$20 million	9	1%	2,029,612	4.7%
more than \$20 million	10	1%	8,696,072	20.3%
TOTAL	736	100%	42,842,375	100%

2003 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	199	32%	3,912,887	7.1%
\$1 million up to \$1.5 million	192	31%	6,124,498	11.1%
\$1.5 million up to \$2 million	80	13%	3,406,865	6.2%
\$2 million up to \$3.5 million	81	13%	6,778,691	12.3%
\$3.5 million up to \$5 million	19	3%	2,538,969	4.6%
\$5 million up to \$10 million	31	5%	10,259,328	18.6%
\$10 million up to \$20 million	9	1%	6,297,600	11.4%
more than \$20 million	9	1%	15,801,462	28.7%
TOTAL	620	100%	55,120,300	100%

**STATE DEATH TAXES AFTER THE PASSAGE OF THE 2001 ECONOMIC GROWTH AND TAX RELIEF
RECONCILIATION ACT - As of October 2002**

State	Type of Tax / Relationship to Federal Credit	Description
PICK-UP TAX ONLY		
Alabama	Automatic	
Alaska	Automatic	
Arizona	Automatic	
Arkansas	Automatic	
California	Automatic	
Colorado	Automatic	
Delaware	Automatic	
District of Columbia	Fixed	Federal estate tax law as of 1/1/01.
Florida	Automatic	
Georgia	Automatic	
Hawaii	Automatic	
Idaho	Automatic	
Illinois	Fixed	Federal estate tax law as of 12/31/00.
Maine	Fixed / Automatic	For deaths occurring from 10/1/02 - 12/31/04, the pick-up tax is computed under federal tax law as of 12/31/00. For deaths occurring after 12/31/04, the state tax is tied to federal law in effect at that time.
Massachusetts	Fixed	Federal estate tax law as of 12/31/00.
Michigan	Automatic	
Minnesota	Fixed	Federal estate tax law as of 12/31/00.
Mississippi	Automatic	
Missouri	Automatic	
Montana	Automatic	
Nebraska	Fixed	Converted its pick-up tax to a separate estate tax with a tax equivalent to the state death tax credit as in existence in 12/31/01. Tax applies to adjusted estates minus \$1 million.
Nevada	Automatic	
New Mexico	Automatic	
New York	Fixed	Federal estate tax law as of 07/98.
North Carolina	Fixed	Federal estate tax law as of 05/1/02 except that the amount of the pick-up tax is to be computed without regard to the phase-out of the state death tax credit. For deaths occurring on or after 1/1/04, the state pick-up tax will be equal to the state death
North Dakota	Automatic	
Oregon	Fixed	Federal estate tax law as of 12/31/97.
Rhode Island	Fixed	State death tax credit as it existed on 12/31/01.
South Carolina	Automatic	
South Dakota	Automatic	
Texas	Automatic	
Utah	Automatic	
Vermont	Fixed	State death tax credit as it existed on 1/1/01. Incorporated all other estate tax changes of EGTRRA.
Virginia	Fixed	Federal estate tax law as of 1/1/78.
Washington	Fixed	Federal estate tax law as of 1/1/01.
West Virginia	Automatic	
Wisconsin	Fixed	For deaths occurring from 10/1/02 - 12/31/07, the pick-up tax is computed under federal tax law as of 12/31/00. For deaths occurring after 12/31/07, the state tax is tied to federal law in effect at that time.
Wyoming	Automatic	
STAND-ALONE TAX		
Connecticut	Automatic	Repealed its stand-alone tax and will move to solely pick-up tax in 2006. The pick-up tax will expire for deaths occurring after 1/1/2005
Indiana	Automatic	
Iowa	Automatic	
Kansas	Fixed	Has an estate and a succession tax and they are separate taxes. The estate tax is tied to federal law as in effect 12/31/97.
Kentucky	Automatic	
Louisiana	Automatic	Transitioning to a pick-up tax only. State inheritance tax will expire for deaths occurring after June 30, 2004. The pick-up tax will expire for deaths after 12/31/04.
Maryland	Fixed	Connection to federal estate tax law as in effect 1/1/01. Imposes an inheritance tax on non-lineal heirs.
New Hampshire	Automatic	Imposes an 18% inheritance tax on non-lineal heirs. Inheritance tax will be repealed for deaths occurring after January 1, 2003.
New Jersey	Fixed	Imposes both an inheritance and estate tax. Estate tax is equal to the maximum state death tax credit allowed as of 12/31/01.
Ohio		Stand-alone estate tax. Where the state death tax credit exceeds the Ohio liability, the amount of the death tax credit is owed; Does not connect to the phase-out of the state death tax credit in EGTRRA.
Oklahoma	Automatic	Separate tax avoids decline in revenue from 2001 changes in federal estate tax law.
Pennsylvania	Fixed	Federal estate tax law as of 6/1/01.
Tennessee	Automatic	

SCHOOL FINANCE

K-12 School Districts

Oregon has 198 school districts serving about 555,000 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. 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 2003 Legislature provided funds for small high schools from the State School Fund outside the formula.

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 \$25,000 per high cost disability student (\$12 million statewide per year limit) and up to 8% of classroom construction costs (\$17.5 million limit per biennium).

Local Option

School districts may ask voters to approve temporary local option levies. Local option revenue is limited to the lesser of (1) the district Measures 5 and 50 tax gap, (2) 15% of formula revenue or (3) \$750 per weighted student. 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.

Education Service Districts

The school system also includes education service districts (ESDs). Twenty ESDs provide regional educational support services. ESD property taxes and state aid account for 5% of this statewide K-12 school and ESD general operating revenue. Their major source of general revenue is state aid. Before Measure 5 (1990), they received no state aid. Subsequently state support helped replace reduced property taxes.

The 2001 Legislature adopted a phased-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 begins in 2005-06 when revenue for each ESD is 5.26% of the formula revenue of its component school districts. This makes the ESD share of total ESD and K-12 school formula revenue 5%.

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.

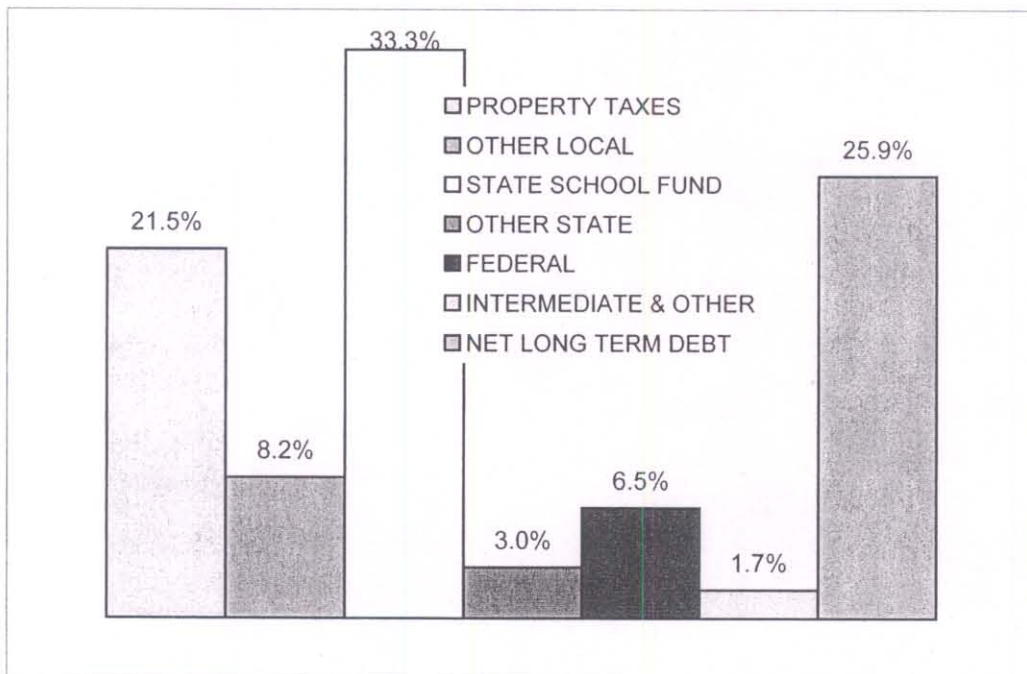
Education Stability Fund

Voters approved a constitutional amendment converting the Education Endowment Fund to the Education Stability Fund in 2002. This change allows the principal of the Stability Fund 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%).

TOTAL SCHOOL RESOURCES**2002-03 Audited (\$000)**

	K-12	ESD	TOTAL
PROPERTY TAXES	1,327,588	69,508	1,397,095
OTHER LOCAL REVENUES	444,617	89,368	533,985
STATE SCHOOL FUND	2,079,483	78,063	2,157,546
COMMON SCHOOL FUND	31,507	79	31,586
OTHER STATE REVENUE	87,639	73,803	161,442
FEDERAL FOREST FEES	32,211	2,074	34,285
OTHER FEDERAL REVENUE	336,855	48,811	385,666
INTERMEDIATE & OTHER	97,498	9,625	107,123
NET LONG TERM DEBT	<u>1,637,332</u>	<u>39,089</u>	<u>1,676,421</u>
TOTAL REVENUE	6,074,729	410,420	6,485,149
PLUS BEGINING BALANCE	<u>1,697,486</u>	<u>74,185</u>	<u>1,771,672</u>
TOTAL RESOURCES	7,772,215	484,606	8,256,821
LESS TOTAL EXPENDITURES	<u>-6,315,752</u>	<u>-406,049</u>	<u>-6,721,801</u>
ENDING BALANCE	1,456,462	78,557	1,535,019



Notes: About 65% of the ending balance is in Capital Projects and Debt Service Funds.
 Long term debt includes bond funds for about \$1.7 billion in PERS unfunded actuarial liability.
 Numbers exclude interfund transfers.

Source: Oregon Department of Education data base.

STATE SCHOOL SUPPORT HISTORY

Fiscal Year	K-12 Audited Current Operating Expenditures		Basic School Support Appropriation		BSSF Share of Operating Expenditures	Fiscal Year	K-12 Audited Current Operating Expenditures		Basic School Support Appropriation		BSSF Share of Operating Expenditures
	\$1,000	% Change	\$1,000	% Change			\$1,000	% Change	\$1,000	% Change	
1947-48	43,513		15,946		36.6%	1983-84	1,375,777	5.3%	431,200	1.2%	31.3%
1948-49	51,800	19.0%	16,954	6.3%	32.7%	1984-85	1,443,655	4.9%	448,800	4.1%	31.1%
1949-50	58,799	13.5%	17,489	3.2%	29.7%	1985-86	1,536,009	6.4%	463,000	3.2%	30.1%
1950-51	63,213	7.5%	18,425	5.4%	29.1%	1986-87	1,613,506	5.0%	482,000	4.1%	29.9%
1951-52	72,330	14.4%	29,597	60.6%	40.9%	1987-88	1,717,051	6.4%	496,832	3.1%	28.9%
1952-53	78,720	8.8%	30,986	4.7%	39.4%	1988-89	1,830,678	6.6%	526,703	6.0%	28.8%
1953-54	87,691	11.4%	32,370	4.5%	36.9%	1989-90	1,983,316	8.3%	570,429	8.3%	28.8%
1954-55	94,844	8.2%	33,478	3.4%	35.3%	1990-91	2,120,311	6.9%	605,716	6.2%	28.6%
1955-56	102,336	7.9%	35,144	5.0%	34.3%	1991-92	2,264,071	6.8%	805,000	32.9%	35.6%
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%	1991-92	2,379,032	8.9%	818,391	34.4%	34.4%
1960-61	161,451	6.2%	55,020	4.6%	34.1%	1992-93	2,590,575	-4.5%	1,100,300	34.4%	42.5%
1961-62	177,526	10.0%	61,785	12.3%	34.8%	1993-94	2,475,136	5.3%	1,131,900	2.9%	45.7%
1962-63	190,419	7.3%	65,454	5.9%	34.4%	1994-95	2,605,406	5.3%	1,427,000	26.1%	54.8%
1963-64	208,685	9.6%	65,184	-0.4%	31.2%	1995-96	2,651,525	1.8%	1,750,000	19.1%	66.0%
1964-65	220,225	5.5%	61,167	-6.2%	27.8%	1996-97	2,715,451	2.4%	1,759,700	0.6%	64.8%
1965-66	239,193	8.6%	72,088	17.9%	30.1%	1997-98	2,918,589	7.5%	2,022,873	15.0%	69.3%
1966-67	262,428	9.7%	75,898	5.3%	28.9%	1998-99	2,989,171	2.4%	2,100,040	3.8%	70.3%
1967-68	286,729	9.3%	77,786	2.5%	27.1%	1999-00	3,210,469	7.4%	2,243,058	6.8%	69.9%
1968-69	325,536	13.5%	77,431	-0.5%	23.8%	2000-01	3,333,835	3.8%	2,339,200	4.3%	70.2%
1969-70	363,633	11.7%	88,928	14.8%	24.5%	2001-02	3,489,061	4.1%	2,428,964	3.8%	70.0%
1970-71	398,013	9.5%	88,928	0.0%	22.3%	2002-03	3,258,562	-6.1%	2,146,933	-11.6%	65.9%
1971-72	421,635	5.9%	99,428	11.8%	23.6%						
1972-73	459,210	8.9%	104,063	4.7%	22.7%	Est. 2003-04	3,716,352	14.0%	2,590,929	20.7%	69.7%
1973-74	505,138	10.0%	143,520	37.9%	28.4%	Est. 2004-05	3,531,299	-5.0%	2,324,979	-10.3%	65.8%
1974-75	579,991	14.8%	170,789	19.0%	29.4%	Gov. Budget 2005-06	3,697,300	4.7%	2,454,000	5.5%	66.4%
1975-76	659,718	13.7%	200,733	17.5%	30.4%	Gov. Budget 2006-07	3,847,900	4.1%	2,546,000	3.7%	66.2%
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%						

Notes: 1. In 1992-93 state aid shifted to the State School Fund with a new distribution formula.

2. Operating revenue does not include federal and other non-formula revenue.

3. 1993-94 to present, State School Fund includes funds for state youth correction schooling.

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.

K-12 SCHOOL EQUALIZATION FORMULA

STATE SCHOOL FUND DISTRIBUTION

$$\text{District Formula Revenue (Equalization Funding)} = \text{General Purpose Grant} + \text{Transportation Grant} + \text{High Cost Disability Grant} + \text{Facility Grant}$$

School District Revenue

$$\text{District Formula Revenue} = \text{State School Fund Grant} + \text{Local Revenue}$$

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 new 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 timber 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

$$\text{General Purpose Grant} = \text{Weighted Students (ADMw)} \times \$4,500 \text{ Adjusted by Teacher Experience and Balanced to Available Funds}$$

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

ADM less than (varies with grades) Elementary 224 (8gr) High 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 sunsets 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 1.12

using \$4,500 per ADMw. The equivalent amount is \$5,040 per ADMw.

Transportation Revenue

Transportation Grant	=	70% to 90% of Transportation Costs
-----------------------------	---	-------------------------------------------

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 \$25,000 per Disability Student
-----------------------------------	---	-----------------------------------------------------------------

For a student with approved disability costs above \$25,000, the grant is the cost minus \$25,000. The district grant is the sum of the grants for each student with disability costs above \$25,000. ESD costs for each student can be included in the student total. Total district grants cannot exceed \$12 million per year. If total grants initially exceed this amount, the grants are reduced proportionally. The grant is in effect only for the 2003-05 biennium and then sunsets.

New Facility Revenue

Facility Grant	=	Up to 8% of Construction Costs
-----------------------	---	---------------------------------------

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 \$17.5 million per biennium. If grants at 8% exceed the limit, the percent is reduced. The actual percent is about 4%.

School Revenue Share

The school share of both school district and ESD formula revenue is 95%. 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% of this total to allocate to school districts.

2005-07 Funding Level

The Governor's proposed budget is \$5.0 billion for the State School Fund. The initial formula local revenue estimate for schools and ESD's is \$2.5 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. Adjustments for audited data occurs in the following year.

Other State School Fund Allocations

The Legislature also funds special programs separate from the school formula. Districts with small high schools are allocated \$5 million and certain state special education programs receive about \$16 million from the State School Fund in the 2003-05 biennium.

Note: Categorical Grants and Other Funds

The Legislature funds various special programs outside the State School Fund grant such as regional and hospital programs.

FORMULA GRANT PERCENTAGE BY DISTRICT SIZE					
2003-04 Estimates					
District Size by ADM	# of Districts	General Purpose	Transportation	High Cost Disability	Facility
0- 500	77	93.82%	5.84%	0.18%	0.16%
500- 1,000	33	94.56%	5.14%	0.19%	0.11%
1,000- 3,000	42	94.99%	4.15%	0.15%	0.71%
3,000- 5,000	18	95.96%	3.60%	0.30%	0.14%
5,000-10,000	17	95.51%	4.00%	0.18 %	0.31%
10,000-30,000	9	95.47%	3.68%	0.48%	0.37%
30,000-50,000	3	95.97%	3.40%	0.59%	0.04%
Note: Omits reserve funds for low student count and IEP waivers. Estimates as of May '04.					

ESD EQUALIZATION

(Beginning in 2005-06)

STATE SCHOOL FUND DISTRIBUTION

$$\text{General Services Revenue} = \text{Percent to Balance} \times \text{Higher of (1) Base Revenue (2) \$1 million}$$

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 5%. 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% 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 is the sum of State School Fund revenue allocated to each ESD and the local revenue of the ESD.

$$\text{General Services Revenue} = \text{State School Fund Grant} + \text{Local Revenue}$$

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 5.263% times the sum of the school formula revenue for the ESD component districts. With the ESD total state and local share set at 5%, the ESD percent applied to the school district 95% must be more than 5% ($5.263\% \times 95\% = 5\%$).

$$\text{Base Revenue} = 5.263\% \times \text{Sum of Component School District Revenue}$$

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. 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 5.263% to the sum of the component district formula revenue uses up the 5% 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 5% of available funds. Multiplying allocated revenue including minimums by a percent slightly less than 100% brings the total down to available funds.

State Payment Schedule

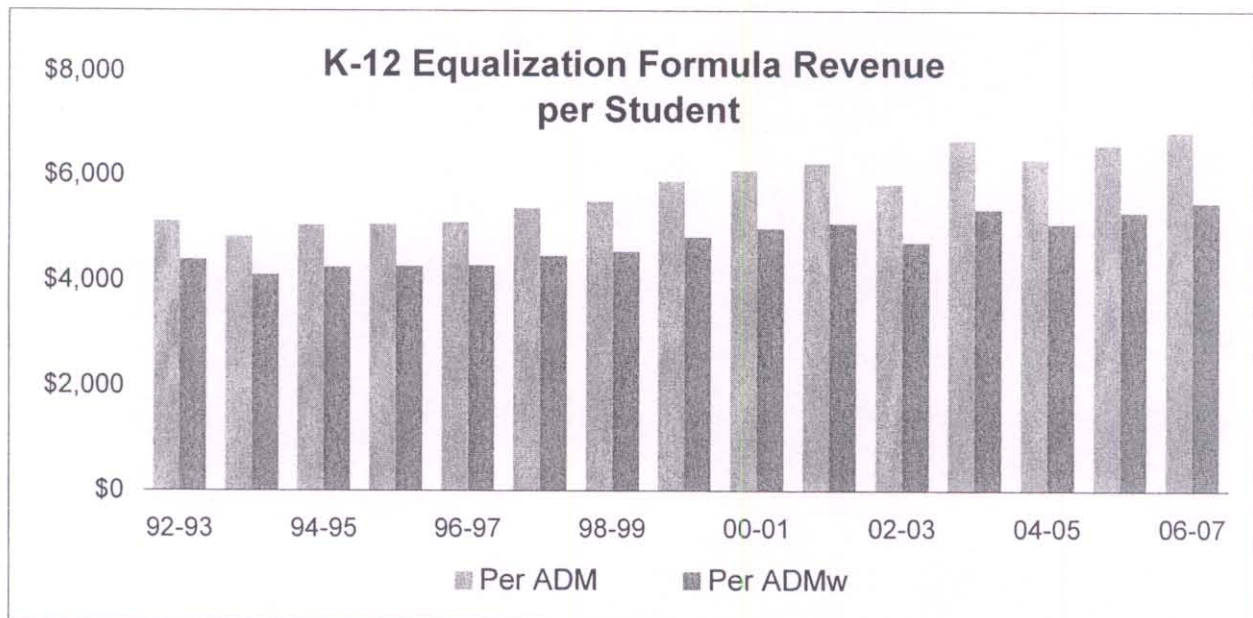
The July payment is 16.67% of the estimated State School Fund grant with 8.33% in each of the following 10 months. There is no June payment. Adjustments for audited data are made the following year.

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 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%	586,828	1.4%	5,043	4.3%	4,255	3.5%
1995-96	501,919	1.4%	595,073	1.4%	5,065	0.4%	4,272	0.4%
1996-97	508,579	1.3%	605,696	1.8%	5,109	0.9%	4,290	0.4%
1997-98	514,094	1.1%	616,998	1.9%	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%	638,012	0.8%	6,091	3.5%	4,991	3.3%
2001-02	528,346	1.1%	647,960	1.6%	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 Est.	528,360	-0.4%	658,922	0.7%	6,670	14.4%	5,349	13.1%
2004-05 Est.	529,153	0.2%	657,376	-0.2%	6,319	-5.3%	5,086	-4.9%
2005-06 Est.*	530,475	0.2%	659,407	0.3%	6,592	4.3%	5,303	4.3%
2006-07 Est.*	532,332	0.4%	662,589	0.5%	6,837	3.7%	5,493	3.6%
14 Year Growth	9.3%		16.9%		33.5%		24.9%	



Notes:

* 2005-07 dollars based on Governor's budget recommendation.

Excludes revenue outside the school formula like lottery revenue bonds and federal funds.

ADMw is extended ADMw (higher of current or prior year ADMw).

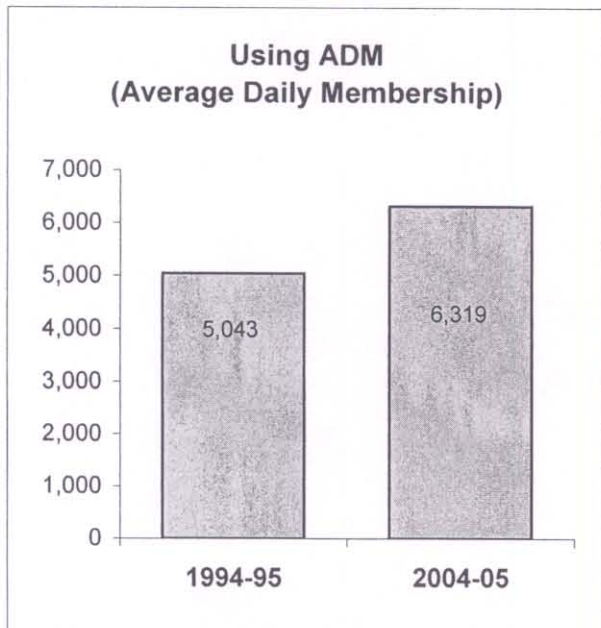
Includes students in the state youth corrections program beginning in 1997-98.

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

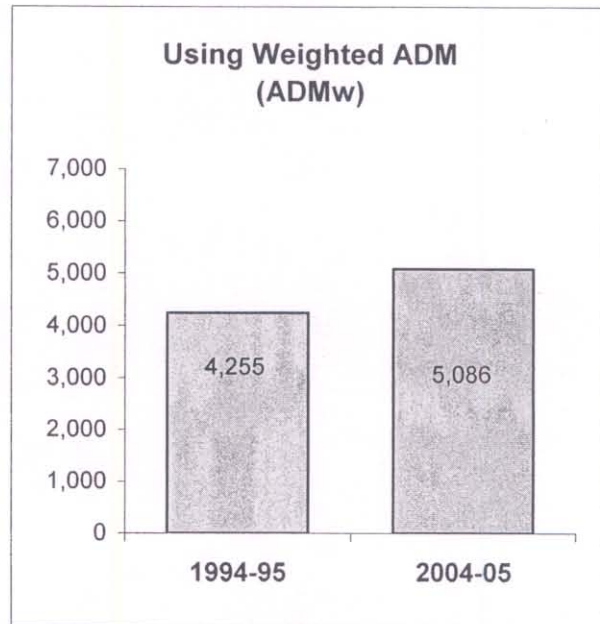
K-12 SCHOOL FINANCIAL TRENDS

STATE AND LOCAL FORMULA REVENUE PER STUDENT

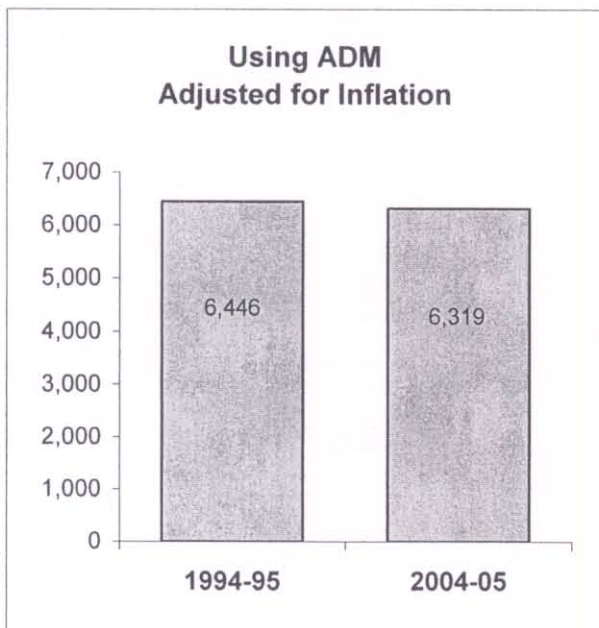
10 Year Comparison



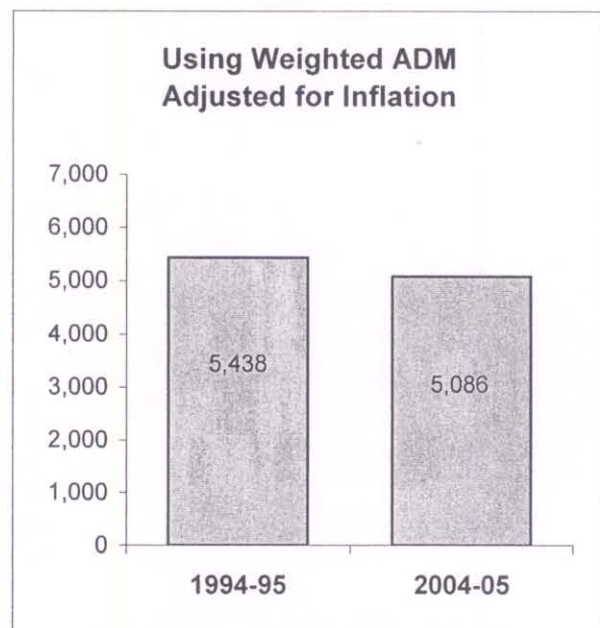
Revenue per student increases about 25%.



Revenue per weighted student increases about 20%.



Revenue per student adjusted for inflation decreases about 2%.



Revenue per weighted student adjusted for inflation decreases about 6%.

Note: 2004-05 numbers are Nov. 2004 estimates of student counts, local revenue and inflation.
Inflation measure is Portland CPI.

K-12 and ESD REVENUE HISTORY

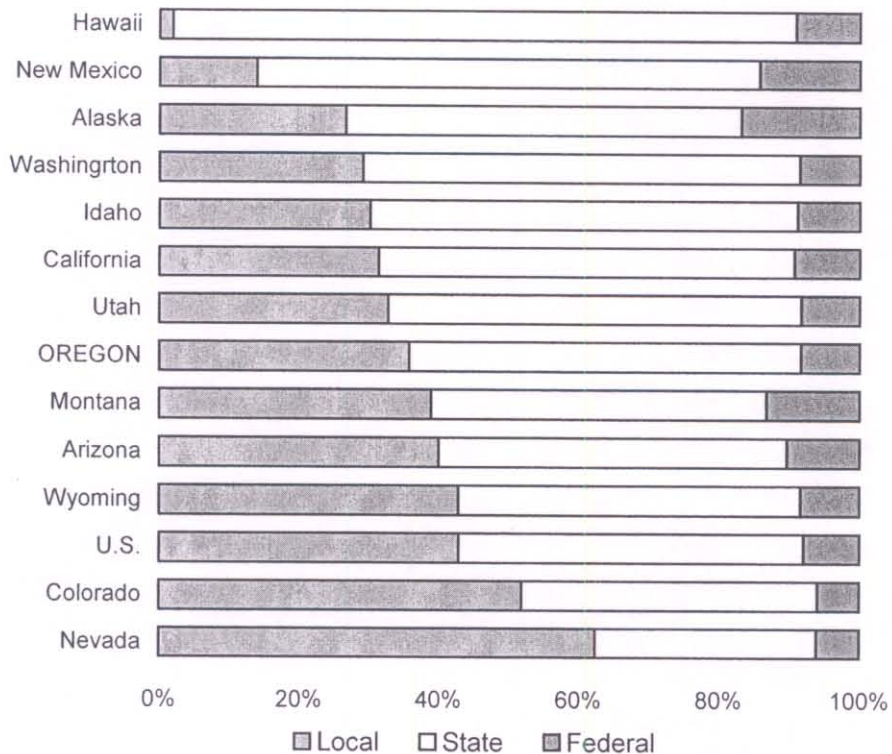
Summary of State School Fund and Local Formula Revenue

Revenue Source	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Estimates		2005-06	2006-07
									2003-04	2004-05	Gov. Budget	
State												
State School Fund	1,750.0	1,759.7	2,048.4	2,101.6	2,246.2	2,339.2	2,429.0	2,146.9	2,590.9	2,325.0	2,454.0	2,546.0
Local K-12												
Property and Timber Taxes	799.6	848.3	781.6	801.7	845.6	873.4	922.7	970.2	1,003.5	1,049.8	1,084.9	1,139.2
Other Local	63.2	64.3	56.0	50.4	84.0	84.0	77.0	94.0	69.6	101.3	80.5	80.8
Excluded from Formula	-13.4	-13.3	-20.0	-20.0	-23.1	-22.1	-22.6	-19.5	-19.5	-19.6	0.0	0.0
	849.4	899.4	817.6	832.0	906.4	935.3	977.2	1,044.8	1,053.6	1,131.5	1,165.4	1,220.1
Local ESD												
Property Tax	56.6	61.4	56.5	59.5	61.8	63.2	66.6	70.1	71.8	75.6	79.1	83.1
Shared with K-12	-4.5	-5.0	-3.9	-3.9	-3.9	-3.8	-3.6	-3.3	0.0	-0.8	-1.2	-1.2
	52.1	56.4	52.6	55.5	57.8	59.3	62.9	66.9	71.8	74.8	77.9	81.9
Total Sources	2,651.5	2,715.5	2,918.6	2,989.2	3,210.5	3,333.8	3,469.1	3,258.6	3,716.4	3,531.3	3,697.3	3,847.9
Revenue Allocation												
ESD												
Districts	109.5	117.1	130.8	139.5	148.7	148.7	157.3	145.8	176.0	170.7	184.4	191.9
OPEN Technology	0	0	1.0	1.0	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0
K-12 School												
Out-of-State Disability Fund	0	0	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0
Small High School Grants							4.6	4.5	2.5	2.5	0.0	0.0
State Special Education							7.2	7.4	8.0	8.5	9.0	9.5
Youth Corrections & Detention	5.4	6.9	8.3	9.3	10.6	10.9	13.0	12.1	11.0	11.3	10.9	11.2
District Equalization Formula	2,536.6	2,591.4	2,752.8	2,836.9	3,046.0	3,173.1	3,286.3	3,081.9	3,513.3	3,332.3	3,486.0	3,628.3
Misc. & Prior Year Corrections	0	0	0	0.5	0.5	-0.4	0.2	6.4	5.5	6.0	7.0	7.0
State												
Over Cap for Lottery Bonds	0	0	25.5	1.6	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Allocation	2,651.5	2,715.5	2,918.6	2,989.2	3,210.5	3,333.8	3,469.1	3,258.6	3,716.4	3,531.3	3,697.3	3,847.9
Other State Revenue												
K-12 Lottery-Backed Bonds	0	0	0.0	150.0	56.0	71.0	0.0	0.0	0	0	0	0
K-12 Other/School Improvement	0	0	55.0	0.0	27.0	27.0	108.0	0.0	0	0	0	0

Notes: Dollars in millions.
Pre-1997-98 years adjusted to exclude Portland property tax for PERS bond.

2001-02 REVENUE PER STUDENT WESTERN STATES COMPARISON BY SOURCE

State	Rank	Total	Local	State	Federal
Alaska	7	10,717	2,853	6,063	1,800
Wyoming	9	10,303	4,411	5,033	860
Hawaii	10	10,246	191	9,126	929
U.S.		8,805	3,771	4,338	696
OREGON	25	8,629	3,085	4,828	717
California	27	8,363	2,620	4,968	775
Washington	31	8,306	2,416	5,186	704
New Mexico	33	8,161	1,129	5,872	1,160
Colorado	34	7,855	4,072	3,315	468
Montana	36	7,689	2,990	3,682	1,017
Arizona	38	7,452	2,980	3,704	768
Nevada	39	7,318	4,567	2,306	444
Idaho	47	6,683	2,013	4,083	588
Utah	51	5,983	1,958	3,531	494



Source: National Center for Education Statistics, 2001-02

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

Students is fall enrollment.

Local includes intermediate.

Data updated.

HIGHWAY TAXES

Highway finance in Oregon depends on the following five major revenue sources:

1. 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 included in the price at the pump with refunds for non-highway or exempt use. Use Fuel tax is paid by the retailer when purchased for highway use. Heavy vehicles subject to weight-mile taxes are exempt from Use Fuel Tax and eligible for refund of any Motor fuel tax paid.
2. 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 rates for trucks over 80,000 depend on 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.
3. 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.
4. Vehicle Titling Fees are imposed on cars and trucks. Vehicles under 26,000 pounds pay \$55 and vehicles over 26,000 pounds pay \$90.
5. 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). HB 2142 dedicated \$71.2 million annually for debt service on bonds producing up to \$400 million in net proceeds for modernization projects. HB 4010 increased the limit on net proceeds to \$500 million. HB 2041 increased most fees and tax rates to provide debt service on bonds to yield \$1.6 billion in net proceeds for bridge repair and replacement and \$300 million in net proceeds for highway modernization. These different bonding programs are known as Oregon Transportation Improvement Act (OTIA) I, II, and III respectively.

These 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. Some of these are dedicated to non-highway uses.

The Oregon Constitution requires all tax revenues collected upon ownership or operation of motor vehicles be used for road related expenditures (except recreational vehicle fees which can be used for parks). The Constitution was amended in 1999 to require that light and heavy vehicles pay state user fees in proportion to the costs incurred on behalf of each vehicle class.

Highway Fund

Net revenues from the taxes and fees listed above are deposited into an account known as the Highway Fund. The Highway Fund is distributed to the state, cities and counties for road construction and maintenance. ODOT will have to track revenues separately for title fees at \$10, \$30, and at \$55; for registration fees and WMT before and after the HB 2041 increases; and for various license and other fees before and after the HB 2041 because they are distributed differently. The formulas for these distribution are shown in the table below. The Base includes all revenues from taxes and fees before the increases in HB 2142 and HB 2041. OITA is the \$71.2 million in revenues dedicated to debt service in HB 2142 of the 2001 session, Bridges includes the

revenue from the HB 2041 increases in title fees, registration fees and WMT that are dedicated to debt service, and Misc. includes the revenues from the HB 2041 increases in license and other fees. The distribution for OTIA is any excess of the \$71.2 million that is not required for debt service (\$5.1 million in 2002-03). In the case of the Bridge distribution, any revenue not used for debt service goes to the indicated jurisdiction.

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.

Moneys distributed to the counties are in proportion to vehicle registrations and city distributions are in proportion to population. HB 3582 (2003) requires an interim study by the Association of Oregon Counties of alternative methods of distributing county revenues.

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			Legislative Adopted
Revenue Source	1997-99	1999-01	2001-03	2003-05
Beginning Balance	114.2	53.6	160.6	510.9
Revenues				
Fuel Taxes	800.8	808.6	824.8	830.2
Weight-Mile Taxes	477.8	429.8	390.3	431.9
Driver & Vehicle Licenses	218.1	228.7	304	428.1
General Fund	0.7	19.9	17.1	3.9
Federal Funds	602.2	584.8	671.6	724.4
Lottery	20.2	17.6	6	21.1
Bond & COP Proceeds	16.4	58.5	291.2	195.6
All Other	172.8	172.8	220.2	267
Total Revenue	2309.0	2,347.7	2,725.2	2,902.2
Total Resources	2423.2	2,401.2	2,885.8	3,413.1

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.

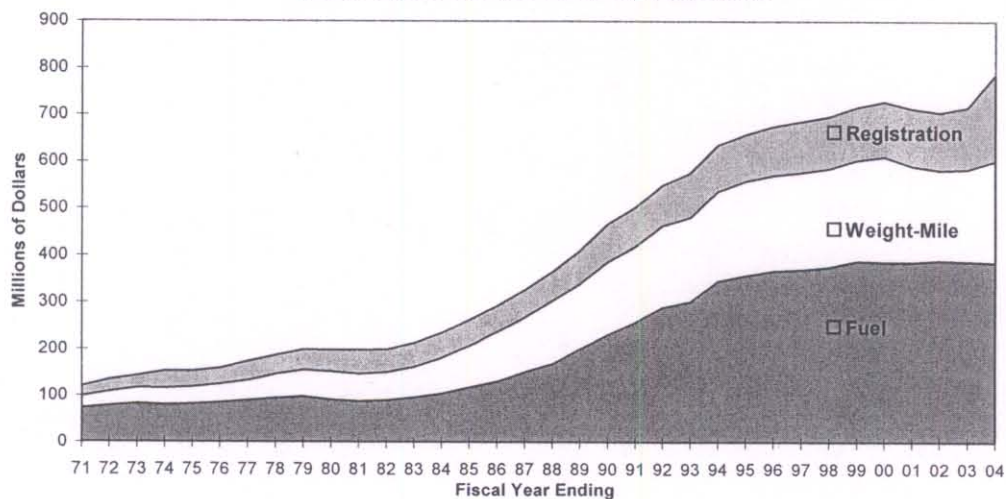
MOTOR VEHICLE AND FUEL TAX REVENUES

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%	216.1	30.1%	113.1	15.8%	717.1	2.9%
1999-00	386.4	53.0%	225.1	30.9%	116.9	16.1%	728.5	1.6%
2000-01	386.2	54.1%	204.4	28.6%	123.3	17.3%	713.9	-2.0%
2001-02	389.9	55.3%	192.3	27.3%	123.2	17.5%	705.4	-1.2%
2002-03	387.4	54.1%	196.5	27.4%	132.3	18.5%	716.2	1.5%
2003-04	385.4	49.0%	217.4	27.6%	183.6	23.3%	786.4	9.8%

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

MOTOR VEHICLE AND FUEL TAX REVENUE

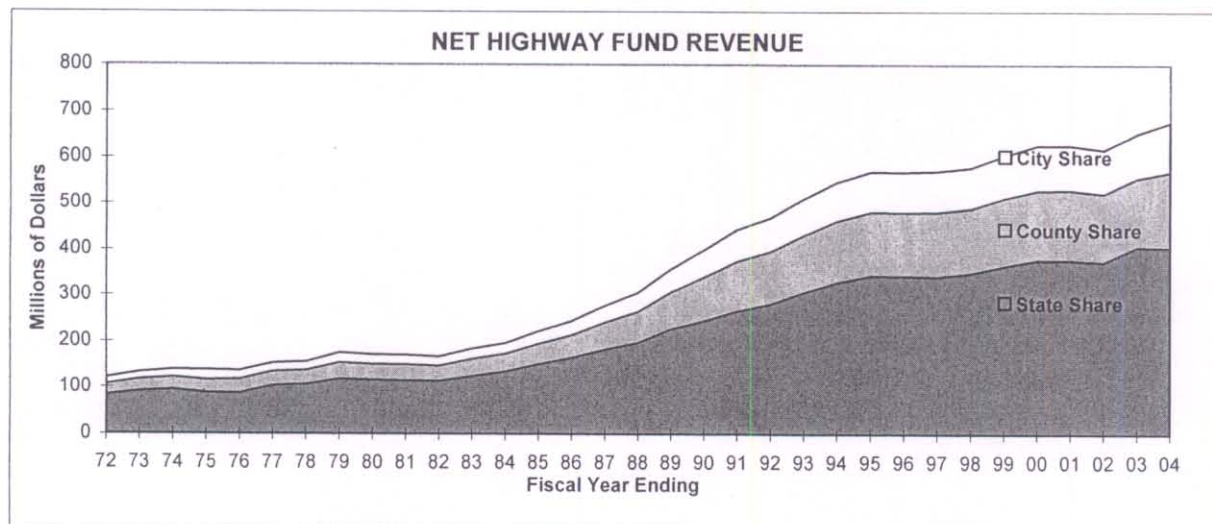


NET HIGHWAY FUND REVENUE

(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%

Source: Oregon Department of Transportation



Motor Fuel Tax Rates (cents per gallon)

January 1, 2003

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	16.00	2.00	18.00	37	17.00	2.00	19.00	35	16.00	2.00	18.00	37		Inspection fee
Alaska	8.00		8.00	50	8.00		8.00	50	-		-	51		
Arizona /3	18.00		18.00	37	18.00		18.00	38	18.00		18.00	37		
Arkansas	21.50		21.50	22	22.50		22.50	20	21.50		21.50	21		
California	18.00		18.00	37	18.00		18.00	38	18.00		18.00	37	Y	
Colorado	22.00		22.00	20	20.50		20.50	28	22.00		22.00	20		
Connecticut	25.00		25.00	8	26.00		26.00	8	24.00		24.00	11		
Deleware /5	23.00		23.00	18	22.00		22.00	23	23.00		23.00	17		Plus 0.5% GRT
District of Columbia	20.00		20.00	27	20.00		20.00	29	20.00		20.00	25		
Florida /2	4.00	10.30	14.30	48	16.70	10.30	27.00	6	4.00	10.30	14.30	48	Y	
Georgia	7.50		7.50	51	7.50		7.50	51	7.50		7.50	50	Y	
Hawaii /1	16.00		16.00	45	16.00		16.00	42	16.00		16.00	45	Y	
Idaho /7	25.00		25.00	8	25.00		25.00	14	22.50		22.50	19		
Illinois /1,3	19.00	0.80	19.80	32	21.50	0.80	22.30	22	19.00	0.80	19.80	31	Y	Enviro. Fee
Indiana /3	18.00		18.00	37	16.00		16.00	42	18.00		18.00	37	Y	
Iowa	20.30		20.30	26	22.50		22.50	20	19.00		19.00	33		
Kansas /8	24.00		24.00	13	26.00		26.00	8	24.00		24.00	11		
Kentucky /3,4	15.00	1.40	16.40	44	12.00	1.40	13.40	49	15.00	1.40	16.40	44		Enviro. Fee
Louisiana	20.00		20.00	27	20.00		20.00	29	20.00		20.00	25		
Maine /5	24.60		24.60	10	25.70		25.70	11	24.60		24.60	8		
Maryland	23.50		23.50	17	24.25		24.25	17	23.50		23.50	16		
Massachusetts	21.00		21.00	24	21.00		21.00	25	21.00		21.00	23		
Michigan	19.00		19.00	34	15.00		15.00	46	19.00		19.00	33	Y	
Minnesota	20.00		20.00	27	20.00		20.00	29	20.00		20.00	25		
Mississippi	18.00	0.40	18.40	36	18.00	0.40	18.40	36	18.00	0.40	18.40	36		Enviro. Fee
Missouri	17.00	0.03	17.03	42	17.00	0.03	17.03	41	17.00	0.03	17.03	42		Inspection fee
Montana	27.00		27.00	4	27.75		27.75	5	27.00		27.00	4		
Nebraska /5	24.80	0.90	25.70	6	24.80	0.90	25.70	11	24.80	0.90	25.70	6		Petroleum fee
Nevada /1	24.00		24.00	13	27.00		27.00	6	24.00		24.00	11		
New Hampshire	18.00	1.50	19.50	33	18.00	1.50	19.50	34	18.00	1.50	19.50	32		Oil discharge cleanup fee
New Jersey	10.50	4.00	14.50	47	13.50	4.00	17.50	40	10.50	4.00	14.50	47		Petroleum fee
New Mexico /8	17.00	1.90	18.90	35	18.00	1.90	19.90	33	17.00	1.90	18.90	35		Petroleum loading fee
New York	8.00	14.60	22.60	19	8.00	12.85	20.85	27	8.00	14.60	22.60	18	Y	
North Carolina /4	24.30	0.25	24.55	11	24.30	0.25	24.55	15	24.30	0.25	24.55	9		Inspection tax
North Dakota	21.00		21.00	24	21.00		21.00	25	21.00		21.00	23		
Ohio	24.00		24.00	13	24.00		24.00	18	24.00		24.00	11		Plus 3 cents commerical
Oklahoma	16.00	1.00	17.00	43	13.00	1.00	14.00	47	16.00	1.00	17.00	43		Enviro. Fee
Oregon /1	24.00		24.00	13	24.00		24.00	18	24.00		24.00	11		
Pennsylvania	12.00	14.20	26.20	5	12.00	19.20	31.20	1	12.00	14.20	26.20	5		Oil franchise tax
Rhode Island	30.00	1.00	31.00	1	30.00	1.00	31.00	2	30.00	1.00	31.00	1		LUST tax
South Carolina	16.00		16.00	45	16.00		16.00	42	16.00		16.00	45		
South Dakota /1	22.00		22.00	20	22.00		22.00	23	20.00		20.00	25		
Tennessee /1	20.00	1.40	21.40	23	17.00	1.40	18.40	36	20.00	1.40	21.40	22		Petroleum Tax & Envir. Fee
Texas	20.00		20.00	27	20.00		20.00	29	20.00		20.00	25		
Utah	24.50		24.50	12	24.50		24.50	16	24.50		24.50	10		
Vermont	19.00	1.00	20.00	27	25.00	1.00	26.00	8	19.00	1.00	20.00	25		Petroleum fee
Virginia /1,6	17.50		17.50	41	16.00		16.00	42	17.50		17.50	41		
Washington	28.00		28.00	3	28.00		28.00	4	28.00		28.00	3		0.5% privilege tax
West Virginia	20.50	4.85	25.35	7	20.50	4.85	25.35	13	20.50	4.85	25.35	7	Y	
Wisconsin /5	28.50		28.50	2	28.50		28.50	3	28.50		28.50	2		
Wyoming	13.00	1.00	14.00	49	13.00	1.00	14.00	47	13.00	1.00	14.00	49		License tax
Federal /7	18.30	0.10	18.40		24.30	0.10	24.40		13.00	0.10	13.10			LUST tax

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);

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 Effective July 1, 2004, tax rate is scheduled to increase to 26 cents per gallon.

2004
State Motor Carrier Registration Fees
 80,000 Pound Vehicle (GVW)

State	Dollars per Vehicle	State Ranking
Alabama	\$800	42
Alaska	\$333	48
Arizona	\$5,679	1
Arkansas	\$1,357	23
California	\$2,551	5
Colorado	\$2,718	4
Connecticut	\$1,581	15
Delaware	\$1,280	27
Florida	\$1,006	33
Georgia	\$737	43
Hawaii	\$320	49
Idaho	\$3,375	3
Illinois	\$3,797	2
Indiana	\$1,975	7
Iowa	\$445	47
Kansas	\$1,770	10
Kentucky	\$1,430	18
Louisiana	\$504	45
Maine	\$857	39
Maryland	\$1,300	26
Massachusetts	\$1,255	28
Michigan	\$1,660	14
Minnesota	\$1,760	11
Mississippi	\$1,822	9
Missouri	\$1,724	13
Montana	\$939	37
Nebraska*	\$931	38
Nevada	\$1,384	21
New Hampshire	\$1,155	30
New Jersey	\$1,223	29
New Mexico	\$174	50
New York	\$991	34
North Carolina	\$973	35
North Dakota	\$1,068	31
Ohio	\$1,399	19
Oklahoma	\$972	36
Oregon	\$499	46
Pennsylvania	\$1,535	16
Rhode Island	\$1,056	32
South Carolina	\$809	41
South Dakota	\$1,311	25
Tennessee	\$1,371	22
Texas	\$855	40
Utah**	\$671	44
Vermont	\$1,759	12
Virginia	\$1,325	24
Washington	\$1,842	8
West Virginia	\$1,397	20
Wisconsin	\$2,011	6
Wyoming	\$1,434	17

2004
Weight-Mile Tax Rates
 (per mile) 80,000 lbs.

State	Tax Rate (Cents)	State Ranking
Kentucky	2.850	4
New Mexico	4.378	3
New York	5.460	2
Oregon	13.160	1
Source: Trucking Permit Guide, J.J. Keller & Associates, Inc.		
Oregon as a weight mile state, Does not levy Diesel Tax on heavy trucks.		

2004
Diesel Tax Rates

ATA Total	Rank	All States Tax Handbook			Rank
		Excise	Add'l	Total	
\$0.190	36	\$ 0.170	\$0.020	\$ 0.190	34
0.080	49	0.080		0.080	48
0.260	14	0.180		0.180	37
0.225	25	0.225	0.0020	0.227	23
0.278	9	0.180	?	0.180	37
0.205	31	0.205		0.205	29
0.300	4	0.260		0.260	11
0.220	27	0.220		0.220	25
0.291	7	0.267		0.267	10
0.111	48	0.075		0.075	49
0.160	44	0.248-34		0.300	4
0.250	19	0.250		0.250	15
0.296	6	0.287		0.287	5
0.270	12	0.160		0.160	43
0.225	25	0.225		0.225	24
0.260	14	0.260		0.260	11
0.186	37	0.172	0.0140	0.186	35
0.200	32	0.200		0.200	30
0.257	17	0.230		0.230	22
0.243	23	0.243		0.243	19
0.210	29	0.210		0.210	27
0.228	24	0.150		0.015	50
0.200	32	0.200		0.200	30
0.180	38	0.180	0.0040	0.184	36
0.170	43	0.170	?	0.170	42
0.278	10	0.278	?	0.278	8
0.248	20	0.246		0.246	16
0.278	10	0.270	?	0.270	9
0.180	38	0.180	0.0150	0.195	33
0.175	42	0.135	0.0400	0.175	40
0.180	38	0.180	?	0.180	37
0.312	3	0.313		0.313	1
0.243	22	0.242	0.0025	0.245	18
0.210	29	0.210		0.210	27
0.270	12	0.240		0.240	20
0.130	47	0.130	0.0100	0.140	46
0.000	50	0.240	?	0.240	20
0.312	2	0.120	0.1880	0.308	3
0.300	4	0.300	0.0100	0.310	2
0.160	44	0.160		0.160	43
0.220	27	0.220	?	0.220	25
0.180	38	0.170	0.004	0.174	41
0.200	32	0.200		0.200	30
0.245	21	0.245		0.245	17
0.260	14	0.260		0.260	11
0.195	35	0.160		0.160	43
0.280	8	0.280	?	0.280	7
0.254	18	0.254		0.254	14
0.315	1	0.285		0.285	6
0.140	46	0.140		0.140	46

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

Note: Assumes intrastate for-hire carrier registering 1998 model year 3-S2 tractor semi trailer combination with gross vehicle weight of 80,000 lbs. and unladen weight of 30,000 lbs.

* 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.

ATA: American Trucking Association

All States Tax Handbook published each year by Thomson/RIA

TIMBER TAXATION

A Brief History

Prior to 1929, all private forestland (8 million acres) and the value of standing timber on the land were subject to property taxation. Between 1929 and 1977, a Forest Fee and Yield tax was allowed for reforestation lands (860,000 acres) in lieu of property taxes. In 1953, a Forest Products Harvest Tax was imposed per thousand board feet on all merchantable harvests from both public and private land (first 25,000bf exempt). In 1961, the Small Tract Option allowed property tax on the productivity value of qualified forestland (200,000 acres) in western Oregon. In 1962 (eastern Oregon) and in 1977 (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 the Small Tract Option). The 1977 legislation returned the reforestation lands to the regular program over roughly 20 years. State collected severance taxes were distributed to local taxing districts.

In 1991, in response to Measure 5 (1990), the 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. The privilege taxes were imposed in lieu of property tax on 80% of forestland value. Under Measure 50 (1997), Small Tract Option 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. Forest land is assessed at 100% of the lesser of its maximum assessed value or its specially assessed value as determined by the Department. The privilege taxes are repealed. The 2003 Legislature passes 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 program (see below).

Current Law

As of July 1, 2004 all forestland is subject to the Forest Products Harvest Tax and all private forest land 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 Small Tract Forestland program. Under the Oregon Forestland program, forest land is assessed for property tax at the lesser of either its maximum 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. Under the Small Tract Forestland program, forest land has a specially assessed value equal to 20% of the values determined by the Department and the 2004-05 values are limited as shown in the table below. The reduced tax (relative to being taxed under the Oregon forestland program) is deferred. Deferrals older than 10 years are written off. Forest land in the Small Tract Forestland program must pay a severance tax at the time of harvest in addition to the Forest Products Harvest Tax. The severance tax rates for calendar year 2004 are \$3.89 (Western Oregon) or \$3.03 (Eastern Oregon) per 1,000 board feet harvested. These rates are indexed annually in proportion to the increase in forest land value of forest land in the Program in each area.

For a parcel of forest land to qualify for the Small Tract Forestland program, it must be held in common ownership of at least 10 acres but less than 5,000 acres and meet minimum stocking and species requirements. The owner must apply to the relevant county assessor(s) and the application must include all forest land owned in contiguous parcels. Assessors must disqualify forest land from the Small Tract forestland program if it fails to meet minimum stocking and species requirements, becomes part of an ownership of less than 10 acres or more than 5,000 acres, or at the request of the owner. Disqualification from the program is subject to penalties equal to the amount of property tax deferred while in the program.

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).

2004-05 Limit on Per Acre Forestland Value		
Site Class by Region	OFP	STF
<i>Western Oregon</i>		
FA	\$463.50	92
FB	367.71	73
FC	307.97	61
FD	261.62	52
FE	174.07	34
FF	125.66	25
FG	52.53	10
FX	6.18	1
<i>Eastern Oregon</i>	52.53	10

The historically complex distribution system for privilege taxes has been eliminated. Property taxes on forest land are treated like any other property taxes. The severance taxes under the Small Tract Forestland 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 Harvests 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. The Forest Products Harvest tax rates are shown in the table below. The rates shown for the forest practices act include studies and some other activities funded through the Department of Forestry. The other rate includes \$1.75 (11 months) for salmon reclamation and \$0.15 for assistance to nonindustrial landowners. Rates shown for the Forest Resource Institute in 2004 and 2005 are subject to change by the governing board of the institute. The statutory rate for fire suppression is \$0.50 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					
<u>Year</u>	<u>Research</u>	<u>Fire Suppression</u>	<u>Forest Practices</u>	<u>Forest Institute</u>	<u>Other</u>
1990-91	\$0.21	\$0.30	\$0.16	-	-
1991-92	0.30	0.50	0.53	\$0.31	-
1992-93	0.30	0.66	0.53	0.31	-
1993.2, 3	0.40	0.66	0.77	0.31	-
1994	0.40	0.66	0.77	0.31	-
1995	0.40	0.66	0.77	0.31	-
1996	0.50	0.50	0.60	0.51	-
1997	0.50	0.50	0.60	0.51	-
1998	0.55	0.50	0.70	0.51	\$1.75
1999	0.55	0.50	0.70	0.79	-
2000	0.67	0.50	1.08	0.79	0.15
2001	0.67	-	1.08	0.79	0.15
2002	0.67	0.50	0.91	0.79	
2003	0.67	0.50	0.91	0.79	
2004	0.67	0.50	0.79	0.99	
2005	0.67	0.50	0.79	0.99	

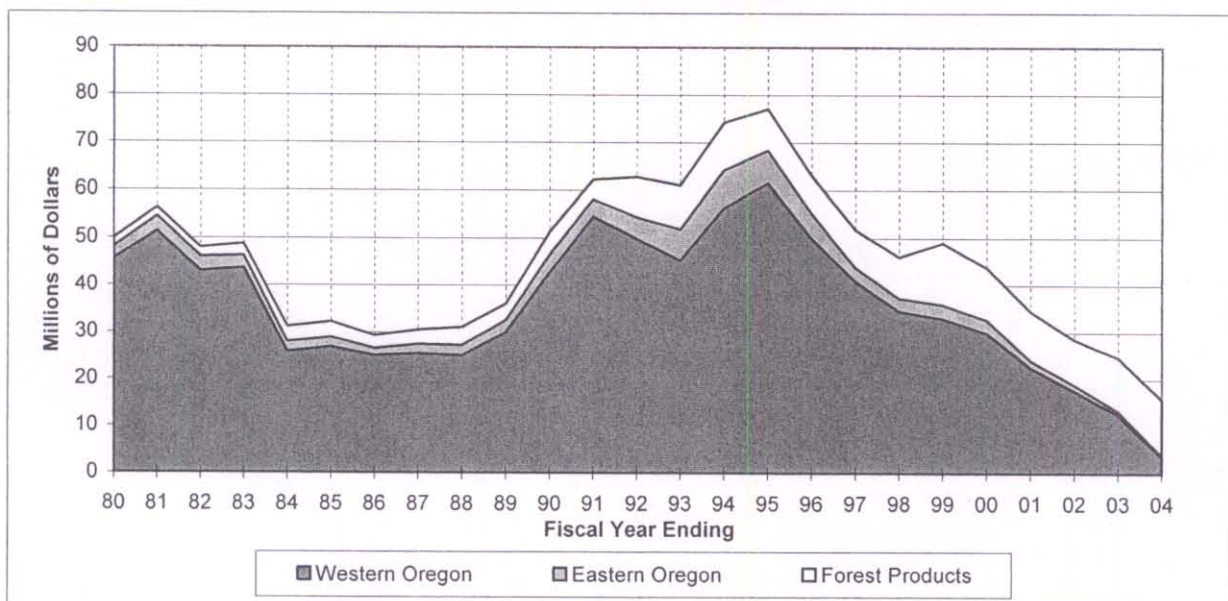
TIMBER TAX COLLECTIONS

(millions of dollars)

Fiscal Year	Privilege Taxes				Forest Products Harvest Tax	
	Eastern Oregon		Western Oregon		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%

Source: Oregon Department of Revenue, Monthly Receipts Statement.

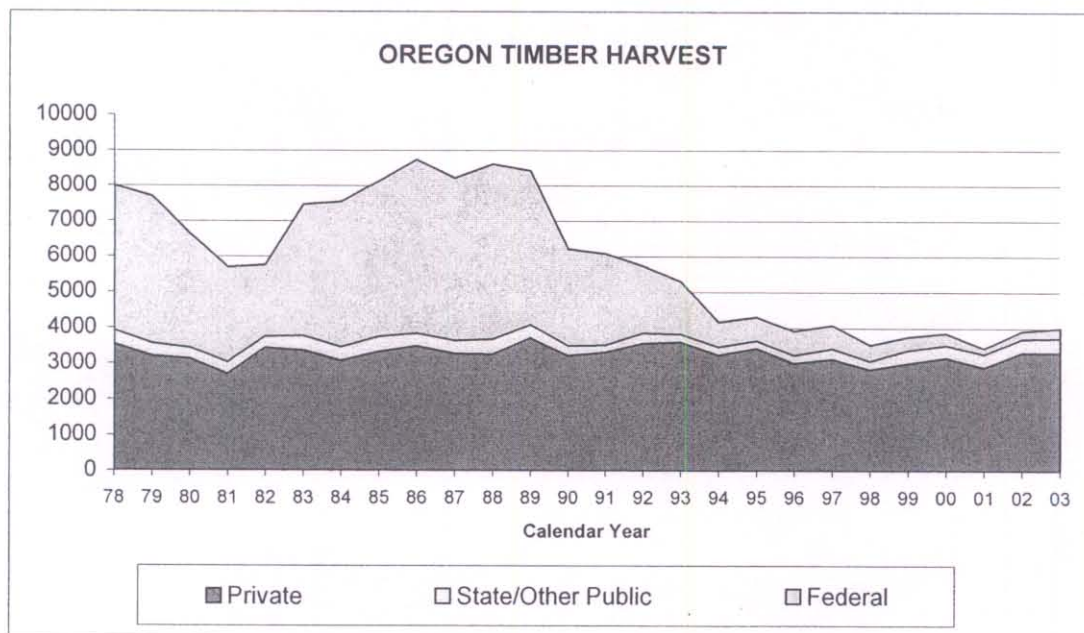
TIMBER TAX COLLECTIONS



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%

Source: <http://www.odf.state.or.us/rp/AnnualReports/25YearHistory>

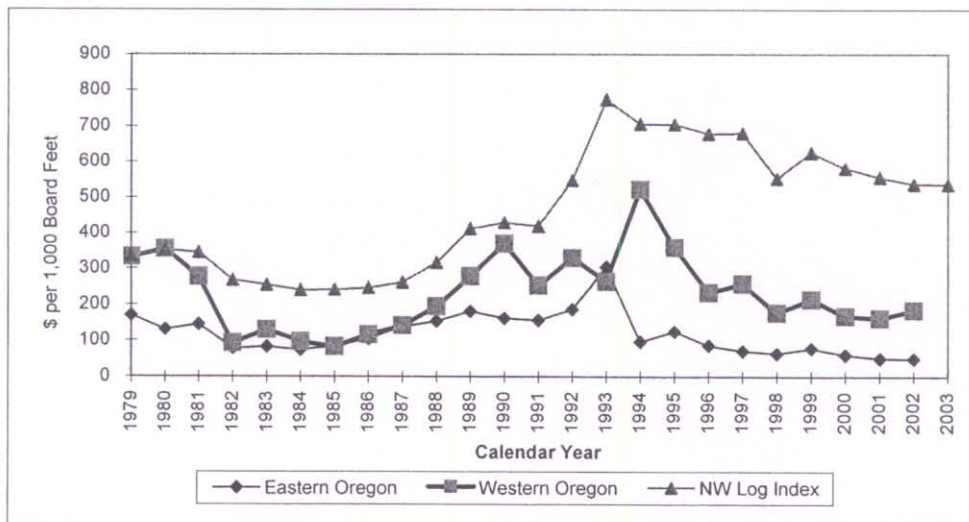
AVERAGE TIMBER PRICES

Per Thousand Board Feet

Calendar Year	U.S. Forest Service Stumpage Prices				NW Log Value Index (#2 Saw)	
	Eastern Oregon		Western Oregon		Price	% Change
	Price	% Change	Price	% Change		
1978	\$ 171.00		\$ 211.00		n.a.	
1979	169.60	-0.8%	332.10	57.4%	336.00	
1980	130.20	-23.2%	354.60	6.8%	352.00	4.8%
1981	144.50	11.0%	276.40	-22.1%	345.00	-2.0%
1982	77.30	-46.5%	92.40	-66.6%	267.50	-22.5%
1983	81.70	5.7%	129.30	39.9%	254.50	-4.9%
1984	73.60	-9.9%	96.70	-25.2%	240.50	-5.5%
1985	83.70	13.7%	81.90	-15.3%	241.50	0.4%
1986	104.40	24.7%	116.50	42.2%	246.50	2.1%
1987	138.50	32.7%	140.80	20.9%	261.50	6.1%
1988	153.51	10.8%	194.75	38.3%	316.50	21.0%
1989	181.05	17.9%	278.36	42.9%	411.50	30.0%
1990	161.81	-10.6%	369.31	32.7%	429.00	4.3%
1991	155.98	-3.6%	253.12	-31.5%	419.00	-2.3%
1992	186.59	19.6%	329.79	30.3%	547.50	30.7%
1993	304.15	63.0%	263.94	-20.0%	774.00	41.4%
1994	96.36	-68.3%	522.47	98.0%	706.25	-8.8%
1995	125.22	30.0%	358.84	-31.3%	705.00	-0.2%
1996	85.90	-31.4%	233.82	-34.8%	678.75	-3.7%
1997	70.47	-18.0%	258.10	10.4%	680.00	0.2%
1998	63.61	-9.7%	177.90	-31.1%	552.50	-18.8%
1999	77.27	21.5%	215.02	20.9%	626.25	13.3%
2000	59.58	-22.9%	168.55	-21.6%	581.25	-7.2%
2001	49.87	-16.3%	162.26	-3.7%	556.25	-4.3%
2002	49.49	-0.8%	184.74	13.9%	537.50	-3.4%
2003	NA		NA		536.25	-0.2%

Source: USFS, Production, Prices, Employment, and Trade in Northwest Forest Industries.
Oregon DOF, Log Prices, Region 1, Douglas Fir, #2 sawlogs.

AVERAGE TIMBER PRICES



EXCISE TAXES AND OLCC REVENUES

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 (18.6%), the Health Plan gets 87 cents (73.73%), 3 cents went to the tobacco cessation programs (2.54%), and 2 cents each to cities (1.7%), counties (1.7), and to ODOT for senior and disabled transit (1.7%). 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, 2003, Oregon has received \$339.4 million in payments from manufacturers and expects to receive \$144.6 million for the 2003-05 biennium. The 2003 Session (SB 856) arranged to pledge much of this revenue for \$450 million in bond proceeds for grants to schools in 2002-03.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAXES

Fiscal Year	Tax Rate (per pack)	Cigarettes		Other Tobacco	
		Millions	Change	Millions	Change
1992-93	28.0¢	78.2	-2.5%	8.0	9.6%
1993-94	32.8¢	96.0	22.8%	8.7	8.8%
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	118.0¢	240.1	8.2%	25.3	20.8%

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

DISTRIBUTION OF TOBACCO TAXES

Fiscal Year	General Fund	Health Plan	TURA	Special Transit	Local Govt.
1994-95	72.0	28.2		5.6	11.3
1995-96	74.0	29.0		5.7	11.5
1996-97	102.3	31.8	\$3.5	5.7	11.3
1997-98	74.3	117.1	9.7	5.9	11.9
1998-99	66.4	101.7	8.5	5.0	10.1
1999-00	63.4	99.0	8.3	4.9	9.8
2000-01	63.0	93.0	7.8	4.6	9.1
2001-02	60.9	92.7	7.8	4.6	9.1
2002-03	57.0	160.9	9.6	4.4	9.3
2003-04	53.9	189.3	7.6	4.3	8.9

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

Oregon Liquor Control Commission Revenue

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	Net Liquor Sales	Net Liquor Revenue
1991-92	\$10.7	\$83.3	\$61.6
1992-93	11.0	85.2	62.2
1993-94	10.6	89.7	65.2
1994-95	10.6	90.1	65.9
1995-96	11.2	93.4	67.7
1996-97	11.8	97.1	70.9
1997-98	12.0	102.4	73.8
1998-99	12.1	107.8	76.5
1999-00	12.4	116.1	84.8
2000-01	12.5	121.7	85.8
2001-02	12.7	127.8	93.0
2002-03	13.3	134.4	97.13
2003-04	13.7	145.1	107.3

Source: Oregon Liquor Control Commission

OLCC REVENUE DISTRIBUTIONS (millions)

Fiscal Year	Wine Board	Mental Health	General Fund	Counties	Cities
1991-92	0.1	5.2	36.3	6.5	22.0
1992-93	0.2	5.4	38.0	6.8	23.1
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

Source: Oregon Liquor Control Commission.

STATE EXCISE TAX RATES AS OF JANUARY 1, 2004 (July 1, 2004 for Cigarettes)
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	Hawaii	0.920	0.240	Florida	2.250	1.800	New Jersey	2.050	0.225
2	Alaska	1.070	0.000	Tennessee	1.210	2.100	Rhode Island	1.710	0.263
3	South Carolina	0.770	0.300	Iowa	1.750	1.500	Connecticut	1.510	0.225
4	Mississippi	0.430	0.420	New Mexico	1.700	1.500	Massachusetts	1.510	0.188
5	Florida	0.480	0.360	Alabama	1.700	1.200	Washington	1.425	0.244
6	North Carolina	0.530	0.270	Virginia	1.510	1.350	New York	1.500	0.159
7	Alabama	0.530	0.240	Washington	0.870	1.950	Michigan	1.250	0.225
8	Georgia	0.480	0.240	West Virginia	1.000	1.800	Hawaii	1.300	0.150
9	New Mexico	0.410	0.300	Georgia	1.510	1.200	Vermont	1.190	0.225
10	Utah	0.410	0.285	Rhode Island	0.600	2.100	Arizona	1.180	0.210
11	Oklahoma	0.400	0.270	Nevada	0.700	1.950	Pennsylvania	1.000	0.225
12	Washington	0.261	0.390	Illinois	0.730	1.875	Dist. of Columbia	1.000	0.216
13	Maine	0.350	0.300	Nebraska	0.950	1.650	Illinois	0.980	0.234
14	Nebraska	0.310	0.330	Hawaii	1.360	1.200	Maine	1.000	0.188
15	California	0.200	0.435	Arizona	0.840	1.680	Maryland	1.000	0.188
16	Texas	0.190	0.375	Alaska	2.500	0.000	Oregon	1.180	0.000
17	Illinois	0.185	0.375	New Jersey	0.700	1.800	California	0.870	0.272
18	Louisiana	0.320	0.240	Mississippi	0.350	2.100	New Mexico	0.910	0.188
19	Michigan	0.200	0.360	Connecticut	0.600	1.800	Nevada	0.800	0.244
20	Tennessee	0.140	0.420	South Carolina	0.900	1.500	Alaska	1.000	0.000
21	Connecticut	0.190	0.360	California	0.200	2.175	Kansas	0.790	0.199
22	Nevada	0.160	0.390	Vermont	0.550	1.800	Wisconsin	0.770	0.188
23	Minnesota	0.150	0.390	Michigan	0.510	1.800	Utah	0.695	0.178
24	Ohio	0.180	0.360	Arkansas	0.750	1.538	Nebraska	0.640	0.206
25	West Virginia	0.180	0.360	Indiana	0.470	1.800	Idaho	0.570	0.225
26	Arkansas	0.230	0.308	Idaho	0.450	1.800	Arkansas	0.590	0.192
27	Virginia	0.260	0.270	Minnesota	0.300	1.950	Indiana	0.555	0.225
28	Rhode Island	0.100	0.420	North Carolina	0.790	1.350	Ohio	0.550	0.225
29	Idaho	0.150	0.360	South Dakota	0.930	1.200	West Virginia	0.550	0.225
30	South Dakota	0.270	0.240	Ohio	0.320	1.800	Wyoming	0.600	0.150
31	Kansas	0.180	0.318	Maine	0.600	1.500	Minnesota	0.480	0.244
32	Arizona	0.160	0.336	Texas	0.200	1.875	Montana	0.700	0.000
33	Iowa	0.190	0.300	Dist. of Columbia	0.300	1.725	South Dakota	0.530	0.150
34	New Jersey	0.120	0.360	North Dakota	0.500	1.500	Texas	0.410	0.234
35	Indiana	0.115	0.360	Maryland	0.400	1.500	North Dakota	0.440	0.188
36	North Dakota	0.160	0.300	Pennsylvania	0.000	1.800	Florida	0.339	0.225
37	Pennsylvania	0.080	0.360	Wisconsin	0.250	1.500	Delaware	0.550	0.000
38	Dist. of Columbia	0.090	0.345	Missouri	0.360	1.268	Iowa	0.360	0.188
39	Maryland	0.090	0.300	New York	0.190	1.275	Georgia	0.370	0.150
40	New York	0.110	0.255	Utah	0.000	1.425	New Hampshire	0.520	0.000
41	Wisconsin	0.060	0.300	Oklahoma	0.000	1.350	Louisiana	0.360	0.150
42	Missouri	0.060	0.254	Louisiana	0.110	1.200	Tennessee	0.200	0.263
43	New Hampshire	0.300	0.000	Wyoming	0.000	1.200	Mississippi	0.180	0.263
44	Vermont	0.265	0.000	Colorado	0.320	0.870	Oklahoma	0.230	0.169
45	Wyoming	0.020	0.240	Montana	1.060	0.000	Missouri	0.170	0.158
46	Colorado	0.080	0.174	Delaware	0.970	0.000	Alabama	0.165	0.150
47	Delaware	0.160	0.000	Oregon	0.670	0.000	Colorado	0.200	0.109
48	Montana	0.140	0.000	Massachusetts	0.550	0.000	South Carolina	0.070	0.188
49	Massachusetts	0.110	0.000	Kentucky	0.500	0.000	Kentucky	0.030	0.225
50	Kentucky	0.080	0.000	Kansas	0.300	0.000	North Carolina	0.050	0.169
51	Oregon	0.080	0.000	New Hampshire	0.000	0.000	Virginia	0.025	0.169

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

Sales tax rates assume \$6 per gallon for beer, \$30 a gallon for wine, and \$3 per pack for cigarettes.

LOTTERY

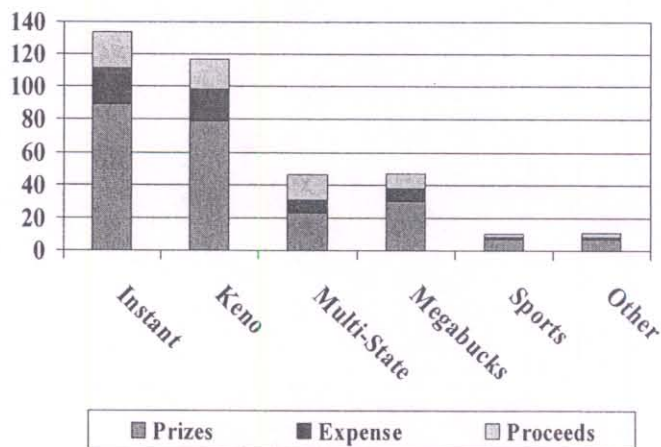
History

The Oregon State Lottery and a five member Oregon State Lottery Commission were created by initiative petition 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) 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 public purposes of creating jobs and furthering economic development. This was expanded by Measure 21 (May 1995) to include financing public education, 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.

Traditional Games

The chart at right shows prizes, expense and net proceeds for the 2003-04 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.

2003-04 Traditional Lottery Games



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 and, beginning July 1, 2001, net proceeds of not less than 1% to the Problem Gambling Addiction Fund and of 1% (up to \$1.55 million annually) to the County Fair Account. HB 2148 amends the dedication to counties for the 2003-05 biennium to "the amount allocated, but not to exceed 2.5% of net receipts and HB 5067 (2003) allocates \$25.4 million for the biennium. HB 5067 also allocated \$5.6 million for Problem Gambling and \$2.54 million for County Fairs for the 2003-05 biennium.

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 below shows the history of traditional and video lottery game revenues since 1990-91. Lottery revenue grew rapidly through 1994-95 with the introduction of video lottery games. During this period, traditional games also grew reaching peak revenue of \$78.1 million in 1994-95. At this time, net revenue from traditional games comprise about 17% of revenue, while video lottery adds 83%. Since 1994-95, traditional games have averaged about \$64 million a year and appeared to be declining, until they started growing again in 2001-02. Video lottery, on the other hand, has averaged about 6% growth per year since 1994-95.

LOTTERY REVENUE								
Fiscal Year	Traditional Games				Video Games			
	Gross Revenue	Prizes	Expense	Net Revenue	Gross Revenue	Prizes	Expense	Net Revenue
1990-91	147.3	79.5	24.3	43.6	-	-	-	-
1991-92	244.1	140.8	37.9	65.5	217.3	192.5	17.5	7.4
1992-93	258.6	154.5	40.8	63.3	1,548.4	1,376.0	84.7	87.7
1993-94	288.4	171.6	45.8	71.0	2,211.8	1,964.8	107.6	139.4
1994-95	340.9	208.2	54.7	78.1	2,983.2	2,652.1	137.9	193.2
1995-96	344.2	213.7	53.9	76.6	3,285.1	2,929.5	149.8	205.9
1996-97	333.1	207.6	52.6	72.8	3,636.7	3,243.5	168.7	224.5
1997-98	310.4	195.1	50.6	64.8	4,245.2	3,837.8	179.0	228.5
1998-99	325.9	206.0	49.0	70.9	5,660.1	5,257.5	172.0	230.5
1999-00	323.7	210.5	56.6	56.6	6,566.3	6,129.8	183.4	253.2
2000-01	323.3	211.9	56.8	54.5	7,293.4	6,831.0	194.7	267.7
2001-02	336.8	223.5	57.4	55.9	7,725.0	7,244.8	199.8	280.4
2002-03	354.8	235.5	60.1	59.2	8,133.3	7,634.6	201.8	297.0
2003-04	362.3	234.9	59.5	67.9	8,587.6	8,056.6	209.4	321.6

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 during the last four biennia. 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. Then the statutory dedications to county economic development, to the Board of Education, to the Gambling Addiction Fund, and to the County Fair Account; with any balance available for legislative allocation. 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 2001-03 and the amounts forecast for the 2003-05 Biennium. The 2003-05 allocation of \$2.5 million to County Fairs is not shown separately, but is reflected in the amount available for appropriation.

Allocation of Lottery Transfers

Biennium	Revenue Bonds	Education Stability	Parks & Recreation	Counties	Sports Action	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	139.0	115.8	25.4	4.1	6.4	308.7

*Revenue Forecast, December 2004, 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	Passed	680,463	354,288
	1.5% property tax limit (M5)	General	Leg. referral	Failed	406,372	617,586
	Tax credit for private education	General	Initiative	Passed	574,833	522,022
	Gas tax for highway police	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)	Feb. 3	Legislation (HB 2152) referred by initiative	Failed	481,315	691,462
	Property value reduced by regulation (M37)	Nov. 2	petition Initiative	Passed	1,054,589	685,079

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. The second part of each number indicates the year the report was written.

GENERAL

SUMMARY OF LEGISLATIVE SESSIONS AND COMMITTEE REPORTS

- "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

- "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

- "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

- "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

- "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

- "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

- "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)