



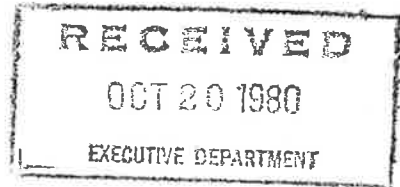
OREGON DEPARTMENT OF REVENUE

STATE OFFICE BUILDING, SALEM, OREGON • 97310

October 20, 1980

TO: Jon Yunker
Executive Department

FROM: Robert B. Geltz
Department of Revenue



SUBJECT: Modifying the Personal Income Tax

We use statistical techniques to evaluate changes to the personal income tax system. Following are revenue estimates based on modifying the personal exemptions, the deductions for federal taxes paid, and the Oregon tax rate structure. All figures are for a single tax year.

A. Personal Exemption Value

<u>Exemption Value</u>	<u>Total Revenue (000)</u>	<u>Increased Revenue (000)</u>	<u>Percent Increase</u>
\$1,000	\$757,275		
900	776,363	\$19,088	2.5%
750	805,465	48,190	6.4%

The personal exemption is indexed. The value will increase proportionately with the July CPI current year divided by July, 1980. We do not know the July, 1980, or the July, 1981, values at this time, but 10 to 15 percent is a "reasonable" range. This would increase the personal exemption between \$100 and \$150 and reduce revenue between 2 1/2 to 3 3/4 percent, which equates to a range of between \$18.9 million and \$28.4 million.

B. The Deduction for Federal Taxes Paid

<u>Maximum Deduction</u>	<u>Total Revenue (000)</u>	<u>Increased Revenue (000)</u>	<u>Percent Increase</u>
\$7,000	\$757,275		
6,000	763,300	\$ 6,025	0.8%
5,000	773,943	16,668	2.2
4,000	792,280	35,006	4.6
3,000	820,306	63,031	8.3
2,000	858,922	101,647	13.4
1,000	902,382	145,107	19.2
-0-	937,039	179,764	23.7

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C. Changing Rate Structures

<u>Rate Structure*</u>	<u>Total Revenue (000)</u>	<u>Increased Revenue (000)</u>	<u>Percent Increase</u>
1 (current)	\$757,275		
2	764,753	\$ 7,478	1.0%
3	779,720	22,445	3.0
4	799,247	41,972	5.5
5	787,836	30,561	4.0
6	795,314	38,039	5.0

*As per attached page

bas

Attachment

TAXABLE INCOME (THOUSANDS)

Rate	1 - Current	2	3	4	5	6
4%	0 - 1	--	0 - 1	--	0 - 1	--
5%	1 - 2	0 - 2	1 - 2	--	1 - 2	0 - 2
6%	2 - 4	2 - 4	2 - 3	0 - 4	2 - 4	2 - 4
7%	4 - 6	4 - 6	3 - 4	--	4 - 6	4 - 6
8%	6 - 8	6 - 8	4 - 7	4 - 8	6 - 8	6 - 8
9%	8 - 10	8 - 10	7 - 10	--	8 - 10	8 - 10
10%	10 +	10 +	10 +	8 +	10 - 12	10 - 12
11%	--	--	--	--	12 +	12+
Total Tax (millions, per year)	\$757.3	\$764.8	\$779.7	\$799.2	\$787.8	\$795.3
Difference from current (millions, per year)	--	\$ 7.5	\$ 22.4	\$ 42.0	\$ 30.5	\$ 38.0