IV. Appendices

APPENDIX A

OREGON PERSONAL INCOME BRACKETS AND TAX RATES, 1930 TO 2002

YEAR	Bracket 1	Bracket 2	Bracket 3	Bracket 4	Bracket 5	Bracket 6	Bracket 7
1930 -1932							
Single and Separate	< 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	> 4,000		
Joint and Head-of-Household	< 2,000	2,000 - 4,000	4,000 - 6,000	6,000 - 8,000	> 8,000		
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%		
1933 - 1938							
Single and Separate	< 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	4,000 - 5,000	> 5,000	
Joint and Head-of-Household	< 2,000	2,000 - 4,000	4,000 - 6,000	6,000 - 8,000	8,000 - 10,000	> 10,000	
Tax Rate	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	
1939 - 1946							
Single and Separate	< 500	500 - 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	> 4,000	
Joint and Head-of-Household	< 1,000	1,000 - 2,000	2,000 - 4,000	4,000 - 6,000	6,000 - 8,000	> 8,000	
Tax Rate	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	
1947 - 1954							
Single and Separate	< 500	500 - 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	4,000 - 5,000	> 5,000
Joint and Head-of-Household	< 1,000	1,000 - 2,000	2,000 - 4,000	4,000 - 6,000	6,000 - 8,000	8,000 - 10,000	> 10,000
Tax Rate	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%
1955 - 1956							
Single and Separate	< 500	500 - 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	4,000 - 5,000	> 5,000
Joint and Head-of-Household	< 1,000	1,000 - 2,000	2,000 - 4,000	4,000 - 6,000	6,000 - 8,000	8,000 - 10,000	> 10,000
Tax Rate	2.90%	4.35%	5.80%	7.50%	8.70%	10.15%	11.60%
1957 - 1968							
Single and Separate	< 500	500 - 1,000	1,000 - 1,500	1,500 - 2,000	2,000 - 4,000	4,000 - 8,000	> 8,000
Joint and Head-of-Household	< 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	4,000 - 8,000	8,000 - 16,000	> 16,000
Tax Rate	3.0%	4.0%	5.0%	6.0%	7.0%	9.0%	9.5%
1969 - 1981							
Single and Separate	< 500	500 - 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	4,000 - 5,000	> 5,000
Joint and Head-of-Household	< 1,000	1,000 - 2,000	2,000 - 4,000	4,000 - 6,000	6,000 - 8,000	8,000 - 10,000	> 10,000
Tax Rate	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%
1982 - 1984							
Single and Separate	< 500	500 - 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	4,000 - 5,000	> 5,000
Joint and Head-of-Household	< 1,000	1,000 - 2,000	2,000 - 4,000	4,000 - 6,000	6,000 - 8,000	8,000 - 10,000	> 10,000
Tax Rate	4.2%	5.3%	6.5%	7.6%	8.7%	9.8%	10.8%
1985 - 1986							
Single and Separate	< 500	500 - 1,000	1,000 - 2,000	2,000 - 3,000	3,000 - 4,000	4,000 - 5,000	> 5,000
Joint and Head-of-Household	< 1,000	1,000 - 2,000	2,000 - 4,000	4,000 - 6,000	6,000 - 8,000	8,000 - 10,000	> 10,000
Tax Rate	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%

	Single and Separate			Joint and Head of Household		
	Bracket 1	Bracket 2	Bracket 3	Bracket 1	Bracket 2	Bracket 3
	5.0%	7.0%	9.0%	5.0%	7.0%	9.0%
1987 - 1992	< 2,000	2,000 - 5,000	> 5,000	< 4,000	4,000 - 10,000	> 10,000
1993*	< 2,050	2,050 - 5,150	> 5,150	< 4,100	4,100 - 10,300	> 10,300
1994	< 2,100	2,100 - 5,250	> 5,250	< 4,200	4,200 - 10,500	> 10,500
1995	< 2,150	2,150 - 5,400	> 5,400	< 4,300	4,300 - 10,800	> 10,800
1996	< 2,200	2,200 - 5,550	> 5,550	< 4,400	4,400 - 11,100	> 11,100
1997	< 2,250	2,250 - 5,700	> 5,700	< 4,500	4,500 - 11,400	> 11,400
1998	< 2,300	2,300 - 5,800	> 5,800	< 4,600	4,600 - 11,600	> 11,600
1999	< 2,350	2,350 - 5,900	> 5,900	< 4,700	4,700 - 11,800	> 11,800
2000	< 2,450	2,450 - 6,100	> 6,100	< 4,900	4,900 - 12,200	> 12,200
2001	< 2,500	2,500 - 6,300	> 6,300	< 5,000	5,000 - 12,600	> 12,600
2002	< 2,500	2,500 - 6,250	> 6,250	< 5,000	5,000 - 12,500	> 12,500

* Since 1993 the tax brackets have been indexed for inflation. In 2002, the inflation index changed from the Portland CPI to the U.S. city average CPI

APPENDIX B

FEDERAL PERSONAL INCOME BRACKETS AND TAX RATES, 1987 TO 2002

Single

	Bracket 1	Bracket 2	Bracket 3	Bracket 4	Bracket 5	Bracket 6
	11.0%	15.0%	28.0%	35.0%	38.5%	
1987	< 1,800	1,800 - 16,800	16,800 - 27,000	27,000 - 54,000	> 54,000	
	15.0%	28.0%	33.0%	Worksheet *		
1988	< 17,850	17,850 - 43,150	43,150 - 89,560	> 89,560		
1989	< 18,550	18,550 - 44,900	44,900 - 93,130	> 93,130		
1990	< 19,450	19,450 - 47,050	47,050 - 97,620	> 97,620		
	15.0%	28.0%	31.0%			
1991	< 20,350	20,350 - 49,300	> 49,300			
1992	< 21,450	21,450 - 51,900	> 51,900			
	15.0%	28.0%	31.0%	36.0%	39.6%	
1993	< 22,100	22,100 - 53,500	53,500 - 115,000	115,000 - 250,000	> 250,000	
1994	< 22,750	22,750 - 55,100	55,100 - 115,000	115,000 - 250,000	> 250,000	
1995	< 23,350	23,350 - 56,550	56,550 - 117,950	117,950 - 256,500	> 256,500	
1996	< 24,000	24,000 - 58,150	58,150 - 121,300	121,300 - 263,750	> 263,750	
1997	< 24,650	24,650 - 59,750	59,750 - 124,650	124,650 - 271,050	> 271,050	
1998	< 25,350	25,350 - 61,400	61,400 - 128,100	128,100 - 278,450	> 278,450	
1999	< 25,750	25,750 - 62,450	62,450 - 130,250	130,250 - 283,150	> 283,150	
2000	< 26,250	26,250 - 63,550	63,550 - 132,600	132,600 - 288,350	> 288,350	
	15.0%	27.5%	30.5%	35.5%	39.1%	
2001	< 27,050	27,050 - 65,550	65,550 - 136,750	136,750 - 297,350	> 297,350	
	10.0%	15.0%	27.0%	30.0%	35.0%	38.6%
2002	< 6,000	6,000 - 27,950	27,950 - 67,700	67,700 - 141,250	141,250 - 307,050	> 307,050

Joint

	Bracket 1	Bracket 2	Bracket 3	Bracket 4	Bracket 5	Bracket 6
	11.0%	15.0%	28.0%	35.0%	38.5%	
1987	< 3,000	3,000 - 28,000	28,000 - 45,000	45,000 - 90,000	> 90,000	
	15.0%	28.0%	33.0%	Worksheet *		
1988	< 29,750	29,750 - 71,900	71,900 - 149,250	> 149,250		
1989	< 30,950	30,950 - 74,850	74,850 - 155,320	> 155,320		
1990	< 32,450	32,450 - 78,400	78,400 - 162,770	> 162,770		
	15.0%	28.0%	31.0%			
1991	< 34,000	34,000 - 82,150	> 82,150			
1992	< 35,800	35,800 - 86,500	> 86,500			
	15.0%	28.0%	31.0%	36.0%	39.6%	
1993	< 36,900	36,900 - 89,150	89,150 - 140,000	140,000 - 250,000	> 250,000	
1994	< 38,000	38,000 - 91,850	91,850 - 140,000	140,000 - 250,000	> 250,000	
1995	< 39,000	39,000 - 94,250	94,250 - 143,600	143,600 - 256,500	> 256,500	
1996	< 40,100	40,100 - 96,900	96,900 - 147,700	147,700 - 263,750	> 263,750	
1997	< 41,200	41,200 - 99,600	99,600 - 151,750	151,750 - 271,050	> 271,050	
1998	< 42,350	42,350 - 102,300	102,300 - 155,950	155,950 - 278,450	> 278,450	
1999	< 43,050	43,050 - 104,050	104,050 - 158,550	158,550 - 283,150	> 283,150	
2000	< 43,850	43,850 - 105,950	105,950 - 161,450	161,450 - 288,350	> 288,350	
	15.0%	27.5%	30.5%	35.5%	39.1%	
2001	< 45,200	45,200 - 109,250	109,250 - 166,500	166,500 - 297,350	> 297,350	
	10.0%	15.0%	27.0%	30.0%	35.0%	38.6%
2002	< 12,000	12,000 - 46,700	46,700 - 112,850	112,850 - 171,950	171,950 - 307,050	> 307,050

Married Filing Separately

	Bracket 1	Bracket 2	Bracket 3	Bracket 4	Bracket 5	Bracket 6
	11.0%	15.0%	28.0%	35.0%	38.5%	
1987	< 1,500	1,500 - 14,000	14,000 - 22,500	22,500 - 45,000	> 45,000	
	15.0%	28.0%	33.0%	Worksheet *		
1988	< 14,875	14,875 - 35,950	33,950 - 113,300	> 113,300		
1989	< 15,475	15,475 - 37,425	37,425 - 117,895	> 117,895		
1990	< 16,225	16,225 - 39,200	39,200 - 123,570	> 123,570		
	15.0%	28.0%	31.0%			
1991	< 17,000	17,000 - 41,075	> 41,075			
1992	< 17,900	17,900 - 43,250	> 43,250			
	15.0%	28.0%	31.0%	36.0%	39.6%	
1993	< 18,450	18,450 - 44,575	44,575 - 70,000	70,000 - 125,000	> 125,000	
1994	< 19,000	19,000 - 45,925	45,925 - 70,000	70,000 - 125,000	> 125,000	
1995	< 19,500	19,500 - 47,125	47,125 - 71,800	71,800 - 128,250	> 128,250	
1996	< 20,050	20,050 - 48,450	48,450 - 73,850	73,850 - 131,875	> 131,875	
1997	< 20,600	20,600 - 49,800	49,800 - 75,875	75,875 - 135,525	> 135,525	
1998	< 21,175	21,175 - 51,150	51,150 - 77,975	77,975 - 139,225	> 139,225	
1999	< 21,525	21,525 - 52,025	52,025 - 79,275	79,275 - 141,575	> 141,575	
2000	< 21,925	21,925 - 52,975	52,975 - 80,725	80,725 - 144,175	> 144,175	
	15.0%	27.5%	30.5%	35.5%	39.1%	
2001	< 22,600	22,600 - 54,625	54,625 - 83,250	83,250 - 148,675	> 148,675	
	10.0%	15.0%	27.0%	30.0%	35.0%	38.6%
2002	< 6,000	6,000 - 23,350	23,350 - 56,425	56,425 - 85,975	85,975 - 153,525	> 153,525

Head of Household

	Bracket 1	Bracket 2	Bracket 3	Bracket 4	Bracket 5	Bracket 6
	11.0%	15.0%	28.0%	35.0%	38.5%	
1987	< 2,500	2,500 - 23,000	23,000 - 38,000	38,000 - 80,000	> 80,000	
	15.0%	28.0%	33.0%	Worksheet *		
1988	< 23,900	23,900 - 61,650	61,650 - 123,790	> 123,790		
1989	< 24,850	24,850 - 64,200	64,200 - 128,810	> 128,810		
1990	< 26,050	26,050 - 67,200	67,200 - 134,930	> 134,930		
	15.0%	28.0%	31.0%			
1991	< 27,300	27,300 - 70,450	> 70,450			
1992	< 28,750	28,750 - 74,150	> 74,150			
	15.0%	28.0%	31.0%	36.0%	39.6%	
1993	< 29,600	29,600 - 76,400	76,400 - 127,500	127,500 - 250,000	> 250,000	
1994	< 30,500	30,500 - 78,700	78,700 - 127,500	127,500 - 250,000	> 250,000	
1995	< 31,250	31,250 - 80,750	80,750 - 130,800	130,800 - 256,500	> 256,500	
1996	< 32,150	32,150 - 83,050	83,050 - 134,500	134,500 - 263,750	> 263,750	
1997	< 33,050	33,050 - 85,350	85,350 - 138,200	138,200 - 271,050	> 271,050	
1998	< 33,950	33,950 - 87,700	87,700 - 142,000	142,000 - 278,450	> 278,450	
1999	< 34,550	34,550 - 89,150	89,150 - 144,400	144,400 - 283,150	> 283,150	
2000	< 35,150	35,150 - 90,800	90,800 - 147,050	147,050 - 288,350	> 288,350	
	15.0%	27.5%	30.5%	35.5%	39.1%	
2001	< 36,250	36,250 - 93,650	93,650 - 151,650	151,650 - 297,350	> 297,350	
	10.0%	15.0%	27.0%	30.0%	35.0%	38.6%
2002	< 10,000	10,000 - 37,450	37,450 - 96,700	96,700 - 156,600	156,600 - 307,050	> 307,050

* For incomes in these ranges, a special worksheet provided by the IRS is needed to determine tax liability.

APPENDIX C

OREGON PERSONAL EXEMPTION DEDUCTIONS AND EXEMPTION CREDITS

(TAX YEARS 1930 TO 2000)

Personal Exemption Deductions 1930 to 1982

Tax Years From	To	Deduction for Single Return	Deduction for Joint Return	Deduction for Each Dependent
1930	1932	$1,500	$2,500	$400
1933	1944	$800	$1,500	$300
1945	1946	$750	$1,500	$300
1947	1947	$500	$1,000	$300
1948	1952	$750	$1,500	$300
1953	1954	$600	$1,200	$600
1955	1956	$500	$1,000	$500
1957	1969	$600	$1,200	$600
1970	1970	$625	$1,250	$625
1971	1974	$675	$1,350	$675
1975	1978	$750	$1,500	$750
1979	1982	$1,000	$2,000	$1,000

Personal Exemption Credits 1983 to 2000

Tax Year	Amount
1983	$85
1984	$85
1985	$85
1986	$85
1987	$86
1988	$89
1989	$94
1990	$98
1991	$104
1992	$109
1993	$113
1994	$116
1995	$120
1996	$124
1997	$128
1998	$132
1999	$134
2000	$139
2001	$142
2002	$145

Beginning with 1983 returns, the personal exemption deduction was changed to a personal exemption credit. Since 1987, the personal exemption credit has been adjusted for inflation.

APPENDIX D

Federal Personal Exemptions and Standard Deductions

(Tax Years 1988 to 2002)

Federal Personal Exemption and Phaseouts

Tax Year	Personal Exemption	Phaseout by Filing Status: Single	Joint	Separate	Head of Household
1988	$1,950				
1989	$2,000				
1990	$2,050				
1991	$2,150	$100,000	$150,000	$75,000	$125,000
1992	$2,300	$105,250	$157,900	$78,950	$131,550
1993	$2,350	$108,450	$162,700	$81,350	$135,600
1994	$2,450	$111,800	$167,700	$83,850	$139,750
1995	$2,500	$114,700	$172,050	$86,025	$143,350
1996	$2,550	$117,950	$176,950	$88,475	$147,450
1997	$2,650	$121,200	$181,800	$90,900	$151,500
1998	$2,700	$124,500	$186,800	$93,400	$155,650
1999	$2,750	$126,600	$189,950	$94,475	$158,300
2000	$2,800	$128,950	$193,400	$96,700	$161,150
2001	$2,900	$132,950	$199,450	$99,725	$166,200
2002	$3,000	$137,300	$206,000	$103,000	$171,650

Federal Standard Deductions and Phaseouts for Itemized Deductions

Tax Year	Federal Standard Deductions: Single	Joint	Separate	Head of Household	Phaseout: Single/Joint/ HoH	Separate
1988	$3,000	$5,000	$2,500	$4,400		
1989	$3,100	$5,200	$2,600	$4,550		
1990	$3,250	$5,450	$2,700	$4,750		
1991	$3,400	$5,700	$2,850	$5,000	$100,000	$50,000
1992	$3,600	$6,000	$3,000	$5,250	$105,250	$52,625
1993	$3,700	$6,200	$3,100	$5,450	$108,450	$54,225
1994	$3,800	$6,350	$3,150	$5,600	$111,800	$55,900
1995	$3,900	$6,550	$3,250	$5,750	$114,700	$57,350
1996	$4,000	$6,700	$3,350	$5,900	$117,950	$58,975
1997	$4,150	$6,900	$3,450	$6,050	$121,200	$60,600
1998	$4,250	$7,100	$3,550	$6,250	$124,500	$62,250
1999	$4,300	$7,200	$3,600	$6,350	$126,600	$63,300
2000	$4,400	$7,350	$3,675	$6,450	$128,950	$64,475
2001	$4,550	$7,600	$3,800	$6,650	$132,950	$66,475
2002	$4,700	$7,850	$3,925	$6,900	$137,300	$68,650

Appendix E
2 Percent Surplus Refund (Kicker) History

The 1979 Oregon Legislature passed the "2 percent kicker" law, which requires the state to refund excess revenue to taxpayers when actual General Fund revenues exceed the forecast amount by more than 2 percent. This limitation is applied separately to corporate income tax revenue and the sum of personal income tax revenue and all other General Fund revenue. If revenues from the corporation income tax exceed their forecast by more than 2 percent, then all revenue in excess of the forecast is refunded to corporations. If revenues from all other General Fund sources exceed their forecast, the total excess is refunded to individuals through the personal income tax program. The information included here pertains only to this latter group.

Prior to 1994, these refunds were made via a tax credit on the Oregon tax form for the calendar year in which the biennium ended. For example, actual revenues exceeded the forecast amount for the 1987–89 biennium (which ended on June 30, 1989) so the credit was allowed on the 1989 tax returns. The 1995 Oregon Legislature changed the law governing the method by which the refund was issued to taxpayers. Since 1995, the refunds have been made as direct payments to taxpayers via a check based on their liability for the first full calendar year of the biennium. These checks are mailed to taxpayers in the year in which the biennium ends and are commonly referred to as "kicker checks." For example, actual revenues exceeded the forecast amount for the 1997–99 biennium so refunds were required. Based on 1998 income tax liability, taxpayers were issued checks in the fall of 1999.

Since the inception of the kicker law, refunds have been issued for seven of the eleven biennia. In the first two biennia (1979–81 and 1981–83) the state actually experienced a shortfall. Surpluses in each of the next three biennia resulted in refunds. For the 1989–91 biennium, the surplus of $186 million would have resulted in a credit of approximately 10 percent, but the Legislature voted to suspend the kicker. The state experienced a surplus for 1991–93 but it was less then 2 percent, so refunds were not issued. In each of the following four biennia, surpluses exceeded the 2 percent limit so refunds were issued that ranged from 4.6 percent to 14.4 percent of a taxpayer's liability. The table below shows the history of the personal income tax kicker.

2 Percent Personal Surplus Kicker History

Biennium	Tax Year	Surplus/Shortfall ($ Millions)	Credit or Refund[1] Percentage	Mean ($)	Median ($)
1979-81	1981	-141.0	None	----	----
1981-83	1983	-115.2	None	----	----
1983-85	1985	88.7	7.7%	81	48
1985-87	1987	224.2	16.6%	192	103
1987-89	1989	175.2	9.8%	133	69
1989-91	1991	185.9	Suspended	----	----
1991-93	1993	60.1	None	----	----
1993-95	1995	162.8	6.27%	111	55
1995-97	1997	431.5	14.37%	287	140
1997-99	1999	167.3	4.57%	103	49
1999-01	2001	253.6	6.02%	155	70
2001-03	2003	-1,216.0	None	----	----

[1] Prior to 1994, the kicker was returned to taxpayers via a credit on the tax return. Since then, refund checks have been mailed directly to taxpayers.

Appendix F
Tax Law Changes 1980 to 2002

This appendix is a synopsis of tax law changes from 1980 to 2000 that should be kept in mind when comparing the personal income tax statistics from year to year.

Adjusted Gross Income (AGI)

The definition of Oregon AGI has been the same as federal AGI, except for tax year 1984. In 1983, changes in federal tax law began the taxation of part of Social Security income and eliminated the disability income exclusion. Oregon has never taxed Social Security income; the state also continued the disability income exclusion for tax year 1984. Oregon AGI was computed, for tax year 1984 only, as federal AGI minus taxable Social Security and disability income exclusion. Starting with tax year 1985, Oregon AGI has been the same as federal AGI, and federally taxed Social Security income has been treated as a subtraction from AGI.

Personal Exemptions and Exemption Credits

Prior to 1983, personal exemptions were deductions from Oregon AGI. In 1983, the personal exemption deduction was replaced by an $85 exemption credit. Since tax year 1987, the personal exemption credit has been indexed for inflation. From 1987 to 2001, the index was based on the Portland Consumer Price Index (CPI). In 2002, the inflation index was changed to the U.S. city average. See Appendix C for the history of the personal exemption deduction and credit.

Surplus Refunds

Under a law passed in 1979, the state must refund excess revenue to taxpayers when actual General Fund revenues exceed the forecast amount by more than 2 percent. This limitation, termed the "2 percent kicker," is applied separately to corporate income tax revenues and to the sum of personal income tax and all other General Fund revenue. The state is required to refund to corporate and personal income tax filers the full amount by which each forecast was exceeded, not just the amount exceeding the 2 percent limit. See Appendix E for detail and a history of the personal income tax kicker.

Part-Year Resident and Nonresident Returns

Before 1983, both part-year residents and nonresidents were taxed on the portion of federal income attributable to Oregon sources. Oregon tax law was changed so that tax for both part-year residents and nonresidents was computed on federal AGI and then prorated based on the ratio of Oregon to federal adjusted gross income. This resulted in higher tax for most filers. Objections by Washington residents led to a special legislative session in 1984. The tax computation for nonresident filers was changed back to the way it had been before 1983, but part-year residents' tax continued to be computed on federal income and prorated.

Tax Law Changes by Year

Tax Year 1981:

Federal Law:
The Economic Recovery Tax Act (ERTA) was passed. Generally, it lowered tax rates and made adjustments to counter the effects of inflation. Many of these changes became effective in subsequent tax years.

- The Accelerated Cost Recovery System (ACRS) went into effect for claiming depreciation of tangible assets.

Oregon Law:
- No major changes.

Tax Year 1982:

Federal Law:
- The rates for all tax brackets were reduced.
- A new deduction was allowed for married couples filing a joint return; the maximum deduction was $1,500.
- Non-itemizers could deduct 25 percent of their charitable contributions, up to $25.

Oregon Law:
- The tax rates increased from 4 percent through 10 percent to 4.2 percent through 10.8 percent. The increase lasted for three years. Appendix A contains the complete rate and bracket structure.

- The weatherization and jobs tax credits ended in 1981 and could no longer be claimed.

Tax Year 1983:

Federal Law:

- The rates for all tax brackets were reduced.
- The two-earner married couple deduction increased to a maximum of $3,000.
- Itemizers could deduct medical and dental expenses only to the extent they exceeded five percent of AGI.
- Nonbusiness casualty and theft losses could only be deducted to the extent they exceeded 10 percent of the taxpayer's AGI.

Oregon Law:

- The personal exemption deduction was changed to a personal exemption credit.
- A credit for fish habitat improvements became effective.

Tax Year 1984:

Federal Law:

- The number of tax brackets increased from 13 to 15 while the tax rates for most brackets were reduced.
- Non-itemizers could deduct 25 percent of their charitable contributions, up to $75.
- For property acquired between June 22, 1984 and January 1, 1988, the holding period for long-term capital gains was reduced from one year to six months.
- A portion of Social Security benefits became taxable under certain circumstances.

Oregon Law:

- A subtraction was created for Social Security benefits that were taxed at the federal level. In effect, these benefits remain untaxed by Oregon.

Tax Year 1985:

Federal Law:

- Non-itemizers could deduct one-half of their charitable contributions.

Oregon Law:

- The tax rates decreased from 4.2 percent through 10.8 percent to 4 percent through 10 percent. Appendix A contains the complete rate and bracket structure.
- The child care credit was modified to be 40 percent of the federal child care credit.
- A new credit for donating unsalable fish to a gleaning cooperative or a member of Oregon Food Share became effective.

Tax Year 1986:

Federal Law:

- Non-itemizers could deduct all of their charitable contributions.

Oregon Law:

- An additional exemption credit was allowed disabled children.
- Two other new credits were created: the alternative transportation credit and the reclaimed plastic credit.

Tax Year 1987:

Federal Law:

Many features of the Tax Reform Act of 1986 first took effect in 1987. Some key features of the law included:

- The number and size of tax rates was reduced from 15, ranging from 11 percent to 50 percent, to five, ranging from 11 percent to 38.5 percent.
- The personal exemption was increased from $1,080 to $1,900.
- The zero bracket was replaced by a standard deduction based on filing status.
- The additional personal exemption for those 65 or older or blind was changed to an additional standard deduction.
- Persons claimed as another's dependent could no longer claim personal exemptions on their own returns. The standard deduction for those claiming zero exemptions was the greater of $500 or their earned income, up to the standard deduction amount of their filing status.
- Itemized deductions were curtailed in several ways: elimination of deduction for sales tax, more stringent limitations to medical expenses (7.5 percent floor), establishment of a 2 percent of AGI floor for miscellaneous itemized deductions, and a deduction limitation of 65 percent of consumer credit interest.
- The dividend exclusion, the deduction for married couples when both work, and the moving expense deduction (except as an itemized deduction) were eliminated.
- The referential treatment of capital gains was eliminated, making capital gains 100 percent taxable.

- A deduction for charitable contributions was available only to itemizers.
- "Passive activity" losses were no longer allowed to shelter income from other sources.
- The Accelerated Cost Recovery System (ACRS) was modified. The most significant change was the increase in the depreciation period for real estate investments.
- Income averaging was repealed.
- More stringent requirements on eligibility for the adjustment for Individual Retirement Account contributions were added.
- Added a new adjustment for self-employed health insurance deduction.
- The Alternative Minimum Tax (AMT) rate increased to 21 percent.

Oregon Law:
- The tax rate structure was simplified by limiting the number of brackets to three, with tax rates of 5, 7 and 9 percent.
- The standard deduction amounts were raised and simplified: single, $1,800; joint, $3,000; head of household, $2,640; and married filing separately, $1,500.
- The personal exemption credit was indexed to inflation.
- The special tax on preference items was repealed.
- The maximum subtraction for federal tax was reduced from $7,000 to $3,000 for single, joint, and head-of-household returns and from $3,500 to $1,500 for married-filing-separate returns.
- The maximum subtraction for U.S. public retirement was increased from $3,400 to $5,000 per person; less restrictive requirements were adopted.
- The additional personal exemption for those 65 or older or blind was changed to an additional standard deduction. The additional standard deduction is $1,200 for single or head-of-household filers and $1,000 for married filing either jointly or separately.
- Persons who could be claimed as another's dependent were no longer allowed to claim personal exemptions on their own returns. The standard deduction for those claiming zero exemptions was the greater of $500 or their earned income, up to the standard deduction amount of their filing status.
- The credit for the permanently and totally disabled was increased from 15 percent to 40 percent of the federal amount.

Tax Year 1988:

Federal Law:
- The two top marginal rates – 35 percent and 38.5 percent – were replaced with a maximum rate of 33 percent.
- The home mortgage interest deduction became unlimited depending on the date of the mortgage.
- Consumer interest deduction was limited to 40 percent.

Oregon Law:
- Two new credits became effective: dependent care assistance for employers and health insurance for small business employers.

Tax Year 1989:

Federal Law:
- Parents could elect to report minor children's investment income on their own federal return rather than filing a separate return for each child.
- Consumer interest deduction was limited to 20 percent.

Oregon Law:
- In response to the federal change regarding a minor child's investment income, a new addition – "federal election on interest and dividends of a minor child" – was added to Oregon forms.
- Oregon's child care credit computation was changed. A separate Oregon rate schedule based on federal taxable income was applied to federally allowed child care expenses.

Tax Year 1990:

Federal Law:
- If used for higher education purposes, interest from Series EE U.S. savings bonds was excluded from income.
- Filers were required to pay interest on the deferred tax liability for certain installment sales.
- Consumer interest deduction was limited to 10 percent.

Oregon Law:

- The United States public retirement subtraction was no longer limited to $5,000 per person.
- Filers who deferred the tax liability for certain installment sales were required to make an interest payment.
- Three new credits became effective:
  - Rural medical practitioners
  - Farm worker housing
  - Fish screening devices
- The alternative transportation credit was eliminated.

Tax Year 1991:

Federal Law:

- The top marginal tax rate was reduced to 31 percent.
- The top capital gains tax rate was limited to 28 percent.
- The AMT rate increased to 24 percent.
- Personal exemptions were phased out for taxpayers above a threshold amount.
- Itemized deductions were phased out for taxpayers above a threshold amount.
- Consumer interest deduction was eliminated.

Oregon Law:

- The Oregon subtractions for Oregon and United States public retirement income were eliminated. They were replaced by a credit available to all taxpayers age 58 and older who met the income limit and had retirement income, public or private.
- Four new subtractions became effective:
  - IRA and Keogh distributions on which tax has already been paid to another state while the taxpayer was not an Oregon resident
  - Oil heat tank cleanup costs
  - Special medical deduction for taxpayers age 58 and older
  - Underground storage tanks pollution grants.
- Three new credits became effective:
  - Bone marrow donation program expenses
  - Child development contributions
  - Youth apprenticeship programs expenses

Tax Year 1992:

Federal Law:

- The federal deduction for 25 percent of health insurance costs of self-employed individuals ended June 30. Oregon allowed this deduction for all of 1992, with the amount from July 1 to December 31 claimed as an "other subtraction."

Oregon Law:

- A credit for the involuntary moving of a mobile home was created.
- Six other credits were modified:
  - The credit for income tax paid to another state had to be claimed on a nonresident return if income was taxed by both Oregon and one of the following: Arizona, California, Indiana, Virginia, or Guam.
  - Employees who purchased medical insurance through the Oregon Medical Insurance Pool could claim the health insurance credit.
  - The credit for sewage treatment works hook-up was increased to $160 per year for hook-ups after December 31, 1991.
  - The business energy, pollution control, and reclaimed plastics credits were limited to those giving preference to Oregon producers of the recycled materials.

Tax Year 1993:

Federal Law:

Congress passed and the president signed the Revenue Reconciliation Act of 1993. Some key features of the law included:

- Two marginal rates – 36 percent and 39.6 percent – were added to the rate structure. The complete rate and bracket structure are provided in Appendix B.
- The federal deduction for 25 percent of health insurance costs of self-employed individuals was reinstated retroactive to June 30, 1992. Oregon allowed this deduction under a separate law.
- The exclusion for employer-provided educational assistance was extended.
- Nonresidential real property placed in service on or after May 13, 1993 was depreciated under the MACRS general depreciation system over a 39-year period.

- The expensing allowance of qualifying assets (section 179 expenses) increased to $17,500.

- Goodwill and related intangibles (section 197 intangibles) began to be amortized over 15 years.

Oregon Law:

- The minimum age requirement for the retirement income credit and the special Oregon medical deduction was increased to 59.

- Three credits were modified:

  — The disabled child credit was expanded to include serious emotional disturbance and traumatic brain injury.

  — The rural medical practice credit no longer had a required three-year period.

  — The crop gleaning credit was extended indefinitely.

Tax Year 1994:

Federal Law:

- Up to 85 percent of Social Security benefits became taxable under certain circumstances.

- The federal deduction for 25 percent of health insurance costs of self-employed individuals that expired December 31, 1993, was retroactively reinstated and made permanent in April 1995. On 1994 returns, Oregon allowed this deduction under a separate law.

- Moving expenses were changed from an itemized deduction to an adjustment; some of the requirements were made more stringent. For 1994, Oregon followed prior federal law until the Legislature reconnected to federal law as of April 15, 1995.

Oregon Law:

Because Oregon law was tied to federal law as of December 31, 1992, a number of changes that resulted from the Revenue Reconciliation Act of 1993 had no impact on Oregon taxes. Examples of these provisions include:

- Employer-provided educational assistance exclusion.
- Depreciation of nonresidential real property.
- Expensing certain tangible property (section 179 expenses).
- Amortization of goodwill and related intangibles.

Tax Year 1995:

Federal Law:

- The self-employment health insurance deduction was made permanent and set at 30 percent for 1995.

Oregon Law:

- Unused business credits that may be taken as a deduction on the federal return were not allowed on the Oregon return. They required an Oregon addition.

- The minimum age requirement for the retirement income credit and the special Oregon medical deduction was increased to 60.

Tax Year 1996:

Federal Law:

- No major changes.

Oregon Law:

- Depreciation differences due to the Omnibus Budget Reconciliation Act of 1993 required certain adjustments or amended returns to be filed. If an Oregon addition or subtraction was taken for 1993 or 1994 for Section 179 expense, the taxpayer could either amend the 1993 or 1994 return or take a one-time adjustment on the 1996 Oregon return. For assets placed in service between 1981 and 1985 (ACRS assets), the taxpayer had to make a one-time adjustment on the 1996 return to align the Oregon basis with the federal basis. The one-time adjustment did not apply to depreciation of nonresidential real property placed in service in 1993 or 1994. Instead, the 1993 or 1994 return had to be amended.

- Effective January 1, 1996, the retirement income credit was figured on pension income only if it is included in Oregon taxable income. Prior to 1996, the credit was figured on pension income included in federal taxable income. Taxpayers may have needed to amend their 1996 returns due to this tax law change.

- The gain on the sale of certain business assets could be deferred if the proceeds were reinvested in qualifying business assets within six months.

Tax Year 1997:

Federal Law:

Congress passed and the president signed the Taxpayer Relief Act of 1997. Many provisions became effective in 1998, but some provisions took effect immediately. Some key features of the law included:

- The maximum long-term capital gains tax rates for sales or exchanges of property after May 6, 1997, were reduced to 10 percent for taxpayers in the 15 percent tax bracket and 20 percent for taxpayers in a higher tax bracket.

- For transaction after May 6, 1997, an exclusion of up to $250,000 ($500,000 if filing joint) on the capital gain of a principal residence was created.

Other changes include the following items.

- Medical savings were a new federal adjustment allowed to persons covered only under a high-deductible health plan.

- The maximum individual retirement arrangement (IRA) for a spouse with little or no income was increased to $2,000.

- A new tax credit could be claimed for qualified adoption expenses. The maximum credit was $5,000 ($6,000 for a child with special needs).

Oregon Law:
- Oregon law became permanently tied to the federal definition of taxable income. Most items are treated the same way on Oregon and federal returns.

- Two new credits began in 1997, the earned income credit and the working family credit. The earned income credit was equal to 5 percent of the federal earned income credit. The amount of working family credit depended upon household size and adjusted gross income.

- The minimum age requirement for the retirement income credit and the special Oregon medical deduction was increased to 61.

Tax Year 1998:

Federal Law:
- An above-the-line deduction of up to $1,000 for interest paid on a qualified student loan became effective.

- Three new tax credits could be claimed:

  — A child credit of up to $400 for each qualifying child.
  — The Hope credit with a maximum of $1,500 for qualified expenses for each student who qualified.
  — The lifetime learning credit with a maximum of $1,000 per return.

Oregon Law:
- Filers could subtract the portion of a federal pension that was earned before October 1, 1991.

Tax Year 1999:

Federal Law:
- The maximum student loan interest deduction was increased to $1,500.

- The self-employed health insurance deduction was increased to 60 percent.

- The maximum child credit was increased to $500 for each qualifying child.

Oregon Law:
- The minimum age requirement for retirement income credit and special Oregon medical deduction was increased to 62.

Tax Year 2000:

Federal Law:
- The maximum student loan interest deduction was increased to $2,000.

- Credits were allowed to offset the alternative minimum tax.

Oregon Law:
- Two additional charitable checkoffs were added to the tax forms: Habitat for Humanity and Head Start.

- Three new credits took effect: long-term care insurance, adoption expenses, and contributions to an Individual Development Account.

- Five new subtractions took effect:

  — Land donated to a school
  — Contributions to an Individual Development Account (if an account holder)
  — Scholarship income used for expenses other than tuition
  — Taxable health insurance benefits of same-sex partners.
  — Payment from the Public Safety Memorial Fund Board

Tax Year 2001:

Federal Law:
The Economic Growth and Tax Relief Reconciliation Act of 2001 was passed, with some elements taking effect retroactively to January 1, 2001. Some key features of the law included:

- A new 10 percent bracket was introduced, the benefit of which was received by taxpayers in the form of an advance payment or tax credit.
- All other tax rates (except for the 15 percent rate) were reduced by one-half a percentage point. Appendix B contains the rates and brackets.
- The child credit was increased to $600.
- The student loan interest deduction was increased to $2,500.
- The AMT exemption amounts were increased.

Oregon Law:
- A subtraction for up to $2,000 for contributions made to a qualified state tuition program took effect.
- Six new charities were added to the charitable checkoff list:
  - American Diabetes Association
  - Oregon Coast Aquarium
  - Start Making A Reader Today (SMART)
  - SOLV
  - St. Vincent de Paul Society of Oregon
  - The Nature Conservancy

Tax Year 2002:

Federal Law:
The Job Creation and Worker Assistance Act of 2002 was passed and took effect retroactively. Some highlights of the law included:

- An additional 30 percent first-year (bonus) depreciation deduction was allowed for business that purchased equipment on or after September 11, 2001, and before September 11, 2004.
- An above-the-line deduction for certain expenses incurred by educators was created.

Other changes include the following items.

- All of the rates above 15 percent were reduced by 0.5 percentage points. For example, the 27.5 percent rate was reduced to 27 percent.
- The 10 percent bracket that became effective in 2001 became part of the rate structure.
- A retirement savings contributions credit went into effect.
- The IRA deduction limit was increased to $3,000 ($3,500 if age 50 or older).
- The self-employed health insurance deduction was increased to 70 percent.

Oregon Law:
- The federal tax subtraction was increased to $3,250 ($1,625 if married filing separately).
- The standard deductions were changed to $1,640 for single or married filing separate filers; $3,280 for joint or qualified widow(er) filers; and $2,640 for head of household filers.
- Seven new credits became effective:
  - Advanced telecommunications facilities
  - Child care division contributions
  - Electronic commerce zone investment
  - Employer scholarship
  - On-farm processing facilities
  - Oregon cultural trust
  - Reservation enterprise zone
- Taxpayers were able to use the federal farm income averaging method to compute tax liability from farm income.
- Capital gains on certain assets that had been used in farming were taxed at a rate of 5 percent.

Appendix G
Glossary of Terms

Additions. Amounts added to federal AGI to reflect differences between Oregon and federal tax laws.

Adjusted gross income (AGI). AGI consists of income subject to federal tax minus federal adjustments. For full-year returns, Oregon AGI corresponds to line 8 on Oregon Form 40 or line 11 on Oregon Form 40S and equals federal AGI.

Adjustments. Federal adjustments include IRA deductions, student loan interest deductions, medical savings account deductions, moving expenses, one-half of self-employment taxes, self-employed health insurance deductions, Keogh retirement plan and self-employed SEP deductions, penalties on early withdrawal of savings, and alimony paid. These adjustments are subtracted from total taxable income to compute federal AGI on Forms 1040 and 1040A.

AGI level. Adjusted gross income ranges by which personal income tax information is grouped in all but the four county summary tables. The AGI levels are increments of $5,000 for low-income returns and $10,000 or more for higher income filers.

Amortization. The gradual reduction of any amount over a period of time.

Basis. A taxpayer's cost of acquiring an asset, which is used to determine the asset's capital gain or loss.

Biennium. The period of two fiscal years for which the state budgets are determined. For example, July 1, 1999, to June 30, 2001, is referred to as the 1999–2001 biennium.

Business income. Profit or loss from sole proprietorship business (not partnership and corporate income). Reported on federal Schedule C.

Capital gains. For tax years 1986 and earlier, this figure indicates the amount after the 60 percent capital gains exemption. Beginning with tax year 1987, this figure indicates 100 percent of the net capital gains. Reported on federal Schedule D.

Capital gain distributions. Nonschedule D capital gains reported separately from Schedule D capital gains on federal form 1040 for tax years 1988 through 1993.

Credits (Table A). Total amount of tax credits, excluding exemption tax credit. Includes Oregon earned income credit, working family credit, retirement income credit, credit for elderly, child care credit, political contribution credit, credit for taxes paid to another state, and other credits.

Deductions. Items that may be subtracted from income to arrive at taxable income.

Demographic. A statistical characteristic of human populations.

Donations. Optional checkoffs by which taxpayers may designate all or part of a tax refund as a contribution to any of the following:

— Oregon Nongame Wildlife Fund.

— AIDS/HIV Education and Services Fund.

— Child Abuse Prevention Fund.

— Alzheimer's Disease Research Fund.

— Stop Domestic and Sexual Violence Fund.

— Habitat for Humanity.

— Oregon Head Start Association.

Earned income credit. See Federal earned income credit or Oregon earned income credit.

Effective tax rate. The ratio of a taxpayer's tax liability to income.

Exemptions (number of). Total number of exemptions claimed (self, spouse, and dependents plus special exemptions for severely disabled adults and disabled children). Individuals who are claimed as dependents on their parents' returns but who receive separate income claim zero exemptions on their own return.

Exemption tax credit. A $142 credit for each exemption claimed on a 2001 return. This replaced a $1,000 exemption in 1983. Exemption credits have been indexed for inflation since tax year 1987.

Expensing. To distribute qualifying, deductible expenses over several years.

Farm income. The amount of farm income reported on farm Schedule F. It does not include the farm income of any farm operated as a partnership or corporation.

Federal adoption credit. A credit for adoption expenses, up to a maximum of $5,000 per adopted child ($6,000 for a child with special needs).

Federal child credit. A maximum credit of $500 for each qualifying child is allowed.

Federal earned income credit. A federal, refundable income tax credit for low-income working taxpayers. The amount depends on income and the number of dependents.

Federal education credits. The Hope credit has a maximum of $1,500 for qualified expenses for each student who qualifies, and the lifetime learning credit has a maximum of $1,000 per return.

Federal election on interest and dividends of a minor child. The amount of interest and dividend income earned by a minor child that is subject to the special federal tax. Beginning in 1989, this addition to federal AGI is required when parents elect to report the child's income on their own return. This addition was combined with other additions beginning on 1996 returns.

Federal pension subtraction. The portion of federal pension income earned before October 1, 1991, can be subtracted from adjusted gross income.

Federal tax deduction. An Oregon deduction for federal income tax liability. Limited to $3,000 per return ($1,500 for married filing separately).

Federally taxable Social Security. Oregon does not tax Social Security income. The taxable portion of Social Security from the taxpayer's federal return is reported in Table D.1. The Social Security subtraction is reported in Table F.1.

Full-year returns. Returns filed by full-year Oregon residents (Form 40 or Form 40S).

HARRP. The Homeowner's and Renter's Refund Program, established in 1973 to provide property tax relief to low- and middle-income Oregonians. The limit on household income of HARRP recipients was reduced from $17,500 to $10,000 for tax year 1990, and the program was discontinued for 1991 and subsequent tax years.

Head of household. Returns filed by unmarried persons who furnished over half of the cost of maintaining a household for the entire year for at least one qualifying relative. Unmarried persons, for purposes of this clarification, are defined as single persons, married persons legally separated, certain married individuals living apart but not legally separated, or persons married to nonresident aliens.

Interest on installment sales. Interest on deferred tax liability for certain installment sales. Added to Oregon tax before credits.

Itemized returns. Returns claiming itemized deductions rather than taking the standard deduction.

Joint returns. A return representing the combined income of husband and wife, i.e., a return representing two taxpayers.

Kicker. See State surplus refund.

Minor child income addition. See Federal election on interest and dividends of a minor child.

Miscellaneous income. Positive and negative income from rents, royalties, estates, trusts, S corporations, and partnerships reported on federal Schedule E.

Net federal tax. The sum of basic federal tax, alternate minimum tax, and tax on IRAs, minus federal tax credits.

Nonresident returns. Returns filed by individuals with income earned in Oregon whose permanent homes were outside Oregon for the entire tax year (Form 40N).

Nontaxable returns. Returns with no tax liability.

Oregon deferral of reinvested gain. Beginning with 1996 returns, filers may defer capital gains on the sale of certain business assets if they reinvest proceeds in qualifying business assets within six months. On 1999 returns, the deferral of reinvested capital gains was combined with other subtractions.

Oregon earned income credit. In 1997, Oregon gave its own earned income credit, equal to 5 percent of the federal credit amount. Unlike the federal credit, it is not refundable.

Oregon medical deduction. Beginning with 1991 returns, filers who itemize and meet the age requirement are entitled to an additional deduction of the lesser of Schedule A line one or line three. The age eligibility was 58 or older for 1991 and 1992 returns and increases by one year every two years until it reaches 62.

Other income. Income derived from a variety of sources such as gambling winnings, activity not for profit, credit card insurance, estate and trust income, cancelled debts, etc.

Part-year returns. Returns filed by individuals who permanently moved either into or out of Oregon during the tax year (Form 40P).

Property sales. The sum of capital gains/losses and supplemental gains/losses (lines 13 and 14 on federal Form 1040).

Quintile (income). A subset of a database that contains 20 percent of all records; it is determined by arranging the records from the lowest income to the highest income and then dividing the data base into five, equally-sized subsets.

Real property. Land and land improvements, including buildings, timber, and orchard trees.

Retirement income credit. Beginning with 1991 returns, filers who meet the income and age restrictions and have income from pensions, annuities, IRAs, or deferred income compensation plans are entitled to a retirement income credit. Household income limits are $45,000 for joint returns and $22,500 for non-joint returns. The age eligibility was 58 or older for 1991 and 1992 and increases by one year every two years until it reaches 62.

Returns (number of). The number of returns filed. For low AGI levels, this figure can be misleading. For example, the Oregon Department of Revenue receives returns each year from individuals who are claimed as dependents on their parents' returns but who receive individual earnings. Dependents who receive over $700 of income are required to file an Oregon return, and others may choose to file to recover withholding.

Separate return. The return of a married individual not filing a joint return.

Single return. The return of a single individual who does not qualify as head of household.

Standard and itemized deductions. The total deduction amount taken, whether a standard deduction or itemized deductions.

State surplus refund (kicker). Oregon is required by law to refund excess revenue when revenues collected for the biennium are more than 2 percent higher than was forecast at the time the budget was adopted. Before 1995, refunds were made in the form of a credit on the tax return for the second year of the biennium. Refunds are now made as direct payments to taxpayers based on their tax liability for the first year of the biennium.

Subtractions. Amounts subtracted from federal AGI to reflect differences between Oregon and federal tax laws.

Supplemental income. Income derived from the sale of business property and reported on federal Form 4797.

Tangible property. Any capital asset having physical existence, including real property.

Tax after credits. Amount of tax liability after subtracting credits.

Tax due. Amount of final tax liability after subtracting tax credits, when applicable.

Tax from rates. The amount of state tax computed from rates and assessed before tax credits are subtracted.

Tax liability. The amount of tax owed by a taxpayer.

Tax withheld. Amounts withheld by employers from salaries and wages. Amount withheld is based on wages earned during the pay period and the number of withholding allowances claimed. Tax also may be withheld from other income sources such as pensions and IRA distributions.

Taxable balance. Oregon AGI plus additions, minus subtractions, minus allowable deductions. The amount of income subject to Oregon tax. Set to zero, if negative.

Taxable pensions (Table D). Includes taxable pension income, federally taxable Social Security income, and IRA distributions. These items are reported separately in Table D.1.

Taxable returns. Returns with positive final tax liability (i.e., tax due greater than zero).

Unknown income. Total adjusted gross income is listed as "unknown" when the taxpayer does not identify the specific component(s) of income. Unknown income is included with "Other Income" in Table D and reported separately in Table D.1.

Working family child care credit. A credit available to low-income families with qualifying child care expenses. The amount is based on adjusted gross income and household size.