

## APPENDIX A: OREGON STATUTE REQUIRING TAX EXPENDITURE REPORT

68th OREGON LEGISLATIVE ASSEMBLY—1995 Regular Session

Oregon Laws 1995, Chapter 746

SECTION 61. Sections 62, 63, and 65 of this Act may be cited as the Budget Accountability Act.

SECTION 62. (1) The Legislative Assembly hereby declares that the ability to make fiscally sound and effective spending decisions has been enhanced by requiring agencies and programs to develop performance measures and to evaluate all General Fund, State Lottery Fund and other expenditures in accordance with these performance measures. Fiscal pressure on this state requires even greater accountability and necessitates a review of the fairness and efficiency of all tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits. These types of tax expenditures are similar to direct government expenditures because they provide special benefits to favored individuals or businesses, and thus result in higher tax rates for all individuals.

(2) The Legislative Assembly further finds that 76 percent of property in this state is exempt from property taxation and that income tax expenditures total billions of dollars per biennium. An accurate and accountable state budget should reflect the true costs of tax expenditures and should fund only those tax expenditures that are effective and efficient uses of limited tax dollars.

(3) The Legislative Assembly declares that it is in the best interest of this state to have prepared a biennial report of tax expenditures that will allow the public and policy makers to identify and analyze tax expenditures and to periodically make criteria-based decisions on whether the expenditures should be continued. The tax expenditure report will allow tax expenditures to be debated in conjunction with on-line budgets and will result in the elimination of inefficient and inappropriate tax expenditures, resulting in greater accountability by state government and a lowering of the tax burden on all taxpayers.

SECTION 63. As used in ORS 291.202 to 291.222, "tax expenditure" means any law of the Federal Government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.

SECTION 64. ORS 291.202 is amended to read:

291.202. (1) Except as otherwise provided in ORS 291.222, the Governor shall prepare in each even-numbered year [*a budget report*] for the biennium beginning July 1 of the following year:

- (a) A budget report; and
- (b) A tax expenditure report.

(2) The Oregon Department of Administrative Services shall advise and assist the Governor in the preparation of the budget report and tax expenditure report and shall perform such duties in connection therewith as the Governor requires.

(3) The Department of Revenue shall advise and assist the Governor in the preparation of the tax expenditure report.

SECTION 65. (1) Not later than November 10 of each even-numbered year, the Governor shall cause the tax expenditure report to be compiled and prepared for printing.

(2) In the tax expenditure report, the Governor shall:

- (a) List each tax expenditure;
- (b) Identify the statutory authority for each tax expenditure;
- (c) Describe the purpose of each tax expenditure;
- (d) Estimate the amount of revenue loss caused by each tax expenditure for the coming biennium;
- (e) List the actual amount of revenue loss in the preceding biennium for each tax

**expenditure or an estimate if the actual amount cannot be determined;**

**(f) Determine whether each tax expenditure is the most fiscally effective means of achieving each purpose of the tax expenditure;**

**(g) Determine whether each tax expenditure has successfully achieved the purpose for which the tax expenditure was enacted and currently serves, including an analysis of the persons that are benefited by the expenditure; and**

**(h) Categorize each tax expenditure according to the programs or functions each tax expenditure supports.**

SECTION 66. ORS 291.210 is amended to read:

291.210. **(1)** The Oregon Department of Administrative Services, in connection with its direct studies of the operations, plans and needs of state agencies and of the existing and prospective sources of income, shall prepare a tentative budget plan **and tentative tax expenditure report** for the two fiscal years for which a budget report *[is]* **and tax expenditure report are** required to be prepared.

**(2) The Department of Revenue shall advise and assist in the preparation of the tentative tax expenditure report.**

SECTION 67. ORS 291.214 is amended to read:

291.214. The Governor, during the preparation of the budget report and before its submission to the Legislative Assembly, shall:

**(1)(a)** Examine the budget forms filed by the various agencies [*. The Governor*] **and** may make or cause to be made such further investigations by the Oregon Department of Administrative Services, with such hearings before the Governor or any state agency, as the Governor deems advisable, and may make such changes or revisions in policy and program and in specific details of the tentative budget report **or tentative tax expenditure report** as the Governor finds warranted ; **and** [*.]*

**(b) Identify each tax expenditure that has a full or partial sunset that, if allowed to take effect, will have a fiscal impact on the state or on school districts for the next biennium, and shall prepare a recommendation as to each tax expenditure identified under this paragraph that indicates the Governor's opinion on**

**whether the full or partial sunset of the tax expenditure should be allowed to take effect as scheduled or should be revised to a different date.**

**(2) As used in this section:**

**(a) "Full sunset" means any provision that completely eliminates an existing tax expenditure on a specified date.**

**(b) "Partial sunset" means any provision that reduces the amount of an existing tax expenditure or that alters the eligibility requirements for the expenditure as of a specified date.**

SECTION 67a. **If Senate Bill 251 becomes law, section 19, chapter 610, Oregon Laws 1995 (Enrolled Senate Bill 251) (amending ORS 291.214), is repealed.**

SECTION 68. ORS 291.216 is amended to read:

291.216. **(1)** Not later than November 10 of each even-numbered year the Governor shall cause the budget report to be compiled and prepared for printing.

**(2)** The budget report shall include a budget message prepared by the Governor, including recommendations of the Governor with reference to the fiscal policy of the state government for the coming biennium, describing the important features of the budget plan, embracing a general budget summary setting forth the aggregate figures of the budget report so as to show a balanced relation between the total proposed expenditures and the total anticipated income, with the basis and factors on which the estimates are made, the amount to be borrowed, and other means of financing the estimated expenditures for the ensuing biennium, compared with the corresponding figures for at least the last completed biennium and the current biennium.

**(3)** The budget plan shall be supported by explanatory schedules or statements, classifying the expenditures reported therein, both past and proposed, by organization units, objects and funds, and the income by organization units, sources and funds, and the proposed amount of new borrowing as well as proposed new tax or revenue sources, including a single comprehensive list of all proposed increases in fees, licenses and assessments assumed in the budget plan.

**(4)** The budget plan shall be submitted for all dedicated funds, as well as the state General Fund, and shall include the estimated amounts of

federal and other aids or grants to state agencies or activities provided for any purpose whatever, together with estimated expenditures therefrom.

(5) The budget report shall embrace the detailed estimates of expenditures and revenues. It shall include statements of the bonded indebtedness of the state government, showing the actual amount of the debt service for at least the past biennium, and the estimated amount for the current biennium and the ensuing biennium, the debt authorized and unissued, the condition of the sinking funds and the borrowing capacity. **It shall contain the Governor's recommendations concerning tax expenditures identified under ORS 291.214.** It shall also contain any statements relative to the financial plan which the Governor may deem desirable or which may be required by the legislature.

(6) The budget plan shall use the estimated revenues under ORS 291.342 for the fiscal year in which the plan is submitted as the basis for total anticipated income under subsection (2) of this section, subject to such adjustment as may be necessary to reflect accurately projections for the next biennium.

(7) As supplemental information to the budget report, the Governor shall publish an existing level tentative budget plan for the two fiscal years for which the budget report is required. This summary budget shall reflect only existing revenues estimated under subsection (6) of this section; subject to such adjustment as may be necessary to reflect accurately projections for the next biennium. The supplemental information to the budget report shall be submitted at the same time as the budget report.

SECTION 69. ORS 291.218 is amended to read:

291.218. Except when the Governor under whose supervision the budget report *[has]* **and the tax expenditure report have** been prepared will be succeeded in office in January next following:

(1) The Oregon Department of Administrative Services shall have as many copies of the approved budget report **and the tax expenditure report** printed as the Governor directs.

(2) Not later than December 1 of each even-numbered year, the Governor shall transmit a copy *[thereof]* **of each report** to each member of the legislature who is to serve during the next session.

(3) Upon request, the Governor shall distribute copies free of charge, under such regulations as the Governor may establish, to public libraries, schools and state officials. The Governor shall make copies available to the general public at a reasonable charge for each copy.

SECTION 70. ORS 291.220 is amended to read:

291.220. The Governor, upon request, shall furnish the Legislative Assembly any further information required concerning the budget report **and the tax expenditure report**. The Oregon Department of Administrative Services, upon request, shall furnish a representative to assist the Legislative Assembly, its Joint Committee on Ways and Means, appointed under ORS 171.555, and the Legislative Revenue Officer in the consideration of the budget report, **the tax expenditure report** and any accompanying measures.

SECTION 71. ORS 291.222 is amended to read:

291.222. If the Governor under whose supervision the budget report **and tax expenditure report have** *[has]* been prepared will be succeeded in office in January next following:

(1) The Oregon Department of Administrative Services shall make available to the Governor-elect so much as the Governor-elect requests of the information upon which the tentative budget report **and tentative tax expenditure report are** *[is]* based, and upon completion of *[the tentative budget]* **each report** shall supply the Governor-elect with a copy *[thereof]* **of each report** but shall not cause the tentative budget report **or tentative tax expenditure report** to be printed and distributed. The department shall also make available to the Governor-elect all facilities of the department reasonably necessary to permit the Governor-elect to review and become familiar with the tentative budget report **or tentative tax expenditure report**.

(2) After a review of the tentative budget **report or tentative tax expenditure report** the Governor-elect may prepare revisions and additions thereto. The **Oregon Department of Administrative Services and the Department of Revenue** shall assist, upon request, in the preparation of such revisions or additions.

(3) The **Oregon Department of Administrative Services** shall have **printed** as many copies of the revised budget report [*printed*] **and revised tax expenditure report** as the Governor-elect requests.

(4) (a) Not later than the convening of the next Legislative Assembly the **Oregon Department of Administrative Services** shall transmit a copy of a summary of the revised budget report containing the revenue and expenditure recommendations of the Governor-elect and **a summary of the revised tax expenditure report estimating the amount of revenue loss caused by each tax expenditure.**

(b) Not later than February 1, **the Oregon Department of Administrative Services** shall transmit a copy of the revised budget report **and revised tax expenditure report** to each member of the Legislative Assembly.

(5) Upon request, the department shall distribute copies of the revised budget report **and revised tax expenditure report** free of charge, under such regulations as it may establish, to public libraries, schools and state officials. It shall make copies of the revised budget report **and revised tax expenditure report** available to the general public at a reasonable charge for each copy.

SECTION 72. ORS 173.820 is amended to read:

173.820. Pursuant to policies and directions of the appointing authority, the Legislative Revenue Officer shall:

(1) Upon written request of a member of the Legislative Assembly or any committee thereof, prepare or assist in the preparation of studies and reports and provide information and research assistance on matters relating to taxation and to the revenue of this state and to any other relevant matters.

(2) (a) Ascertain facts concerning revenues and make estimates concerning state revenues ; **and** [.]

(b) **Ascertain facts and make recommendations to the Legislative Assembly concerning the Governor's tax expenditure report.**

(3) Prepare analyses of and recommendations on the fiscal impact of all revenue measures before the Legislative Assembly and of all other measures affecting the revenue of this state.

(4) Perform such duties as may be directed by joint or concurrent resolution of the Legislative Assembly.

(5) Adopt rules relating to the submission, processing and priorities of requests. Rules adopted under this subsection shall be in conformance with any applicable rule of the House of Representatives or the Senate. Requests made by joint or concurrent resolution of the Legislative Assembly shall be given priority over other requests received or initiated by the Legislative Revenue Officer. Rules adopted under this subsection shall be reviewed and approved by the appointing authority prior to their adoption.

(6) Seek the advice and assistance of political subdivisions of this state, governmental agencies and any interested persons, associations or organizations in the performance of the duties of the Legislative Revenue Officer.

(7) Enter into such contracts as considered necessary by the appointing authority to carry out the functions of the Legislative Revenue Officer.

(8) Perform such other duties as may be prescribed by law.

SECTION 73. ORS 176.110 is amended to read:

176.110. (1) The person elected to the office of Governor may take any action prior to the date the official term of office commences that is necessary to enable the Governor to exercise on such date the powers and duties of the office of Governor.

(2) The Governor-elect shall cause the budget report **and the tax expenditure report** for the biennium beginning July 1 of the year in which the Governor takes office to be compiled and prepared for printing as required in ORS 291.222.

(3) All necessary expenses of the Governor-elect incurred in carrying out the provisions of this section shall be audited by the Secretary of State and paid from any funds appropriated for this purpose in the same manner as other claims against the state are paid.

SECTION 74. **Sections 63 and 65 of this Act are added to and made a part of ORS 291.202 to 291.222.**

SECTION 75. **If Senate Bill 719 becomes law, sections 61 to 74 of this Act are repealed.**

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## APPENDIX B: CONTRIBUTORS

This report was developed by the following members of the Department of Revenue Research Section, with assistance from numerous Department of Revenue and other state agency personnel:

Chris Allanach	Senior Economist
Amy Brown	Tax Economist
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The following agencies evaluated the effectiveness of the tax expenditures and provided other important information:

Agriculture, Department of	Lottery, Oregon State
Aviation, Department of	Liquor Control Commission
Budget and Management Division	Marine Board
Consumer and Business Services Department	Military Department
Economic and Community Development Department	Oregon Health Plan Policy and Research
Education, Department of	Oregon University System
Employment Department	Public Utility Commission
Energy, Office of	Parks and Recreation Department
Environmental Quality, Department of	Rural Health, Office of
Fish and Wildlife, Department of	Secretary of State
Forestry Department	State Lands Division
Geology and Mineral Industries, Department of	State Police, Oregon
Housing and Community Services Department	Library, Oregon State
Human Resources, Department of	Transportation, Department of
Children, Adult, and Family Services Cluster	Treasury, Oregon State
Senior and People with Disabilities Cluster	Veterans' Affairs, Department of
Land Conservation and Development, Dept. of	





## **APPENDIX C: TAX PROGRAMS WITHOUT TAX EXPENDITURES**

Amusement Device Tax

Gift and Inheritance Taxes

Real Estate Recording Tax

Timber Severance Taxes



## APPENDIX D: NEW, MODIFIED, OR EXPIRED TAX EXPENDITURES

This appendix contains a list of tax expenditures that have been created or modified or have expired since the publication of the 2001-03 *Tax Expenditure Report*. The new and modified expenditures are those that were created or changed during Oregon's 2001 Legislative session and selected expenditures that have been newly created or modified at the federal level and flow through to Oregon through our tie to the federal definition of taxable income. For a detailed description of these expenditures, refer to the relevant chapter in this publication. Expired expenditures are those expenditures that have sunset and have no revenue impact in either the 2001-03 or 2003-05 biennium; consequently, they are not included in this report. For a detailed description of the expired expenditures, refer to the 2001-03 *Tax Expenditure Report*.

### NEW TAX EXPENDITURES

1.063	Income Tax	Exclusion	Restitution Payments for Holocaust Survivors
1.067	Income Tax	Deduction	Qualified Higher Education Expenses
1.109	Income Tax	Subtraction	Income Averaging for Farmers
1.110	Income Tax	Subtraction	Capital Gains from Farm Property
1.111	Income Tax	Subtraction	Income Earned in Border River Areas
1.140	Income Tax	Credit	Employer Provided Scholarships
1.156	Income Tax	Credit	Reservation Enterprise Zones (Income Tax)
1.157	Income Tax	Credit	Small City Business Development
1.158	Income Tax	Credit	Electronic Commerce Enterprise Zones (Income Tax)
1.159	Income Tax	Credit	Investment in Telecommunications Infrastructure
1.165	Income Tax	Credit	Child Care Division Contributions
1.172	Income Tax	Credit	Farm Machinery and Equipment (Income)
1.173	Income Tax	Credit	Riparian Lands Removed from Farm Production
1.192	Income Tax	Credit	Trust for Cultural Development
2.008	Property Tax	Full	Rural Health Care Facilities
2.026	Property Tax	Full	Electronic Commerce Enterprise Zones (Property Tax)
2.027	Property Tax	Partial	Vertical Housing Development Zones
2.041	Property Tax	Special	Multi-Unit Rental Housing Assessment
2.084	Property Tax	Full	Land Used as Golf Course and Effluent
2.099	Property Tax	Full	FCC Licenses
2.112	Property Tax	Full	City-Owned Sports Facility
2.113	Property Tax	Full	Transfer of Land from Cemetery to School
8.002	Beer and Wine Tax	Exclusion	Wine Marketing Activities

## Appendix D

### MODIFIED TAX EXPENDITURES

1.004	Income Tax	Exclusion	Qualified Tuition Programs (Federal)
1.053	Income Tax	Exclusion	Gain on Like-Kind Exchanges
1.065	Income Tax	Deduction	Interest on Student Loans
1.113	Income Tax	Subtraction	Oregon Qualified Tuition Savings
1.115	Income Tax	Subtraction	Individual Development Accounts
1.117	Income Tax	Subtraction	Medical Savings Accounts (Oregon)
1.134	Income Tax	Subtraction	Federal Income Tax Deduction
1.141	Income Tax	Credit	Individual Development Accounts (Credit)
1.145	Income Tax	Credit	Rural Medical Practice
1.153	Income Tax	Credit	Qualified Research Activities
1.154	Income Tax	Credit	Qualified Research Activities (Alternative)
1.155	Income Tax	Credit	Investment in Rural Enterprise Zones (Income Tax)
1.161	Income Tax	Credit	Working Family Child Care
1.162	Income Tax	Credit	Dependent Care Assistance
1.166	Income Tax	Credit	Farm-Worker Housing Construction
1.167	Income Tax	Credit	Farm-Worker Housing Lender's Credit
1.170	Income Tax	Credit	Crop Gleaning
1.171	Income Tax	Credit	Alternatives to Field Burning
1.175	Income Tax	Credit	Pollution Control
1.180	Income Tax	Credit	Alternative Energy Devices (Residential)
1.181	Income Tax	Credit	Business Energy Facilities
1.182	Income Tax	Credit	Energy Conservation Lender's Credit
1.184	Income Tax	Credit	Reforestation
2.005	Property Tax	Full	Higher Education Parking Space
2.011	Property Tax	Deferral	Senior and Disabled Deferral Program
2.012	Property Tax	Full	Enterprise Zones Businesses
2.013	Property Tax	Full	Long-Term Rural Enterprise Zones (Property Tax)
2.017	Property Tax	Full	Business Personal Property Cancellation
2.024	Property Tax	Partial	Recreation Facility on Federal Land
2.040	Property Tax	Partial	Federal Land Under Summer Homes
2.042	Property Tax	Partial	War Veterans and Their Spouses
2.046	Property Tax	Full	Farm Machinery and Equipment (Property)
2.047	Property Tax	Full	Mobile Field Incinerators
2.050	Property Tax	Full	Agricultural Products Held by Farmer
2.055	Property Tax	Full	Center Pivot Irrigation Equipment
2.056	Property Tax	Full	Other Farm/Aquaculture/Egg Equipment
2.057	Property Tax	Full	Field Burning Smoke Management Equipment
2.058	Property Tax	Partial	Pollution Control Facilities
2.063	Property Tax	Partial	Alternative Energy Systems
2.065	Property Tax	Special	Western Private Forestland
2.068	Property Tax	Special	Eastern Private Forestland
2.079	Property Tax	Partial	Wildlife Habitat Conservation Plans
2.083	Property Tax	Partial	Historic Property
3.004	Gas and Use Fuel	Exclusion	Public Services
10.001	Forest Products Harvest Tax	Exclusion	First 25,000 Board Feet
13.001	Dry Cleaning Tax	Exclusion	Dry Store Selling Less than \$50,000

### EXPIRED TAX EXPENDITURES

Property Tax	Full Exemption	Natural Heritage Conservation Areas
Cigarette Tax	Exclusion	Cigarette Gift Packets

## APPENDIX E: PERSONAL AND CORPORATION INCOME TAX EXPENDITURES

### Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2001-03	2003-05	
<i>Federal Exclusions</i>						
1.001	Scholarship and Fellowship Income	Education	1954	316.048	9,600	11,200
1.002	Interest on Education Savings Bonds	Education	1988	316.048	100	200
1.003	Earnings on Education Savings Accounts	Education	1997	316.048	2,200	4,000
1.004	Qualified Tuition Programs (Federal)	Education	1996	316.048	1,000	1,700
1.005	Public Assistance Benefits	Human Resources	Pre-1955	316.048	9,800	10,100
1.006	Certain Foster Care Payments	Human Resources	1982	316.048	3,500	4,200
1.007	Employee Adoption Benefits	Human Resources	1996	316.048	Less than 50	Less than 50
1.008	Cafeteria Plan Benefits	Human Resources	1974	316.048	87,000	108,500
1.009	Employer Paid Medical Benefits	Human Resources	1918	316.048	532,800	634,400
1.010	Compensatory Damages	Human Resources	Pre-1955	316.048	200	200
1.011	Pension Contributions and Earnings	Human Resources	1921	316.048	611,900	633,900
1.012	Hospital Insurance (Part A)	Human Resources	1965	316.048	132,400	158,300
1.013	Supplementary Medical Insurance (Part B)	Human Resources	1970	316.048	78,500	96,400
1.014	Special Benefits for Disabled Coal Miners	Human Resources	1969	316.048	Less than 50	Less than 50
1.015	Social Security Benefits (Federal)	Human Resources	1938	316.048	226,900	238,600
1.016	Accelerated Depreciation of Buildings	Economic/Community	1954	316.048/317.013	3,500	3,000
1.017	Accelerated Depreciation of Equipment	Economic/Community	1954	316.048/317.013	75,200	77,400
1.018	Income Earned Abroad by U.S. Citizens	Economic/Community	1926	316.048	19,800	23,500
1.020	Magazine, Paperback, and Record Returns	Economic/Community	1978	316.048/317.013	100	100
1.021	Cash Accounting, Other than Agriculture	Economic/Community	1916	316.048/317.013	1,900	2,200
1.022	Regional Economic Development Incentives	Economic/Community	1993	316.048/317.013	Less than 50	100
1.025	Cancellation of Debt for Non-Farmers	Economic/Community	Pre-1955	316.048/317.013	Less than 50	Less than 50
1.026	Employer Paid Group Life Insurance Premiums	Economic/Community	1920	316.048	17,400	19,600
1.027	Employer Paid Accident and Disability Insurance	Economic/Community	1954	316.048	17,500	20,300
1.028	Employer Provided Dependent Care	Economic/Community	1981	316.048	5,000	6,500
1.029	Miscellaneous Fringe Benefits	Economic/Community	1984	316.048	45,100	48,500
1.030	Employee Meals and Lodging (Non- Military)	Economic/Community	1918	316.048	6,300	7,000
1.031	Employee Stock Ownership Plans	Economic/Community	1974	316.048/317.013	1,500	2,200
1.032	Employee Awards	Economic/Community	1986	316.048	800	800
1.033	Employer Provided Education Benefits	Economic/Community	1997	316.048	4,200	6,100
1.034	Spread on Acquisition of Stock	Economic/Community	1981	316.048	3,800	5,900
1.035	Accelerated Depreciation of Rental Housing	Economic/Community	1954	316.048/317.013	17,500	21,000
1.036	Capital Gains on Home Sales	Economic/Community	1997	316.048	129,700	140,900
1.037	Veteran's Benefits and Services	Economic/Community	1917	316.048	22,700	24,500
1.038	Military and Dependents CHAMPUS/TRICARE Insurance	Economic/Community	1925	316.048	14,800	15,700
1.039	Agriculture Cost-Sharing Payments	Natural Resources	1978	316.048/317.013	100	100
1.040	Cancellation of Debt for Farmers	Natural Resources	1986	316.048	400	400
1.041	Energy Conservation Subsidies (Federal)	Natural Resources	1992	316.048	100	100
1.043	Employer Paid Transportation Benefits	Transportation	1992	316.048	26,100	27,700
1.044	Life Insurance Investment Income	Insurance/Financial	1913	316.048/317.013	166,200	180,900
1.045	Workers' Compensation Benefits (Non- Medical)	Insurance/Financial	1918	316.048	41,100	45,600
1.046	Workers' Compensation Benefits (Medical)	Insurance/Financial	1918	316.048	28,000	29,700
1.049	Structured Settlement Accounts	Insurance/Financial	1982	317.013	Less than 50	Less than 50

## Appendix E

### Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2001–03	2003–05
1.051 Imputed Interest Rules	Tax Administration	1964	316.048/317.013	1,700	2,200
1.052 Gain on Non-Dealer Installment Sales	Tax Administration	1921	316.048/317.013	2,800	2,900
1.053 Gain on Like-Kind Exchanges	Tax Administration	1921	316.048/317.013	3,100	3,600
1.054 Allowances for Federal Employees Abroad	Government	1943	316.048	2,200	2,800
1.055 Interest on Oregon State and Local Debt	Government	1913	316.048	65,300	61,300
1.056 Capital Gains on Inherited Property	Social Policy	1921	316.048	374,800	444,300
1.057 Capital Gains on Gifts	Social Policy	1921	316.048	41,300	47,000
1.058 Gain on Involuntary Conversions in Disaster Areas	Social Policy	1996	316.048	100	100
1.059 Voluntary Employees' Beneficiary Association	Social Policy	1928	316.048	11,400	12,600
1.060 Rental Allowances for Ministers' Homes	Social Policy	1921	316.048	2,800	3,500
1.061 Military Disability Benefits	Social Policy	1942	316.048	700	700
1.062 Benefits and Allowances of Armed Forces Personnel	Social Policy	1925	316.048	17,400	18,700
1.063 Restitution Payments for Holocaust Survivors	Social Policy	2001	316.048	Less than 50	Less than 50
1.064 Survivor Annuities	Social Policy	1997	316.048	100	100

#### *Federal Deductions*

1.065 Interest on Student Loans	Education	1997	316.048	6,100	8,000
1.066 Charitable Contributions: Education	Education	1917	316.695/317.013	37,800	45,000
1.067 Qualified Higher Education Expenses	Education	2001	316.048	11,200	24,100
1.068 Charitable Contributions: Health	Human Resources	1917	316.695/317.013	26,100	31,100
1.069 Medical and Dental Expenses	Human Resources	1942	316.695	116,900	140,700
1.070 Self-Employment Health Insurance	Human Resources	1986	316.048	23,700	36,800
1.071 Medical Savings Accounts (Federal)	Human Resources	1996	316.048	400	400
1.072 IRA Contributions and Earnings	Human Resources	1974	316.048	97,900	114,000
1.073 Keogh Plan Contributions and Earnings	Human Resources	1962	316.048	39,400	42,400
1.074 Removal of Architectural Barriers	Human Resources	1976	316.048/317.013	Less than 50	Less than 50
1.077 Section 179 Expensing Allowances	Economic/Community	1959	316.048/317.013	9,000	6,100
1.078 Amortization of Business Start-Up Costs	Economic/Community	1980	316.048/317.013	3,400	3,600
1.080 Ordinary Treatment of Losses from Small Business Corporation Stock	Economic/Community	1958	316.048	300	300
1.081 Moving Expenses	Economic/Community	1964	316.048	3,400	3,400
1.082 Property Taxes	Economic/Community	1913	316.695	208,000	233,700
1.083 Home Mortgage Interest	Economic/Community	1913	316.695	786,500	882,000
1.084 Cash Accounting for Agriculture	Natural Resources	1916	316.048/317.013	4,200	3,300
1.085 Soil and Water Conservation Expenditures	Natural Resources	1954	316.048/317.013	200	200
1.086 Fertilizer and Soil Conditioner Costs	Natural Resources	1960	316.048/317.013	1,100	1,100
1.087 Costs of Raising Dairy and Breeding Cattle	Natural Resources	1916	316.048/317.013	100	100
1.088 Sale of Stock to Farmer's Cooperatives	Natural Resources	1998	316.048/317.013	Less than 50	Less than 50
1.089 Redevelopment Costs in Contaminated Areas	Natural Resources	1997	316.048/317.013	400	0
1.090 Clean-Fuel Vehicles and Refueling Property	Natural Resources	1993	316.048/317.013	Less than 50	Less than 50
1.091 Intangible Development Costs for Fuels	Natural Resources	1978	316.695/317.013	Less than 50	Less than 50
1.092 Depletion Costs for Natural Resources	Natural Resources	1962	316.695/317.013	Less than 50	Less than 50
1.093 Tertiary Injectants	Natural Resources	1980	316.695/317.013	Less than 50	Less than 50
1.094 Multi-Period Timber Growing Costs	Natural Resources	1986	316.048/317.013	1,100	1,200
1.095 Amortization of Reforestation Expenditures	Natural Resources	1980	316.048/317.013	100	100
1.096 Development Costs for Nonfuel Minerals	Natural Resources	1951	316.048/317.013	200	200
1.097 Depletion Costs for Nonfuel Minerals	Natural Resources	1913	316.048/317.013	700	700

## Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2001-03	2003-05
1.098 Mining Reclamation Reserves	Natural Resources	1984	316.048/317.013	100	100
1.103 Magazine Circulation Expenditures	Tax Administration	1950	316.048/317.013	100	100
1.105 Completed Contract Rules	Tax Administration	1986	316.048/317.013	100	100
1.106 Casualty and Theft Losses	Social Policy	1913	316.695	1,400	1,300
1.107 Charitable Contributions: Other	Social Policy	1917	316.695/317.013	206,400	245,300

*Oregon Subtractions*

1.108 Expatriate Residential Status	Economic/Community	1999	316.027	1,600	1,600
1.109 Income Averaging for Farmers	Natural Resources	2001	314.297	100	100
1.110 Capital Gains from Farm Property	Natural Resources	2001	318.020/317.063	Less than 50	100
1.111 Income Earned in Border River Areas	Tax Administration	2001	316.127	Less than 50	Less than 50
1.112 Land Donated to Schools	Education	1999	316.852/317.488	Less than 50	Less than 50
1.113 Oregon Qualified Tuition Savings	Education	1999	348.844/316.680	4,700	9,700
1.114 Scholarship Awards Used for Housing Expenses	Education	1999	316.846	Less than 50	Less than 50
1.115 Individual Development Accounts	Economic/Community	1999	316.848	Less than 50	Less than 50
1.116 JOBS Plus Participants	Human Resources	1995	316.680(1)(e)	Less than 50	Less than 50
1.117 Medical Savings Accounts (Oregon)	Human Resources	1997	316.743	Less than 50	0
1.118 Physicians in "Medically Disadvantaged" Areas	Human Resources	1973	316.076	0	0
1.119 Additional Deduction for Elderly or Blind	Human Resources	1989	316.695(7)	10,800	8,700
1.120 Additional Medical Deduction for Elderly	Human Resources	1991	316.695 (1)(d)(B)	64,300	72,200
1.121 Social Security Benefits (Oregon)	Human Resources	1985	316.054	220,300	249,500
1.122 Donations of Art by the Artist	Economic/Community	1979	316.838	Less than 50	Less than 50
1.123 Capital Gains from Oregon Reinvestment	Economic/Community	1995	316.874	0	0
1.124 Municipal Bond Interest	Economic/Community	1987	316.056	6,400	6,400
1.126 Service in Vietnam on Missing Status	Economic/Community	1973	316.074	0	0
1.127 Oil Heat Tank Cleanup Costs	Natural Resources	1991	316.746	0	0
1.128 Underground Storage Tank Grants	Natural Resources	1991	316.834/317.383	0	0
1.129 Energy Conservation Subsidies (Oregon)	Natural Resources	1981	316.744/317.386	200	200
1.131 Income Earned in "Indian Country"	Government	1977	316.777	2,500	2,900
1.132 Federal Pension Income	Government	1998	316.680(1)(g)	220,000	130,400
1.133 Oregon State Lottery Prizes	Government	1985	461.560	46,300	44,100
1.134 Federal Income Tax Deduction	Social Policy	1929	316.680/316.695	482,300	597,700
1.135 Military Active Duty Pay	Social Policy	1969	316.680/316.789	7,500	8,300
1.136 Interest and Dividends on U.S. Obligations	Federal Law	1970	316.680	44,900	46,700

*Oregon Credits*

1.137 Child Development Program Contributions	Education	1991	315.234	Less than 50	0
1.138 Youth Apprenticeship Sponsorship	Education	1991	315.254	0	0
1.140 Employer Provided Scholarships	Education	2001	315.237	Less than 50	100
1.141 Individual Development Accounts (Credit)	Economic/Community	1999	315.271	200	500
1.142 Earned Income Credit	Human Resources	1997	315.266	16,400	17,200
1.143 Qualified Adoption Expense	Human Resources	1999	315.274	900	900
1.144 Bone Marrow Transplant Expense	Human Resources	1991	315.604	Less than 50	Less than 50
1.145 Rural Medical Practice	Human Resources	1989	316.143	9,100	9,900
1.146 Costs in lieu of Nursing Home Care	Human Resources	1979	316.147-316.149	Less than 50	Less than 50
1.147 Long-Term Care Insurance	Human Resources	1999	315.610	Less than 50	Less than 50
1.148 Disabled Child	Human Resources	1985	316.099	3,000	3,400
1.149 Elderly or Permanently Disabled	Human Resources	1969	316.087	100	100
1.150 Loss of Limbs	Human Resources	1973	316.079	Less than 50	Less than 50

## Appendix E

### Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2001–03	2003–05
1.151 Severe Disability	Human Resources	1985	316.758/316.765	4,700	6,000
1.152 Oregon Capital Corporation Investments	Economic/Community	1987	315.504	0	0
1.155 Investment in Rural Enterprise Zones (Income Tax)	Economic/Community	1997	Note: 285B.689	Less than 50	Less than 50
1.156 Reservation Enterprise Zones (Income Tax)	Economic/Community	2001	285B.773	Less than 50	Less than 50
1.157 Small City Business Development	Economic/Community	2001	316.778	Less than 50	Less than 50
1.158 Electronic Commerce Enterprise Zones (Income Tax)	Economic/Community	2001	315.507	Less than 50	Less than 50
1.159 Investment in Telecommunications Infrastructure	Economic/Community	2001	315.511	Less than 50	Less than 50
1.160 Child and Dependent Care	Economic/Community	1975	316.078	10,200	9,800
1.161 Working Family Child Care	Economic/Community	1997	315.262	13,500	31,100
1.162 Dependent Care Assistance	Economic/Community	1987	315.204	Not available	Not available
1.163 Dependent Care Facilities	Economic/Community	1987	315.208	Incl. in 1.162	Incl. in 1.162
1.164 First Break Program	Economic/Community	1995	315.259	100	100
1.165 Child Care Division Contributions	Economic/Community	2001	315.213	Less than 50	Less than 50
1.166 Farm-Worker Housing Construction	Economic/Community	1989	315.164	200	400
1.168 Involuntary Mobile Home Moves	Economic/Community	1991	316.153	Less than 50	Less than 50
1.170 Crop Gleaning	Natural Resources	1977	315.156	Less than 50	Less than 50
1.171 Alternatives to Field Burning	Natural Resources	1975	468.150	Incl. in 1.175	Incl. in 1.175
1.172 Farm Machinery and Equipment (Income)	Natural Resources	2001	315.119/315.123	200	700
1.173 Riparian Lands Removed from Farm Production	Natural Resources	2001	315.113	0	Less than 50
1.174 Pollution Prevention	Natural Resources	1995	315.311	100	100
1.175 Pollution Control	Natural Resources	1967	315.304	8,800	7,100
1.176 Reclaimed Plastics	Natural Resources	1985	315.324	100	100
1.177 Sewer Connection	Natural Resources	1987	316.095	100	100
1.178 Fish Habitat Improvement	Natural Resources	1981	315.134	Less than 50	0
1.179 Fish Screening Devices	Natural Resources	1989	315.138	Less than 50	Less than 50
1.180 Alternative Energy Devices (Residential)	Natural Resources	1977	316.116/317.115	7,600	8,200
1.181 Business Energy Facilities	Natural Resources	1979	315.354	3,600	4,700
1.183 Geothermal Heating System Connection	Natural Resources	1979	316.086	Less than 50	0
1.184 Reforestation	Natural Resources	1979	315.104	200	500
1.189 Political Contributions	Government	1969	316.102	8,800	8,800
1.190 Personal Exemption Credit	Social Policy	1985	316.085	810,400	874,900
1.191 Retirement Income	Social Policy	1991	316.157	2,900	2,100
1.192 Trust for Cultural Development	Social Policy	2001	315.675	1,900	15,500



## Corporation Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2001-03	2003-05	
<i>Federal Exclusions</i>						
1.016	Accelerated Depreciation of Buildings	Economic/Community	1954	316.048/317.013	5,300	4,500
1.017	Accelerated Depreciation of Equipment	Economic/Community	1954	316.048/317.013	208,900	198,300
1.019	Inventory Property Sales Source-Rule Exception	Economic/Community	1921	317.013	21,500	24,900
1.020	Magazine, Paperback, and Record Returns	Economic/Community	1978	316.048/317.013	Less than 50	Less than 50
1.021	Cash Accounting, Other than Agriculture	Economic/Community	1916	316.048/317.013	100	100
1.022	Regional Economic Development Incentives	Economic/Community	1993	316.048/317.013	Less than 50	Less than 50
1.023	Income of Controlled Foreign Corporations	Economic/Community	1909	317.013	18,400	20,800
1.024	Extraterritorial Income Exclusion	Economic/Community	2000	316.048/317.013	19,000	24,900
1.025	Cancellation of Debt for Non-Farmers	Economic/Community	Pre-1955	316.048/317.013	Less than 50	Less than 50
1.031	Employee Stock Ownership Plans	Economic/Community	1974	316.048/317.013	3,700	3,900
1.035	Accelerated Depreciation of Rental Housing	Economic/Community	1954	316.048/317.013	1,300	1,300
1.039	Agriculture Cost-Sharing Payments	Natural Resources	1978	316.048/317.013	100	100
1.042	Contributions in Aid of Construction for Utilities	Transportation	1996	317.013	100	100
1.044	Life Insurance Investment Income	Insurance/Financial	1913	316.048/317.013	5,800	6,300
1.047	Credit Union Income	Insurance/Financial	1951	317.013	3,800	4,100
1.048	Life Insurance Company Reserves	Insurance/Financial	1984	317.013	5,400	5,800
1.049	Structured Settlement Accounts	Insurance/Financial	1982	317.013	Less than 50	Less than 50
1.050	Small Property Insurance Companies	Insurance/Financial	1986	317.013	Less than 50	Less than 50
1.051	Imputed Interest Rules	Tax Administration	1964	316.048/317.013	100	100
1.052	Gain on Non-Dealer Installment Sales	Tax Administration	1921	316.048/317.013	2,600	2,800
1.053	Gain on Like-Kind Exchanges	Tax Administration	1921	316.048/317.013	5,800	6,300
<i>Federal Deductions</i>						
1.066	Charitable Contributions: Education	Education	1917	316.695/317.013	6,600	7,900
1.068	Charitable Contributions: Health	Human Resources	1917	316.695/317.013	6,600	7,900
1.074	Removal of Architectural Barriers	Human Resources	1976	316.048/317.013	Less than 50	Less than 50
1.075	Deferral of Certain Financing Income of Foreign Corporations	Economic/Community	1997	317.013	2,100	100
1.076	Research and Development Costs	Economic/Community	1954	316.048/317.013	19,100	20,700
1.077	Section 179 Expensing Allowances	Economic/Community	1959	316.048/317.013	1,300	900
1.078	Amortization of Business Start-Up Costs	Economic/Community	1980	316.048/317.013	100	100
1.079	Construction Funds of Shipping Companies	Economic/Community	1936	317.013	1,200	1,200
1.084	Cash Accounting for Agriculture	Natural Resources	1916	316.048/317.013	100	100
1.085	Soil and Water Conservation Expenditures	Natural Resources	1954	316.048/317.013	100	100
1.086	Fertilizer and Soil Conditioner Costs	Natural Resources	1960	316.048/317.013	100	100
1.087	Costs of Raising Dairy and Breeding Cattle	Natural Resources	1916	316.048/317.013	100	100
1.088	Sale of Stock to Farmer's Cooperatives	Natural Resources	1998	316.048/317.013	Less than 50	Less than 50
1.089	Redevelopment Costs in Contaminated Areas	Natural Resources	1997	316.048/317.013	400	100
1.090	Clean-Fuel Vehicles and Refueling Property	Natural Resources	1993	316.048/317.013	Less than 50	Less than 50
1.091	Intangible Development Costs for Fuels	Natural Resources	1978	316.695/317.013	Less than 50	Less than 50
1.092	Depletion Costs for Natural Resources	Natural Resources	1962	316.695/317.013	Less than 50	Less than 50
1.093	Tertiary Injectants	Natural Resources	1980	316.695/317.013	Less than 50	Less than 50
1.094	Multi-Period Timber Growing Costs	Natural Resources	1986	316.048/317.013	7,000	7,000
1.095	Amortization of Reforestation Expenditures	Natural Resources	1980	316.048/317.013	200	200
1.096	Development Costs for Nonfuel Minerals	Natural Resources	1951	316.048/317.013	100	100

Appendix E

**Corporation Income Tax Expenditures**

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2001–03	2003–05
1.097 Depletion Costs for Nonfuel Minerals	Natural Resources	1913	316.048/317.013	400	400
1.098 Mining Reclamation Reserves	Natural Resources	1984	316.048/317.013	100	100
1.099 Bad Debt Reserves of Financial Institutions	Insurance/Financial	1947	317.013	Less than 50	100
1.100 Small Life Insurance Companies	Insurance/Financial	1984	317.013	Less than 50	Less than 50
1.101 Unpaid Loss Reserves	Insurance/Financial	1986	317.013	12,900	13,300
1.102 Blue Cross/Blue Shield and Other Nonprofits	Insurance/Financial	1986	317.013	Not available	Not available
1.103 Magazine Circulation Expenditures	Tax Administration	1950	316.048/317.013	100	100
1.104 Net Operating Loss Limitation	Tax Administration	1954	317.013	2,200	2,200
1.105 Completed Contract Rules	Tax Administration	1986	316.048/317.013	900	900
1.107 Charitable Contributions: Other	Social Policy	1917	316.695/317.013	11,300	13,400

*Oregon Subtractions*

1.110 Capital Gains from Farm Property	Natural Resources	2001	318.020/317.063	Less than 50	100
1.112 Land Donated to Schools	Education	1999	316.852/317.488	Less than 50	Less than 50
1.125 Out-of-State Financial Institution	Economic/Community	1999	317.057	Not available	Not available
1.128 Underground Storage Tank Grants	Natural Resources	1991	316.834/317.383	0	0
1.129 Energy Conservation Subsidies (Oregon)	Natural Resources	1981	316.744/317.386	Less than 50	Less than 50
1.130 Wet Marine and Transportation Policies (Income Tax)	Insurance/Financial	1995	317.080(6)	400	400

*Oregon Credits*

1.137 Child Development Program Contributions	Education	1991	315.234	Less than 50	0
1.138 Youth Apprenticeship Sponsorship	Education	1991	315.254	0	0
1.139 Contributions of Computer Equipment	Education	1985	317.151	100	100
1.140 Employer Provided Scholarships	Education	2001	315.237	Less than 50	100
1.141 Individual Development Accounts (Credit)	Economic/Community	1999	315.271	200	300
1.144 Bone Marrow Transplant Expense	Human Resources	1991	315.604	Less than 50	Less than 50
1.147 Long-Term Care Insurance	Human Resources	1999	315.610	100	100
1.152 Oregon Capital Corporation Investments	Economic/Community	1987	315.504	0	0
1.153 Qualified Research Activities	Economic/Community	1989	317.152	14,100	7,700
1.154 Qualified Research Activities (Alternative)	Economic/Community	1989	317.154	Incl. in 1.153	Incl. in 1.153
1.155 Investment in Rural Enterprise Zones (Income Tax)	Economic/Community	1997	Note: 285B.689	Less than 50	Less than 50
1.156 Reservation Enterprise Zones (Income Tax)	Economic/Community	2001	285B.773	Less than 50	Less than 50
1.157 Small City Business Development	Economic/Community	2001	316.778	Less than 50	Less than 50
1.158 Electronic Commerce Enterprise Zones (Income Tax)	Economic/Community	2001	315.507	600	5,300
1.159 Investment in Telecommunications Infrastructure	Economic/Community	2001	315.511	Less than 50	4,000
1.162 Dependent Care Assistance	Economic/Community	1987	315.204	1,100	700
1.163 Dependent Care Facilities	Economic/Community	1987	315.208	Incl. in 1.162	Incl. in 1.162
1.164 First Break Program	Economic/Community	1995	315.259	Less than 50	Less than 50
1.165 Child Care Division Contributions	Economic/Community	2001	315.213	500	1,000
1.166 Farm-Worker Housing Construction	Economic/Community	1989	315.164	500	1,200
1.167 Farm-Worker Housing Lender's Credit	Economic/Community	1989	317.147	900	1,200
1.169 Oregon Affordable Housing Credit	Economic/Community	1989	317.097	8,000	9,600
1.170 Crop Gleaning	Natural Resources	1977	315.156	Less than 50	Less than 50
1.171 Alternatives to Field Burning	Natural Resources	1975	468.150	Incl. in 1.175	Incl. in 1.175
1.172 Farm Machinery and Equipment (Income)	Natural Resources	2001	315.119/315.123	200	700
1.173 Riparian Lands Removed from Farm Production	Natural Resources	2001	315.113	0	Less than 50

## Corporation Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2001-03	2003-05
1.174 Pollution Prevention	Natural Resources	1995	315.311	Less than 50	Less than 50
1.175 Pollution Control	Natural Resources	1967	315.304	19,400	15,700
1.176 Reclaimed Plastics	Natural Resources	1985	315.324	Less than 50	Less than 50
1.178 Fish Habitat Improvement	Natural Resources	1981	315.134	Less than 50	0
1.179 Fish Screening Devices	Natural Resources	1989	315.138	Less than 50	Less than 50
1.180 Alternative Energy Devices (Residential)	Natural Resources	1977	316.116/317.115	Less than 50	Less than 50
1.181 Business Energy Facilities	Natural Resources	1979	315.354	10,800	15,000
1.182 Energy Conservation Lender's Credit	Natural Resources	1981	317.112	Less than 50	Less than 50
1.184 Reforestation	Natural Resources	1979	315.104	300	800
1.185 Fire Insurance Credit	Insurance/Financial	1969	317.122(1)	3,400	3,600
1.186 Workers' Compensation Assessments (Income Tax)	Insurance/Financial	1995	317.122(2)	5,900	6,100
1.187 Oregon IGA Assessments (Income Tax)	Insurance/Financial	1977	734.575	4,700	5,700
1.188 Oregon Life and Health IGA Assessments (Income Tax)	Insurance/Financial	1975	734.835	7,000	7,000
1.192 Trust for Cultural Development	Social Policy	2001	315.675	300	2,400

