# APPENDIX A

## OREGON PERSONAL INCOME BRACKETS AND TAX RATES, 1930 TO 2000

| 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-Househ** | < 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-Househ** | < 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-Househ** | < 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-Househ** | < 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-Househ** | < 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-Househ** | < 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-Househ** | < 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-Househ** | < 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-Househ** | < 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 |

* Since 1993  the tax brackets have been indexed for inflation.

# APPENDIX B

## FEDERAL PERSONAL INCOME BRACKETS AND TAX RATES, 1987 TO 2000

### 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 | |

### 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 | |

### 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 | |

### 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 | |

* 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 |

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 2000)**

## Federal Personal Exemption and Phaseouts

| | | Phaseout by Filing Status | | | |
|---|---|---|---|---|---|
| Tax Year | Personal Exemption | 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 |

## Federal Standard Deductions and Phaseouts for Itemized Deductions

| | Federal Standard Deductions | | | | Phaseout | |
|---|---|---|---|---|---|---|
| Tax Year | Single | Joint | Separate | Head of Household | 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 |

# 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**

| | | Surplus/Shortfall | Credit or Refund[1] | | |
|---|---|---|---|---|---|
| Biennium | Tax Year | ($ Millions) | 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 |

[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 2000

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. Beginning in tax year 1987, the personal exemption credit was indexed for inflation, using the Portland Consumer Price Index (CPI) as the gauge of inflation. See Appendices A and B for a chart of personal income tax rates and personal exemption deductions and credits over the years.

## Surplus Refunds

Under a law passed in 1979, the state must refund excess revenue to taxpayers when actual General Fund revenues are more than 2 percent higher for the biennium than was forecast at the close of the legislative session in which the budget for that biennium was adopted. 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 revenues. 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 C 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.

## 1987 Tax Law Changes as a Result of the Federal Tax Reform Act of 1986 and Other Oregon Changes

Oregon personal income taxes were affected in several ways by federal tax laws that went into effect in tax year 1987.

*Federal changes in the computation of AGI:*

- Eliminated preferential treatment of capital gains, making capital gains 100 percent taxable.
- No longer allowed "passive activity" losses to shelter income from other sources.
- Modified the Accelerated Cost Recovery System (ACRS). The most significant change was the increase in the depreciation period for real estate investments.
- Repealed income averaging.
- Eliminated the dividend exclusion, the deduction for married couples when both work, and the moving expense deduction except as an itemized deduction.
- Added more stringent requirements on eligibility for the adjustment for Individual Retirement Account contributions.
- Added a new adjustment for self-employed health insurance deduction.

*Federal changes to personal exemptions and deductions:*

- Itemized deductions were curtailed in several ways: elimination of deduction for sales tax, more stringent limitations to medical expenses, miscellaneous itemized deductions, and phase-out of deductions for consumer credit interest.
- 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 is the greater of $500 or their earned income, up to the standard deduction amount of their filing status.

*Oregon changes in response to the federal changes:*

- Adopted the federal definition of AGI.
- Decreased the number of marginal tax brackets and reduced the Oregon maximum tax rate.
- Adopted the federal definition of itemized deductions.
- Changed the additional personal exemption for those 65 or older or blind 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.
- No longer allowed persons who can be claimed as another's dependent to claim personal exemptions on their own returns. The standard deduction for those claiming zero exemptions is the greater of $500 or their earned income, up to the standard deduction amount of their filing status.

*Other Oregon changes:*

- Added a new exemption for disabled children.
- Indexed the personal exemption credit.
- Increased the credit for the permanently and totally disabled from 15 percent to 40 percent of the federal amount.
- Decrease the maximum subtraction for federal tax 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.
- Increased the standard deduction amounts for each filing status and removal of AGI as a factor in determining the standard deduction. The standard deduction amounts are: single, $1,800; joint, $3,000; head of household, $2,640; and married filing separately, $1,500.
- Increased the maximum subtraction for U. S. public retirement from $3,400 to $5,000 per person; adoption of less restrictive requirements.

## Tax Law Changes Since 1987

### *Tax Year 1988:*

- Two new lines were added to 1988 federal Form 1040: Individual Retirement Account (IRA) distributions are reported separately from pension income, and capital gain distributions are reported separately from Schedule D capital gains.
- Two new credits were added to Oregon "Other credits": dependent care assistance for employers and health insurance for small business employers.

### *Tax Year 1989:*

- Beginning with tax year 1989, federal tax law allowed parents to elect to report minor children's investment income on their own federal return rather than filing a separate return for each child. Oregon did not adopt the federal method of computing the child's tax liability, so a new addition for "federal election on interest and dividends of a minor child" was added to Oregon forms.
- Oregon's child care credit computation changed. A separate Oregon rate schedule based on federal taxable income was applied to federally allowed child care expenses.

### *Tax Year 1990:*

- The United States public retirement subtraction was no longer limited to $5,000 per person.
- Federal tax law required that filers pay interest on the deferred tax liability for certain installment sales. Oregon required that filers compute interest using the current Oregon interest rate and add the interest to Oregon tax before credits.

## *Tax Year 1991:*

### Federal Law:

- No major changes.

### 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 meet the income limit and have retirement income, public or private.
- Other subtractions from Oregon income were expanded to include: 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 deductions, active duty pay for Persian Gulf service and other service outside Oregon, and underground storage tanks pollution grants.
- Credits for bone marrow programs, child development contributions, and youth apprenticeship programs were added to other credits.
- The Homeowner and Renter Refund Program (HARRP) was eliminated, and the Elderly Rental Assistance Program (ERA) was expanded.

## *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:

- Other credits expanded to include: a credit for the involuntary moving of a mobile home and a credit for small business employers who provide medical insurance for their employees or to employees who purchase their own insurance, either through the Oregon Medical Insurance Pool or under one of the plans provided through the Insurance Pool Governing Board. Other credits for business energy, pollution control, and reclaimed plastics were limited to those giving preference to Oregon producers of the recycled materials.
- The credit for income tax paid to another state was changed so it is claimed on the nonresident return of people taxed by both Oregon and one of the following: Arizona, California, Indiana, Virginia, or Guam. For income taxed by other states, Oregon allows the credit to Oregon residents.

## *Tax Year 1993:*

### Federal Law:

- The federal deduction for 25 percent of health insurance costs of self-employed individuals was reinstated retroactive to June 30, 1992. Oregon allows this deduction under a separate law.
- The following federal law changes were not allowed on Oregon returns for 1993, but the 1995 legislative session reconnected retroactively:
  - — Employer-provided educational assistance deduction.
  - — Depreciation of nonresidential real property placed in service on or after May 13, 1993.
  - — Expensing of qualifying assets (section 179 expenses).
  - — Deduction for business meals and entertainment expenses.

### Oregon Law:

- The eligibility age for Oregon's retirement income credit and special medical deduction increased to 59.
- Credit for income tax paid to another state were to be taken on the nonresident return if income is taxed by Oregon and one of the following: Arizona, California, Indiana, or Virginia.
- Three credits included as "Other Credits" were revised:
  - — Disabled child was expanded to include serious emotional disturbance and traumatic brain injury.
  - — Rural medical practice no longer had a required three-year period.
  - — Crop gleaning was extended indefinitely.
- The minimum amount for a refund check increased to $5.
- The requirements for computing estimated tax for 1994 changed.

### *Tax Year 1994:*

**Federal Law:**

- Capital gain distributions were reported with capital gains rather than on a separate line.
- 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.
- Other federal law provisions affected by the reconnect:
  - — Employer-provided educational assistance deductions.
  - — Depreciation of nonresidential real property.
  - — Amortization of goodwill and related intangibles.
  - — Business meals and entertainment deductions.
  - — The election to expense certain tangible property (section 179 expenses).

**Oregon Law:**

- No major changes.

### *Tax Year 1995:*

**Federal Law:**

- No major changes.

**Oregon Law:**

- Unused business credits that may be taken as a deduction on the federal return are not allowed on the Oregon return. They require an Oregon addition.
- The minimum age requirement for retirement income credit and special Oregon medical deduction 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.
- 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:*

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

**Federal Law:**

- For individuals, the maximum long-term capital gains tax rates for sales or exchanges of property after May 6, 1997, were 10 percent for taxpayers in the 15 percent tax bracket and 20 percent for taxpayers in a higher tax bracket.
- Additional standard deductions for those over age 65 or blind were $1,000 for single or head-of-household filers and $800 for married filing either joint or separate returns. For filers with zero exemptions, the standard deduction was the larger of $650 or the amount of earned income up to the amount of the appropriate standard deduction based on filing status.
- 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:**

- The standard deduction for a person who can be claimed on another's tax return was increased to the greater of $650 or the amount of earned income up to the standard deduction for the person's filing status.
- Two new credits began in 1997, the earned income credit and the working family credit. The earned income credit is equal to 5 percent of the federal earned income credit. The amount of working family credit depends upon household size and adjusted gross income. Both new credits may be taken together with the child care credit, but the total of all Oregon credits cannot exceed the Oregon tax.
- The minimum age requirement for the retirement income credit and special Oregon medical deduction was increased 61. Effective January 1, 1996, the credit is 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 need to amend their 1996 returns due to this tax law change.

## *Tax Year 1998:*

**Federal Law:**

- For individuals, the maximum long-term capital gain tax rates for sales or exchanges of property were 20 percent for taxpayers in the 28 percent or greater tax bracket, and 10 percent for taxpayers in the 15 percent tax bracket.
- Additional standard deductions for those over age 65 or blind were $1,050 for single or head-of-household filers and $850 for married filing either joint or separate returns. For filers with zero exemptions, the standard deduction was the larger of $700 or the amount of earned income up to the amount of the appropriate standard deduction based on filing status.
- Student loan interest was a new federal adjustment allowed to people who were paying interest on a qualified student loan, were not claimed as a dependent on someone's tax return, and had adjusted gross income less than $55,000 on a single return or $75,000 on a joint return. The deduction was limited to $1,000.
- Three new tax credits could be claimed, a child tax credit and two education credits. The child credit had a maximum of $400 for each qualifying child. The education credits were the Hope credit with a maximum of $1,500 for qualified expenses for each student who qualifies, and the lifetime learning credit with a maximum of $1,000 per return.

**Oregon Law:**

- The standard deduction for a person who can be claimed on another's tax return was increased to the greater of $700 or the amount of earned income up to the standard deduction for the person's filing status.
- Filers of full-year Oregon returns can subtract from federal adjusted gross income the portion of federal pension that was earned before October 1, 1991.
- The minimum age requirement for retirement income credit and special Oregon medical deduction increased to 61.

## *Tax Year 1999:*

**Federal Law:**

- The maximum student loan interest deduction increased to $1,500.
- The maximum child credit increased to $500 for each qualifying child.

**Oregon Law:**

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

## *Tax Year 2000:*

**Federal Law:**

- The maximum student loan interest deduction increased to $2,000.
- Credits are 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.
- Two new credits took effect: the lesser of 15% of long-term care insurance premiums paid or $500 and adoption expenses.
- Two new subtractions took effect: scholarship income used for expenses other than tuition and taxable health insurance benefits of same-sex partners.

# 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 $139 credit for each exemption claimed on a 2000 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 whether there are zero, one, or more than one dependent.

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