

2006 OREGON PUBLIC FINANCE: BASIC FACTS

Research Report #1-06

**LEGISLATIVE REVENUE
OFFICE**

<http://www.leg.state.or.us/comm/lro/home.htm>

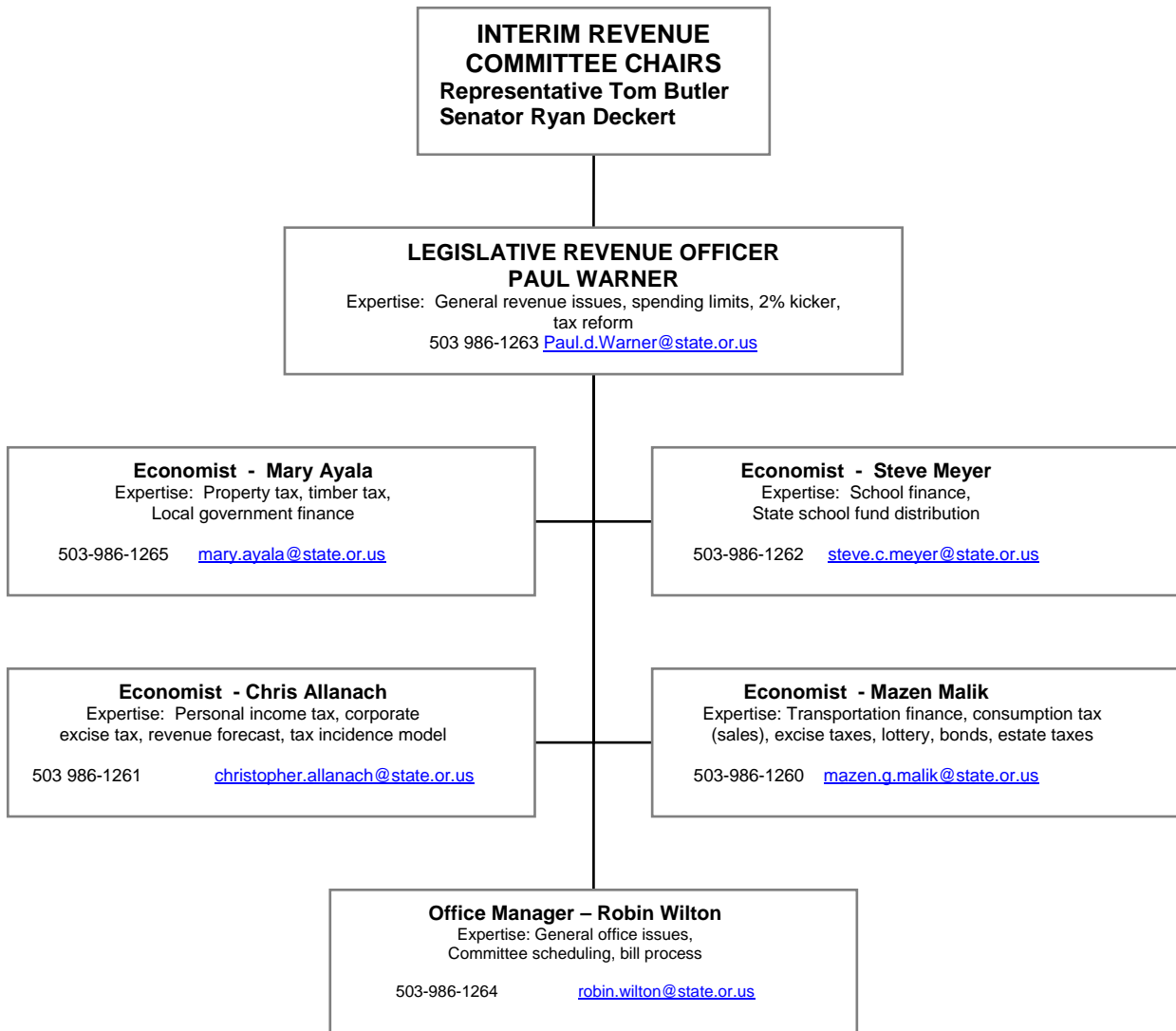
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2005-06 Organizational Chart Legislative Revenue Office

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OVERVIEW OF OREGON'S REVENUE SYSTEM

Oregon's revenue system is a complex mix of state and local revenue from taxes, intergovernmental grants, charges for services and miscellaneous sources such as lottery, government enterprises and trust funds. The U.S. Census Bureau issues a comprehensive report on the revenue systems of each state. The latest report is for the 2001-02 fiscal year. A summary of it is contained in the 2005 Basic Facts.

Oregon's Tax System

Taxes are a subset of Oregon's revenue system, comprising 42% of general revenue. The Census Bureau defines general revenue as all state and local government revenue with the exception of revenue from government enterprises and insurance trust funds such as retirement systems. The share of general revenue derived from taxes has declined significantly over the past 15 years. In fiscal 1989-90, taxes made up 54% of state and local general revenue.

Although taxes have declined as a share of revenue, they remain the largest major category for Oregon state and local governments. They also play the most significant role in funding general public services such as education and public safety that are consumed jointly by the bulk of the state's population. In addition, taxes play a unique role in the economy because they represent a direct withdrawal of resources from the private sector. Finally, the Census Bureau releases annual reports of tax collections for all state governments with more recent 2003-04 fiscal year data now available.

State Tax Collections

Table 1 breaks down Oregon's total state taxes by source. Local taxes are not included. Revenue collected in 2003-04 fiscal year from each source is then divided by the state's estimated population in July of 2004 and compared with the U.S. state per capita totals for that year.

TABLE 1

STATE GOVERNMENT TAXES	OREGON REVENUE (IN MILLIONS)	OREGON PER CAPITA REVENUE	US PER CAPITA REVENUE
TOTAL TAXES	\$6,103.1	\$1,700	\$2,026
PERSONAL INCOME	4,270.7	1,189	675
CORPORATE INCOME	320.1	89	105
GENERAL SALES	0	0	676
SELECTIVE SALES	748.9	209	326
LICENSES	651.0	181	135
ESTATE	73.6	20	20
PROPERTY	15.9	4	39
OTHER	22.9	6	49

The dominance of the personal income tax in Oregon's state tax system clearly emerges from Table 1. Personal income taxes amounted to \$1,189 per person in Oregon, accounting for 70% of state taxes paid in 2003-04. The next largest source of tax revenue for the state is selective sales taxes. This category includes motor fuels (\$113 per person) and tobacco products (\$74 per person). Selective sales taxes on alcoholic beverages totaled \$3.71 per person. This category includes excise taxes on beer and wine but does not include the mark-up on liquor sales by the Oregon Liquor Control Commission. This revenue is categorized as government enterprise revenue by the Census. Tax revenue from licenses is the third largest category in Oregon, accounting for \$181 per person. Motor vehicle license revenue makes up 69% of this category. Oregon ranks at or below the national per capita average for all taxes except personal income and licenses. Oregon's state per capita tax burden was 84% of the national average in 2003-04.

Table 2 presents the Oregon per capita tax data in comparison with the surrounding states of Washington, California, Idaho and Nevada.

TABLE 2
PER CAPITA STATE TAX REVENUE IN FY2003-04

STATE GOVERNMENT TAXES	OREGON	CALIFORNIA	NEVADA	IDAHO	WASHINGTON
TOTAL TAXES	\$1,700	\$2,392	\$2,031	\$1,898	\$2,239
PERSONAL INCOME	1,189	1,016	0	651	0
CORPORATE INCOME	89	193	0	74	0
GENERAL SALES	0	740	971	743	1,357
SELECTIVE SALES	209	209	669	263	393
LICENSES	181	160	267	158	110
ESTATE	20	16	11	5	22
PROPERTY	4	58	57	0	246
OTHER	6	1	57	3	109

The diversity of state tax systems in the far west stands out clearly in Table 2. California has the highest per capita tax collections in the region and one of the most diversified tax structures. Idaho also has a relatively diverse tax system with roughly equal dependence on sales and income taxes. Washington and Nevada are characterized by high dependence on consumption taxes and the absence of income taxes. Nevada is highly dependent on its gross gaming receipts tax which shows up under the selective sales tax category.

Table 3 shows how these tax revenue categories have grown over the past 10 years.

TABLE 3

STATE GOVERNMENT TAXES	OREGON PER CAPITA REVENUE % CHANGE FY94 TO FY04	US STATES PER CAPITA REVENUE % CHANGE FY94 TO FY04
TOTAL TAXES	29.9	41.0
PERSONAL INCOME	42.1	49.7
CORPORATE INCOME	4.4	6.6
GENERAL SALES	0	42.8
SELECTIVE SALES	18.5	34.7
LICENSES	9.5	45.8
ESTATE	40.4	0.9
PROPERTY	NM	21.1
OTHER	-78.6	81.7

Oregon's state per capita tax revenue grew at about $\frac{3}{4}$ of the rate of all states combined over the 1994 to 2004 period. All three of the state's major tax components (personal income, selective sales and licenses) grew more slowly than the national average. Corporate income tax revenue grew very slowly in both Oregon and the nation overall. Oregon's per capita resident personal income also grew more slowly than the U.S. as a whole over this period. U.S. per capita income increased 49% between 1994 and 2004 while Oregon's residents experienced 45.2% growth. In 2004 Oregon's per capita income stood at \$30,584, 92.6% of the national average.

A complete listing of Oregon's state taxes along with the major local taxes is contained in Table 4. Table 4 is based on data collected by Oregon's state and local governments. Since not all local government collections are known, extrapolations of 2001-02 U.S. Census data was necessary for the "other" category. All state tax data is collected directly from state agency sources.

Once again the dominance of the personal income tax stands out. Oregon's selective sales taxes such as gasoline, weight mile, cigarette and insurance taxes also emerge as important tax revenue sources. Unemployment insurance taxes, dedicated to eligible unemployed workers, generate the second largest amount of revenue among the state's taxes. These taxes are classified as insurance trust revenue by the Census.

For local governments, the property tax despite initiative driven limitations is overwhelmingly the most important tax revenue source in Oregon. The temporary Multnomah income tax emerges as a relatively large revenue source in 2004-05. The tax is scheduled to sunset following the 2005 tax year.

**TABLE 4
SUMMARY OF OREGON TAXES**

STATE	1999-00 COLLECTIONS	2004-05 COLLECTIONS	% CHANGE
PERSONAL INCOME TAX	\$4,126,282,123	\$4,725,477,000	14.5%
UNEMPLOYMENT INSURANCE TAXES	515,573,900	727,421,000	41.1%
GASOLINE AND USE FUEL TAXES	394,167,788	407,543,952	3.4%
CORPORATE INCOME TAX	405,220,686	248,810,000	-38.6%
WEIGHT MILE TAX	224,954,955	242,856,970	8.0%
CIGARETTE TAX	163,960,272	217,784,751	32.8%
INSURANCE TAXES	59,602,111	55,391,000	-7.1%
OTHER LABOR TAXES	104,213,309	86,402,977	-17.1%
TIMBER SEVERANCE TAXES	32,843,222	1,344,411	-95.9%
INHERITANCE TAX	47,684,649	56,852,202	19.2%
WORKERS' COMP INSURANCE TAXES	42,293,900	49,941,222	18.1%
TELEPHONE EXCHANGE ACCESS TAX	26,320,757	34,058,669	29.4%
OTHER TOBACCO PRODUCTS TAX	20,374,525	25,961,261	27.4%
REAL ESTATE RECORDING TAX	20,636,689	25,427,362	23.2%
BEER & WINE TAXES	12,377,350	13,962,000	12.8%
FOREST PRODUCTS HARVEST TAXES	11,110,002	13,019,169	17.2%
ELECTRIC COOP TAX	6,715,185	5,718,791	-14.8%
PHONE ACCESS SURCHARGE	3,143,941	5,641,385	79.4%
AMUSEMENT DEVICE TAX	1,817,543	3,657,383	101.2%
HAZARDOUS SUBSTANCE TAXES	2,406,331	2,593,222	7.8%
AVIATION GAS AND JET FUEL TAXES	1,978,104	2,720,202	37.5%
PETROLEUM LOADING FEE	1,272,955	1,319,264	3.6%
BOXING TAX	69,034	67,382	-2.4%
PRIVATE RAIL CAR TAX	100,589	254,500	153.0%
OIL & GAS SEVERANCE TAX	128,445	66,516	-48.2%
DRY CLEANERS TAX	695,302	0	-100.0%
STATE LODGING TAX	0	8,369,156	NM
LOCAL TAXES	1999-00 COLLECTIONS	2004-05 COLLECTIONS	
PROPERTY TAXES*	2,800,781,460	3,762,596,527	34.3%
TRANSIT PAYROLL & SELF EMPLOYMENT TAXES	163,488,288	186,953,150	14.4%
FRANCHISE TAXES	115,617,000	142,797,769	23.5%
HOTEL-MOTEL	64,150,000	73,700,000	14.9%
PORTLAND BUSINESS LICENSE TAX	50,794,774	52,465,479	3.3%
MULTNOMAH COUNTY BUSINESS INCOME TAX	40,846,593	36,463,000	-10.7%
MULTNOM. COUNTY INCOME TAX		124,577,000	NM
MOTOR FUEL TAXES	9,837,758	13,381,242	36.0%
WASHINGTON COUNTY REAL ESTATE TRANSFER TAX	2,840,473	5,403,299	90.2%
OTHER TAXES AND LICENSES	237,878,000	153,620,822	-35.4%

STATE REVENUE AND EXPENDITURES

Growth of Oregon's state budget over the past twenty years is shown in Table 5.

TABLE 5

	% CHANGE 1985-87 TO 2005-07	% CHANGE 1995-97 TO 2005-07
ALL FUNDS BUDGET	261.2	86.7
GENERAL FUND BUDGET	243.6	55.0
FEDERAL FUNDS	498.5	112.1
ALL FUNDS EXCEPT FEDERAL	228.9	81.4
<i>STATE GROWTH INDICATORS*</i>		
PERSONAL INCOME	226.1	62.9
POPULATION	36.8	13.1
U.S. CPI	85.1	29.3

*Based on change from 1986 and 1996 to 2006 as projected in the December 2005 forecast.

The All Funds Budget

The All Funds budget is the most comprehensive measure of the state's finances. However, it contains large revenue sources, such as public employee retirement contributions and earnings that are not available for the provision of general public services. The All Funds budget grew slightly faster than Oregon's resident personal income over the past twenty years—261.2 % versus 226.1%. The fastest growing component is federal funds which increased nearly 6 fold over the past twenty years. The All Funds budget excluding federal funds increased 228.9% between the 1985-87 biennium and the 2005-07 biennium—almost exactly the rate of personal income growth in the state over that period. The combined increase in prices as measured by the U.S. consumer price index and Oregon's population was 121.9 percent between 1986 and 2006.

Over the past ten years, the All Funds budget grew 86.7%, significantly above the 62.9% increase in resident personal income and the 42.9 % combined increase in population and prices.

Details of the All Funds budget over the past 5 biennia can be found in Table 6.

The General Fund Budget

Because the General Fund budget is largely discretionary it receives the most attention of policy makers. The revenue sources and the expenditure categories for the General Fund are shown in Table 6. Growth in the General Fund is largely determined by growth in the state's personal income tax collections (see Table 7). The relatively high long run elasticity of the personal income tax is reflected in the growth of the General Fund over the past twenty years. The General Fund budget rose 243.6% between 1985-87 and 2005-07 compared to 226.1% for personal income. Elasticity measures the change in tax revenue compared to the change in income. An elasticity above 1 means that a revenue source grows at a higher rate than income over time.

Reflective of the tax data from the U.S. Census Bureau shown in the previous section, Oregon's General Fund budget has grown more slowly over the past ten years. A big reason for the slower growth is the 2001 recession and its aftermath. The General Fund budget increased 55.0% over the past ten years, below the 62.9% increase in personal income but above the 42.9% increase in population and the price level over the period.

TABLE 6
STATE BUDGET HISTORY: 1991-2007*

GENERAL FUND BUDGET (IN MILLIONS)								
PROGRAM AREA	1991-93	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07
EDUCATION	\$2,989.0	\$3,572.3	\$4,131.0	\$5,096.0	\$5,852.6	\$5,210.9	\$5,921.3	\$6,363.0
HUMAN RESOURCES	\$1,439.6	\$1,618.1	\$1,872.8	\$1,924.0	\$2,282.1	\$2,387.4	\$2,364.2	\$2,605.1
PUBLIC SAFETY	\$486.2	\$608.4	\$769.7	\$1,000.5	\$1,185.4	\$1,231.2	\$1,237.1	\$1,488.3
ECON. & COMM. DEV. + CONS & BUS. SERV.	\$67.7	\$29.0	\$31.1	\$42.0	\$44.7	\$29.4	\$29.7	\$33.3
NAT. RES.	\$111.6	\$104.1	\$101.3	\$162.8	\$150.6	\$144.5	\$118.8	\$123.0
TRANS.	\$1.2	\$0.1	\$0.3	\$0.8	\$20.0	\$17.1	\$3.9	\$8.6
ADMIN.	\$135.5	\$114.7	\$119.2	\$119.8	\$141.4	\$149.3	\$147.9	\$164.9
LEGISLATURE	\$35.9	\$36.5	\$38.6	\$42.4	\$53.6	\$52.6	\$59.3	\$61.8
JUDICIAL	\$238.0	\$261.8	\$283.1	\$316.3	\$366.3	\$374.0	\$403.7	\$447.0
MISC.	\$0.0	\$65.0	\$80.0	\$80.0	\$0.0	\$0.0	\$9.6	\$193.8
TOTAL	\$5,504.7	\$6,410.1	\$7,426.9	\$8,784.5	\$10,096.7	\$9,596.4	\$10,295.5	\$11,488.8

GENERAL FUND RESOURCES (IN MILLIONS)								
	1991-93	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07**
BEGINNING BALANCE	392.2	366.4	496.3	800.1	338.1	363.0	113.5	301.1
PERSONAL INCOME TAXES	4561.9	5381.1	6303.4	7123.1	8737.0	7699.5	8991.6	10355.7
CORPORATE INCOME TAXES	354.9	575.8	684.4	589.1	754.9	420.1	640.8	586.2
OTHER TAXES	321.3	398.7	428.2	336.8	325.0	350.7	344.6	345.0
OTHER REVENUE	239.3	180.6	315.6	275.6	305.0	895.7	461.3	367.2
TOTAL	5869.6	6902.5	8227.9	9124.7	10460.0	9729.0	10551.8	11955.2

ALL FUNDS BUDGET (IN MILLIONS)								
PROGRAM AREA	1991-93	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07
EDUCATION	\$5,174.7	\$6,295.3	\$6,889.2	\$8,481.6	\$9,498.0	\$10,277.0	\$11,363.2	\$12,125.7
HUMAN RESOURCES	\$3,611.8	\$4,420.5	\$5,196.4	\$6,323.8	\$7,702.2	\$9,068.4	\$9,517.0	\$9,975.7
PUBLIC SAFETY	\$719.6	\$901.2	\$1,811.7	\$1,579.5	\$1,959.0	\$2,128.1	\$2,153.1	\$2,287.4
ECON. & COMM. DEV. + CONS & BUS. SERV.	\$4,291.8	\$3,743.5	\$4,178.0	\$4,020.1	\$3,998.6	\$5,778.6	\$6,687.9	\$6,131.0
NAT. RES.	\$803.6	\$865.7	\$707.0	\$956.6	\$1,152.7	\$1,166.9	\$1,429.8	\$1,345.0
TRANS.	\$1,340.1	\$1,513.5	\$1,559.8	\$1,783.5	\$1,660.8	\$1,871.4	\$2,759.8	\$2,738.9
ADMIN.	\$1,645.9	\$1,929.9	\$2,466.2	\$3,715.5	\$4,058.8	\$4,765.7	\$7,010.9	\$7,018.9
LEGISLATURE	\$39.6	\$42.6	\$43.7	\$46.5	\$57.9	\$59.8	\$64.3	\$69.2
JUDICIAL	\$239.7	\$264.7	\$286.7	\$321.6	\$374.2	\$393.1	\$448.1	\$481.2
MISC.	\$0.0	\$65.0	\$80.0	\$80.0	\$0.0	\$0.0	\$9.6	\$193.8
TOTAL	\$17,866.8	\$20,041.9	\$23,218.7	\$27,308.7	\$30,462.2	\$35,509.0	\$41,443.7	\$42,366.8

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

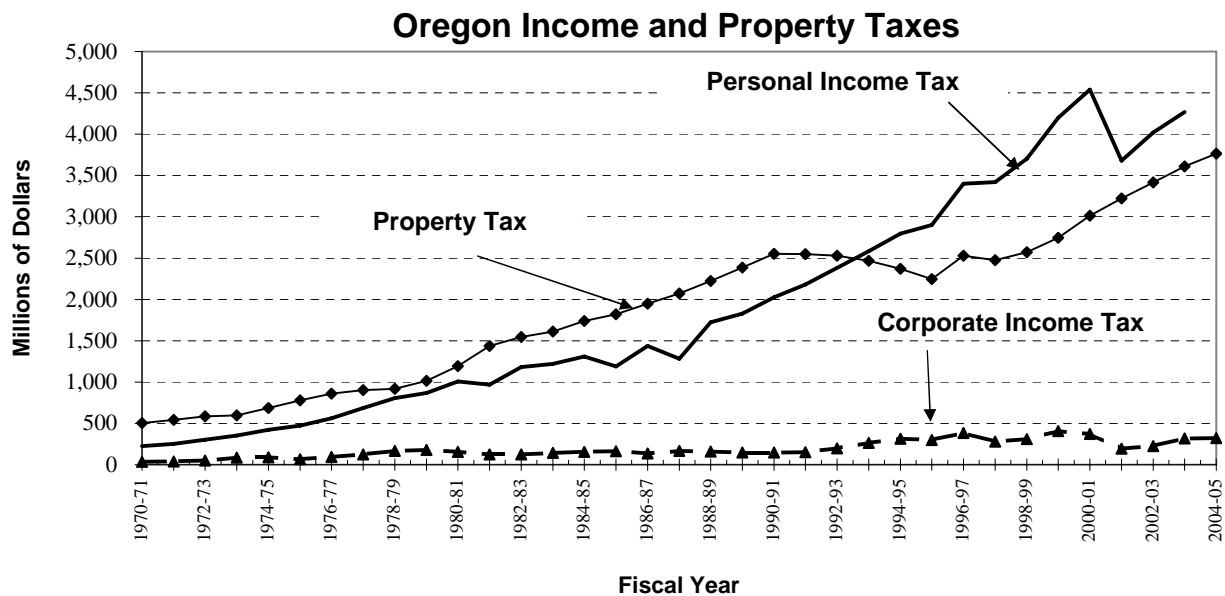
GROWTH MEASURES								
	1992	1994	1996	1998	2000	2002	2004	2006**
OREGON PERSONAL INC.(MILL.)	\$57,547	\$65,735	\$75,975	\$85,269	\$96,402	\$101,902	\$109,935	\$121,100
OREGON POPULATION(MILL.)	2.992	3.121	3.247	3.352	3.437	3.505	3.583	3.672
U.S. CONSUMER PRICE INDEX	140.3	148.2	156.9	163	172.2	179.8	188.9	198.3

*Some historical expenditure numbers are under review and subject to revision. 2003-05 expenditures are estimates. 2005-07 is Legislatively Adopted Budget.

**Based on December 2005 forecast

Table 7
HISTORY OF TAX COLLECTIONS - BY MAJOR TAX SOURCE
(millions of dollars)

FISCAL YEAR	PERSONAL INCOME TAX		CORPORATE INCOME TAX		PROPERTY TAX	
	Receipts	% Change	Receipts	% Change	Receipts	% Change
1968-69	\$204.3		\$37.5			
1969-70	213.1	4.3%	39.9	6.2%		
1970-71	226.2	6.2%	36.5	-8.4%	\$503.2	
1971-72	251.2	11.0%	40.6	11.1%	541.3	7.6%
1972-73	300.6	19.6%	51.1	25.9%	583.9	7.9%
1973-74	352.4	17.2%	85.7	67.7%	595.3	2.0%
1974-75	424.0	20.3%	90.7	5.8%	687.1	15.4%
1975-76	472.1	11.4%	67.2	-25.9%	778.5	13.3%
1976-77	561.9	19.0%	91.2	35.6%	860.0	10.5%
1977-78	686.2	22.1%	125.6	37.7%	901.0	4.8%
1978-79	807.0	17.6%	166.0	32.2%	916.0	1.7%
1979-80	868.0	7.6%	177.4	6.9%	1,014.4	10.7%
1980-81	1,005.1	15.8%	155.5	-12.4%	1,191.3	17.4%
1981-82	968.3	-3.7%	124.2	-20.1%	1,435.6	20.5%
1982-83	1,181.7	22.0%	125.1	0.8%	1,543.6	7.5%
1983-84	1,220.8	3.3%	144.8	15.7%	1,612.3	4.5%
1984-85	1,310.7	7.4%	153.9	6.3%	1,740.0	7.9%
1985-86	1,188.0	-9.4%	161.8	5.1%	1,819.2	4.6%
1986-87	1,435.8	20.9%	135.7	-16.1%	1,946.5	7.0%
1987-88	1,283.7	-10.6%	167.0	23.1%	2,072.9	6.5%
1988-89	1,725.3	34.4%	157.0	-6.0%	2,223.7	7.3%
1989-90	1,827.6	5.9%	146.8	-6.5%	2,386.0	7.3%
1990-91	2,026.3	10.9%	149.1	1.6%	2,550.6	6.9%
1991-92	2,178.7	7.5%	150.9	1.2%	2,549.9	0.0%
1992-93	2,383.2	9.4%	198.0	31.2%	2,529.0	-0.8%
1993-94	2,583.5	8.4%	262.8	32.7%	2,466.4	-2.5%
1994-95	2,797.6	8.3%	311.8	18.6%	2,369.8	-3.9%
1995-96	2,901.7	3.7%	300.0	-3.8%	2,248.1	-5.1%
1996-97	3,401.7	17.2%	384.4	28.1%	2,527.9	12.4%
1997-98	3,420.7	0.6%	279.2	-27.4%	2,476.5	-2.0%
1998-99	3,702.4	8.2%	309.9	11.0%	2,572.2	3.9%
1999-00	4,197.3	13.4%	405.2	30.8%	2,745.1	6.7%
2000-01	4,539.7	8.2%	373.0	-7.9%	3,014.0	9.8%
2001-02	3,677.7	-19.0%	195.2	-47.7%	3,221.1	6.9%
2002-03	4,021.9	9.4%	224.9	15.2%	3,414.6	6.0%
2003-04	4,268.6	6.1%	317.5	41.2%	3,611.1	5.8%
2004-05	4,723.0	10.6%	323.3	1.8%	3,763.9	4.2%



2 % SURPLUS KICKER

A unique feature of Oregon's revenue system is the 2% surplus kicker. The kicker was approved by the 1979 Legislature as part of an overall fiscal reform package. The package, which included property tax relief, was approved by voters in the spring of 1980. A complete listing of revenue related votes over the past 30 years can be found in section L1-L2. In 2000, voters acting on a legislative referral put a large portion of the 2% surplus kicker statute into the state constitution (Article IX, Section 14). Calculation of the surplus kicker took place under the constitution for the first time following the 2003-05 biennium.

How it Works

A 2 % surplus kicker refund or credit is triggered when actual revenues exceed the amount forecast at the time the legislative budget was adopted by 2% or more. If the 2% threshold is exceeded, the entire amount of revenue above the forecast is returned to taxpayers in the following biennium.

The kicker law divides all General Fund money into two pots: (1) corporate taxes and (2) personal income taxes plus all other revenues. At the end of each biennium, if the actual collections in either of these two pots are more than 2% higher than was forecast at the close of the regular session, then a refund or credit must be paid. If a kicker is triggered in a pot then all the money in that pot in excess of the close of session forecast, including the 2%, is returned to taxpayers.

Surpluses in the corporate pot fund a corporate tax credit. The credit is calculated as a proportional reduction in the taxes of each corporate taxpayer. The credit is claimed in the tax year in which the biennium ends.

Surpluses in the "all other" pot fund a personal income tax refund. Taxpayers receive a check by December 1st of the year the biennium ends. The amount refunded is an identical proportion of each taxpayer's personal income tax liability for the prior year. For example, if the kicker refund is 5% and the taxpayer had a liability of \$1,000, he or she would receive a refund of \$50.

The estimate upon which the kicker calculation is based can be increased, thereby reducing or eliminating the kicker refund/credit, on a one-time basis if an emergency is declared and approved by a 2/3 vote in each chamber of the Legislative Assembly.

History

Table 8 shows the history of the surplus kicker. A severe recession dropped revenues far short of the forecast in the first two biennia after enactment. The table actually understates the recession's effect. If the Legislature had not increased taxes in special session the shortfall would have been much larger than shown in the table.

Faced with Measure 5 budget problems, the Legislature suspended the kicker in 1991 and 1993. Kickers would have triggered in just one of the two pots in each of those biennia. The 1995 personal income tax refund was the first one paid by check. Prior to 1995, the personal kicker was paid through a tax credit like the corporate kicker.

TABLE 8
SURPLUS KICKER HISTORY

Biennium	Tax Year	Personal		Corporate	
		Surplus/ Shortfall (\$ million)	Credit/ Refund (% of liability)	Surplus/ Shortfall (\$ million)	Credit (% of liability)
1979-81	1981	-141	None	-25	None
1981-83	1983	-115	None	-110	None
1983-85	1985	89	7.7%	13	10.6%
1985-87	1987	221	16.6%	7	6.2%
1987-89	1989	175	9.8%	36	19.7%
1989-91	1991	186	Suspended	-23	None
1991-93	1993	60	None	18	Suspended
1993-95	1994/5	163	6.27%	167	50.1%
1995-97	1996/7	432	14.4%	203	42.2%
1997-99	1998/9	167	4.6%	-69	None
1999-01	2000/1	254	6.0%	-44	None
2001-03	2002/03	-1,249	None	-439	None
2003-05	2004/05	-401	None	101	35.9%
2005-07*	2006/07	240	5.0%	86	26.5%
* December 2005 Forecast					

Large corporate kicker credits were applied following the 1993-95 and 1995-97 biennia. Corporate income tax revenue then fell short of projections for 3 consecutive biennia. Corporate income tax collections exceeded the forecast by \$101 million in the 2003-05 biennium leading to a 35.9% credit on 2005 corporate tax returns. The excess corporate revenue occurred despite the defeat of Measure 30 in January of 2004. The revenue anticipated from Measure 30 was included in the close of session forecast and therefore was part of the base for the kicker calculation.

Personal income tax kicker refunds were distributed four biennia in a row starting with the 1993-95 biennium. These refunds averaged 7.8% with the largest (14.4%) following the 1995-97 biennium. However no personal income kicker refund check has been received since the fall of 2001. The 2001 recession depressed non-corporate General Fund revenue well below forecast in 2001-03 and the failure of Measure 30 held non-corporate revenue \$401 million below close of session projections in the 2003-05 biennium.

The latest quarterly revenue forecast—December of 2005—anticipates both a personal income and a corporate income tax kicker following the 2005-07 biennium. However, these are intermediate projections. For the kicker to be triggered actual revenue—known in August of 2007-- must exceed the close of legislative session projection (August 2005) by more than 2%.

For the 13 biennia in which the kicker has been in effect (1979-81 through 2003-05), the personal income tax trigger has been exceeded eight times. Kicker refunds/credits were distributed on seven occasions and suspended once. Revenue has fallen short of the 2 % personal income tax trigger on 5 occasions. For the corporate calculation, actual collections have exceeded the trigger seven times and fallen below six times. Of the seven times in the

past when the corporate trigger was exceeded, the kicker was credited to corporate taxpayers six times and suspended once.

EFFECT OF TAX CHANGES

The table contains rough approximations of the static revenue impacts of selected tax changes. All figures are in millions of dollars. The estimates assume that the proposed change is fully phased in. Due to time lags in the tax system, a proposed change might not have the effect shown here in the first fiscal year.

TAX REDUCTIONS	Revenue Effect (in millions)		
	FY 2006-07	FY 2007-08	FY 2008-09
Property Tax			
Personal Property Tax Threshold (current law: accounts under \$12,500 in Assessed Value are exempt from Taxes) Increase the Tax Exempt Threshold to \$20,000 of Assessed Value	-2.82	-2.86	-2.90
Senior Homeowner Property Tax Freeze: Freeze property taxes on residences who are over the age of 65 and have income < \$35,000	-3.0	-7.34	-8.7
Personal Income Tax			
Earned Income Credit (EIC)			
Increase EIC to 10% of federal EIC	-15.8	-14.7	-12.9
Increase EIC to 12% of federal EIC	-22.1	-21.1	-19.3
Rate Reductions (current rates 5% – 7% – 9%)			
Reduce rates 1 percentage point (to 4 - 6 - 8%)	-666.4	-707.1	-750.0
Reduce rates 1/2 percentage point (to 4.5 - 6.5 - 8.5%)	-333.6	-354.0	-375.5
Reduce rates 1/4 percentage point (to 4.75 - 6.75 – 8.75%)	-166.9	-177.1	-187.8
Reduce rates 0.1 percentage point (to 4.9 - 6.9 - 8.9%)	-66.8	-70.9	-75.1
Tax Bracket Changes			
Double width of 5% and 7% brackets	-380.7	-404.8	-429.6
Widen 5% and 7% brackets by \$1,000 (\$2,000 on joint returns)	-174.4	-186.0	-197.9
Income Exemptions and Deductions			
Eliminate tax on unemployment income	-71.7	-74.2	-76.7
Double standard deduction (\$1,770 single; \$3,545 joint in 2005)	-156.7	-163.3	-170.3
Increase Maximum Federal Tax Subtraction to \$10,000	-118.2	-111.7	-114.6
No limit on maximum subtraction for federal income taxes	-463.0	-475.6	-514.6
Credits			
Increase personal exemption credit \$10	-31.4	-32.7	-34.0
Capital Gains (currently taxed at 5-7-9% rates)			
Reduce tax rate on capital gains to 5%	-133.6	-141.6	-150.1
Reduce tax rate on capital gains to 4%	-187.0	-198.2	-210.1
Estate Taxes (Estimates begin 2005)			
Connect to 2001 Federal law changes and eliminate estate taxes in Oregon (currently connected to Federal Taxpayer Relief Act of 1997)	58.0	59.5	61.0
Corporate Income Tax			
Reduce corporate tax rate 0.1 percentage point (to 6.5%)	-4.9	-4.9	-4.9
Reduce corporate tax rate 1 percentage point (to 5.6%)	-48.6	-49.0	-49.5

TAX INCREASES/NEW TAXES	Revenue Effect (in millions)		
	FY 2006-07	FY 2007-08	FY 2008-09
Statewide Property Tax for School Districts			
Establish an additional tax rate of \$1 per \$1,000 of assessed value for all school districts statewide that is outside the Measure 5 limit	254.9	269.2	279.7
Personal Income Tax			
Increase All Rates 5% (5.25, 7.35, 9.45%)	278.2	295.1	313.0
Increase All Rates 10% (5.5, 7.7, 9.9%)	556.7	590.6	626.3
Increase All Rates 1 Percentage Point (6, 8, 10%)	669.1	710.0	753.1
Increase Top Tax Rate to 9.5%	254.3	269.6	286.0
Increase Rate to 10% for Income Above \$100,000 Joint (indexed)	135.3	142.4	150.0
Increase Rate to 10% for Income Above \$50,000 Joint (indexed)	248.9	262.5	277.2
Increase Rate to 10% for Income Above \$25,000 Joint (indexed)	405.0	428.9	454.5
Decrease Maximum Federal Tax Subtraction Limit to \$3,000 (2006 Federal Tax Subtraction is \$5,000)	102.2	121.5	135.2
1% Surtax	49.8	52.8	56.0
Reduce Personal Exemption Credit by \$10	31.6	32.9	34.3
Limit Property tax Deduction to \$2,500 if Income > \$100,000 Joint	40.9	47.9	56.1
Limit Mortgage Interest Deduction to \$15,000	35.8	38.7	41.8
Corporate Income Tax			
1% Surtax	3.2	3.2	3.3
Increase Rate One Percentage Point (to 7.6%)	48.6	49.0	49.5
Increase Corp. Min Tax to \$500	40.6	41.4	42.3
Increase Corp. Min Tax = \$500 - Corps. with Gross Sales < \$500,000 & Corp. Min Tax = \$1,000 - Corps. with Sales > \$500,000 and < \$1 million & Corp. Min Tax = \$3,000 - Corps. with Sales > \$1 million	83.4	85.0	86.7
Sales Taxes (Estimates begin 2006)			
Broad Retail Sales Tax – 1% Rate (exempts shelter & in-home food)	390.8	860.2	910.9
Restricted Retail Sales Tax – 1% Rate (exempts shelter, in-home food, public transport, health care, education, personal insurance, utilities, gasoline, tobacco products)	280.6	607.2	642.7
Broad Retail Sales Tax – 3% Rate (exempts shelter & in-home food)	1,199.9	2,600.8	2,752.9
Restricted Retail Sales Tax – 3% Rate (exempts same items as described in 1% restricted retail sales tax)	846.7	1,834.8	1,943.2
Broad Retail Sales Tax – 5% Rate (exempts shelter & in-home food)	2,002.0	4,336.4	4,594.9
Restricted Retail Sales Tax – 5% Rate (exempts same items as described in 1% restricted retail sales tax)	1,412.8	3,042.1	3,147.6
Business Activity Taxes (Estimates begin 2006)			
Washington Gross Receipts Tax (B&O) – .1% Rate (no income tax credit)	130.3	273.1	289.6
Business Activities Tax (first \$25,000 of tax base is exempt) – 1% rate	211.8	438.0	452.7
Excise Taxes			
Washington Real Estate Transfer Tax – 1% Rate	226.5	237.0	246.6
Increase Cigarette Tax by 10¢ per Pack	13.9	15.3	15.4
Increase Other Tobacco Products by 10% of wholesale price	1.8	2.2	2.3
Increase Beer Tax by \$1 per barrel	2.5	2.6	2.6
Increase Wine Tax by 25¢ per gallon	2.3	2.4	2.4
Increase OLCC Mark-up by 10% (current = 101%)	9.0	10.5	11.0
Transient Lodging Tax – 1% Rate (no exemption amount)	8.3	9.5	10.0

OREGON INCOME TAXES

Personal Income Tax

Oregon residents and nonresidents earning income in Oregon pay the personal income tax. Oregon is tied to the definition of federal taxable income, but some adjustments are made in determining Oregon taxable income. See page C8 for the tax calculation.

Tax rates range from 5% to 9% of taxable income. Taxable income is adjusted gross income (AGI) plus Oregon additions less Oregon subtractions and deductions (standard or itemized). Because taxable income is generally less than AGI, the average effective tax rate is roughly 5.6% of AGI. Since 1993, the income tax brackets have been indexed to changes in the U.S. Consumer Price Index. The rate schedule for tax year 2006 is shown below:

2006 TAX YEAR RATE SCHEDULE

SINGLE RETURNS		JOINT RETURNS	
<u>Taxable Income</u>	<u>Tax Before Credits</u>	<u>Taxable Income</u>	<u>Tax Before Credits</u>
Not over \$2,750	5% of taxable income	Not over \$5,500	5% of taxable income
\$2,750 to \$6,850	\$138 + 7% of income over \$2,750	\$5,500 to \$13,700	\$275 + 7% of income over \$5,500
Over \$6,850	\$425 + 9% of income over \$6,850	Over \$13,700	\$849 + 9% of income over \$13,700

In 2003, all personal income tax returns had a total adjusted gross income of \$68.5 billion. The average adjusted gross income for all returns was \$42,477, an increase of 3.1% from 2002. Oregon taxpayers had a total tax liability of \$3.85 billion; following two years of declines, the total tax liability was up 2.8% from 2002 to 2003. The average Oregon tax liability was \$2,386, up 3.1% from the prior year.

The Oregon standard deduction for tax year 2005 is \$3,545 on a joint return, \$1,770 on a single and separate return and \$2,855 for a head of household.¹ Blind or elderly (65+) taxpayers get an extra \$1,200 standard deduction on a single return and an extra \$1,000 per eligible person on a joint return. In 2003, the average total deduction per tax return was \$7,828, an annual increase of 2.4%. A personal exemption credit is allowed for most taxpayers and dependents. This credit is indexed for inflation and equals \$159 for 2006. The average total credits per tax return taken in 2003 was \$325, an increase of 5.9% over 2002.

Oregon taxes both individual and small business income through the personal income tax system. Owners and shareholders of small businesses, like sole proprietors and S-corporations, pay personal income taxes on the profits from these businesses. In 2003, the total number of sole proprietors was 220,511, 3.7% increase from prior year, and the total number of S-corporations was 47,798. The total amount of income that sole proprietors generated in 2003 was \$2.5 billion (4% of total income). Recent trends in Oregon's small businesses can be seen on pages C15 and C16. Between 1990 and 2003, the number of sole proprietors increased by 29% and S-corporations by 159%. On average over this time period, sole proprietors have been growing annually by 2% and S-corporations by 11%. The average annual growth in S-corporations has slowed in recent years.

Personal income tax collections are the largest source of state tax revenue. Personal income tax collections are projected to comprise 89% of the total General Fund revenues in the 2005-07 biennium. (They were 86% of the total general fund revenues in the 2003-05 biennium.) The following table summarizes the personal income tax collections since fiscal year 1997-98.

¹ The standard deduction is indexed to second quarter inflation, so 2006 figures are not yet available.

Tax Collections History Fiscal Years 1997-98 to 2004-05

Fiscal Year	Personal Income Tax Collections (\$ billions)	Percent Change	Corporate Excise Tax Collections (\$ millions)	Percent Change
1997-98	\$3.4		\$275	
1998-99	\$3.7	8.2%	\$314	14.2%
1999-00	\$4.2	13.4%	\$382	21.7%
2000-01	\$4.5	8.2%	\$373	- 2.3%
2001-02	\$3.7	-19.0%	\$195	-47.7%
2002-03	\$4.0	9.4%	\$225	15.2%
2003-04	\$4.3	6.1%	\$318	41.2%
2004-05	\$4.7	10.6%	\$323	1.8%

Corporate Excise Tax

C-corporation net income attributable to Oregon is taxed under the corporate excise tax. The tax rate is 6.6%. The corporate excise tax is the second largest tax source for the state General Fund. The corporate tax revenue is projected to provide 5% of General Fund revenues in the 2005-07 biennium. Oregon uses federal taxable income, with some modifications, as its tax base.

Corporations pay taxes only on income attributable to Oregon. For multi-state C-corporations, a three-factor formula using property, payroll and sales is used to apportion income to Oregon. Over the past 15 years the formula weights have changed from an equally weighted formula (used prior to 1991) to a one-hundred percent weighted sales formula (for tax years beginning on or after July 1, 2005) that is used by most corporations.² The following table contains the corporate apportionment formula weights for each factor and their effective dates.

Corporate Apportionment Formula Weights by Tax Year and Factor

Tax Year Beginning	Sales	Payroll	Property
12/31/1990 and earlier	33%	33%	33%
1/1/1991 to 4/30/2003	50%	25%	25%
5/1/2003 to 6/30/2005	80%	10%	10%
7/1/2005 to current	100%	0%	0%

C-corporations can be divided into two groups: corporations which do business only in Oregon and those which do business in multiple states. In 2003, the total number of Oregon only corporate returns was 22,614 (66% of all 34,311 C-corporations) and the total number of multi-state corporations was 11,697 (34% of all 34,311 C-corporations). The total taxable income of multi-state corporations was \$4.1 billion (87% of total taxable income) and total taxable income of Oregon only corporations was \$0.6 billion (13% of total taxable income). Page C13 illustrates the trends in the Oregon only and multi-state corporations between 1990 and 2003. Over the past thirteen years, the number of Oregon only corporations has declined by 17% but the number of multi-state corporations has increased by 44%. Annually, the Department of Revenue processes approximately 35,000 C-corporation returns each year. More than 45,000 S-corporations pay the minimum tax of \$10 but do not pay the corporate tax based on their net income.

² There are three exceptions: (1) certain wood products corporations must use the double-weighted sales formula, (2) utilities and telecommunications corporations may elect to use the double-weighted sales formula, and (3) insurance companies filing Form 20-INS must use an equally-weighted formula.

PERSONAL INCOME TAX HISTORY

In 1917 the Oregon Constitution was amended to allow a progressive income tax. In 1923 an income tax was adopted by the legislature and approved by a state wide vote. The tax was collected for only one year. A successful initiative petition repealed it in 1924.

Subsequent to 1924 three initiative petitions and a legislative referral failed at the polls. The 1929 legislature adopted an income tax dedicated to reducing the state property tax. The tax was brought to a vote by referendum. It was approved by the voters in 1930. By 1938 the state property tax was completely offset by income tax collections; and except for 1940, no state property tax has been collected since.

Here are some major changes in the tax since 1929:

1933	First rate and exemption change, designed to offset depression revenue losses, increased bottom rate from 1% to 2% and top rate from 5% to 7%.
1939	Rates changed again, top rate still 7% but hit at \$4,000 rather than \$5,000.
1943	"Walker Plan" adopted, designed to cope with additional revenue from increased wartime economic activity, reduced tax liability 5% for each extra \$1 million in taxes collected. The "Walker Plan" was modified in 1945, suspended in 1947 and repealed in 1949.
1947	Withholding on wages begins. Rates changed, additional bracket added at 8% for income over \$8,000.
1953	Income tax placed into general fund rather than property tax relief account. Personal exemption set equal to federal exemption.
1955	45% surcharge imposed, in effect for 1955 and 1956.
1957	Rate structure changed, ranges from 3% at bottom to 9.5% for income over \$8,000.
1959	Special capital gains treatment begins.
1969	Federal income tax base adopted. Rate schedule adjusted, 4% to 10% for income over \$5,000.
1971	Planned federal increases in the personal exemption and standard deduction threaten Oregon revenue. Oregon freezes to IRC as of December 31, 1971.
1975	Oregon reconnects to federal code but maintains separate standard deduction and personal exemption.
1979	9% income tax refund for 1978 taxes. 2% surplus kicker created. Personal exemption increased and indexed for inflation.
1981	Federal changes threaten state revenue, Oregon freezes to federal code as of December 31, 1980. Personal exemption indexing delayed.
1982	Rates increased, 4.2% to 10.8%.
1983	Federal conformity updated to December 31, 1982, except for ACRS. \$85 personal tax credit replaces personal exemption.

1985	Rates revert to 4% to 10% structure. Oregon law fixed to federal code as of December 31, 1984.
1987	Federal conformity updated to December 31, 1986, connects Oregon to the 1986 federal tax reforms (including full taxation of capital gains). Tax rates reduced (5% to 9% over \$5,000), standard deduction increased.
1989	Federal conformity updated to December 31, 1988. Double weighted sales in apportionment formula.
1991	Federal conformity updated to December 31, 1990. Tax brackets indexed beginning in 1993. Taxed all pension income, with new retirement credit. Allows nonresident credit for tax paid to other states.
1993	Federal conformity updated to December 31, 1992.
1995	Federal conformity updated to April 15, 1995.
1997	Federal conformity updated to December 31, 1996 and permanently reconnected to future changes. Earned income credit adopted. Lottery jackpots subject to tax.
1998	Federal pensions excluded from taxable income. Credit for long-term care insurance adopted.
2000	Federal tax subtraction increased from 3,000 to 5,000 effective 1/1/2002. Indexed for inflation beginning 2003.
2001	Standard deductions changed to \$1,640 for single filers and \$3,280 for joint filers effective 1/1/2002. Indexed for inflation beginning 2003. Working Family Childcare credit made refundable effective 1/1/2003.
2002	Phase-in the implementation of the higher federal tax subtraction. In 2002, the federal tax subtraction is \$3,250, in 2003 it is \$3,500, in 2004 it is \$4,000, in 2005 it is \$4,500, in 2006 it is \$5,000 and in 2007 it is \$5,500. Beginning in 2008 it is indexed to inflation.
2003	Federal conformity updated to December 31, 2002, except for changes in depreciation, 179 expensing, deferred compensation plans, pension, employee stock ownership, deferred compensation, individual retirement plans, medical savings accounts, qualified tuition savings accounts or other tax-exempt savings programs. Eliminates the "rolling reconnect" for changes in federal tax law for 3 years until December 31, 2005. Re-establishes the "rolling reconnect" for changes in federal law pertaining to taxable income for federal tax law changes after December 31, 2005.
2005	Oregon's earned income credit is increased to 6% of the federal credit beginning January 1, 2008. It is also made refundable for tax years 2006 through 2010. The residential energy tax credit is also expanded. New credits are created for volunteer emergency medical technicians and taxpayers who contribute to an individual development account.

CORPORATE INCOME AND EXCISE TAX HISTORY

The corporate excise tax was enacted in 1929 with the Personal Income Tax. Initially the Corporate Excise Tax was intended to not only raise revenues to alleviate the State Property Tax but also to provide a means of imposing a state tax on national banks, which had been declared exempt from state property taxes in 1925.¹

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

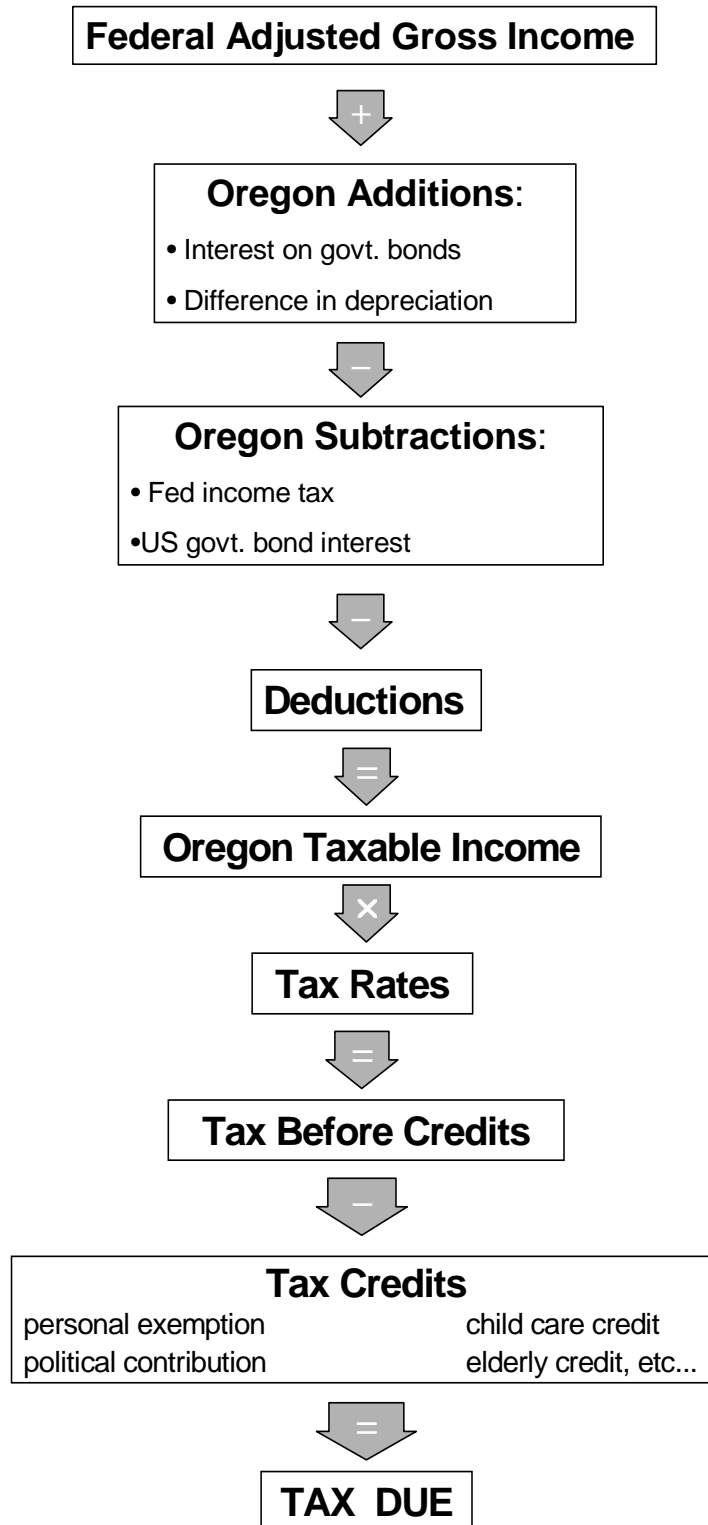
- 1929 The legislature passed a law titled the Corporate Excise of 1929 which enacted a corporate excise tax on corporations doing business within the state of Oregon. The tax rate was set at 5%, with a few corporations being exempt. The corporate minimum tax was set at \$25. The excise tax was measured by net income in order to circumvent the federal prohibition against taxation of income from federal securities. Because the tax was designed to furnish property tax relief and also be a state tax imposed upon national banks, corporations were allowed to offset 90% of their tax liability by the amount of personal property tax paid. The corporate apportionment formula was to be decided by tax commission regulations. Generally, the tax commission adopted a three factor formula based on the amount of property, payroll and sales of the corporation in Oregon equally weighted.
- 1931 Tax rate increased to 8%. Corporate minimum tax was reduced to \$10.
- 1933 Personal property offset reduced from 90% to 75% of State Excise Tax liability.
- 1939 A law change added segregated accounting or apportionment as reporting methods as defined by rules and regulations adopted by the Oregon State Tax Commission. Personal property offset was reduced from 75% to 50% of State Excise Tax liability.
- 1943 "Walker Plan" enacted which permitted a reduction in the Personal Income and Corporate Excise Taxes when a state budget surplus occurred. Tax Liabilities discounted 75% in 1943 and 30% in 1944 as provided by the "Walker Plan" law.
- 1951 Revenues from the Corporate Excise Tax were directed into the General Fund rather than as an offset to the statewide property tax levy.
- 1955 A 8% corporate income tax was enacted to cover two classes of corporations not covered by the excise tax: those doing business only in interstate commerce and those with no property or offices in the state but which solicit orders from users of their products within the state. Public utilities were subject to taxation at a 4% rate. The corporate tax of 8% was assessed on the earnings of corporations deriving 95% or more of their income from rental of real property or whose assets consist of at least 95% or more of real property.
- 1957 Business corporate tax rate decreased to 6%. Financial corporation rate increased to 9%. Public utilities rate increased to 7%. Personal property tax offset was eliminated for all corporations except those corporations engaged primarily in manufacturing, processing or assembling materials into finished products and their offset was reduced from 50% to 33%.

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

- 1959 Federal Public Law 86-272 was enacted to allow some corporations to be exempt from state taxes when the corporation's only business activity is the solicitation of orders for the sale of tangible personal property. Public utilities and other centrally assessed corporations were brought under the regular corporate excise tax law. Certain exempt corporations (labor, and agriculture; religious, charitable, etc.; business and civic leagues) made taxable on "unrelated business income."
- 1963 Financial institution tax rate decreased to 8%. Exempted People's Public Utility Districts from the Corporate Excise Tax.
- 1965 U.S. court cases influenced the legality of using worldwide apportionment in states from the early 1960s. Oregon had an equally weighted three-factor corporate apportionment formula for multi-state corporations and the Uniform Division of Income For Tax Purposes Act was adopted into the Oregon statutes in 1965.
- 1967 The legislature adopted the Multi-state Tax Compact to have consistent tax provisions among states.
- 1971 Depreciation options were frozen at 1970 levels to compensate for revenue losses resulting from the use of Federal asset depreciation range schedules. Federal government passed the Domestic International Sales Corporation (DISC) law which provided a tax deferral for the export earnings of multi-national corporation.
- 1973 Semi-annual estimated tax payments required for corporations beginning Jan. 1, 1974. Imposed corp. excise tax on real estate investment trusts (REIT).
- 1975 Supreme Court ruling on Coca-Cola case upheld that combined reporting for tax years 1962-1964. The ruling stated that the Oregon State Tax Commission had authority to permit or require corporations to use either segregated accounting or apportionment, even though there was no specific reference to a combined reporting in the law. The legislature adopted a combined reporting law which clearly stated the current practice by the Dept. of Revenue. Credit unions are taxed on their unrelated business income.
- 1976 All corporations taxed at the same rate, 6.5% for 1976.
- 1977 All corporations taxed at the same rate, 7% for 1977 and 7.5% for subsequent years.
- 1977 Use of Federal depreciation options allowed.
- 1980 Personal property tax offset expired.
- 1981 Depreciation schedules frozen at 1980 levels for two years, to compensate State budget for revenue losses resulting from changes in Federal law.
- 1982 Quarterly estimated tax payments required beginning Jan. 1, 1982.
- 1983 Corporate tax law in Oregon tied to federal tax law enacted as of Dec. 31, 1982. Enactment of the corporate dividend exclusion.
- 1984 The legislature adopted a "Waters Edge" unitary reporting requirement instead of a worldwide reporting requirement. Only business in the U.S. would be reported on a consolidated federal corporate tax return of both U.S. and foreign corporations. Corporations filing a consolidated federal return are required to file an Oregon consolidated return. Provides 85% corporate dividend exclusion.

- 1985 Oregon corporate and personal tax law tied to federal tax law as in effect Dec. 31, 1984, including Tax Reform Act of 1984 (TRA). The legislature chose not to connect to the federal law changes in the Foreign Sales Corporation (FSC) law change which repealed the Domestic International Sales Corporation (DISC) laws. Oregon added back the income earned by Foreign Sales Corporations to the multi-national corporations' taxable income. Provides 100% corporate dividend exclusion.
- 1987 Oregon is tied to the federal Internal Revenue Code as amended on or before Dec. 31, 1986. The legislature reduced the corporate tax rate from 7.5% to 6.6% beginning Jan. 1, 1987.
- 1989 Corporate excise tax law is tied to the Internal Revenue Code as amended on or before Dec.31,1988. Add S-corporations to the corporations required to pay the corporate minimum tax. Oregon shifts to a doubled weighted sales corporate apportionment formula beginning tax years on or after Jan.1,1991. Dividend deduction is allowed for 70% on dividends received from a corporation owned less than 20%. 80% exclusion is allowed on dividends received from 20% or more owned corporations.
- 1991 Corporate tax law tied to the Internal Revenue Code as of Dec. 31, 1990.
- 1993 Corporate tax law tied to the Internal Revenue Code as of Dec. 31, 1992.
- 1995 Corporate tax law tied to the Internal Revenue Code as of April 15, 1995.
- 1997 Oregon establishes "rolling reconnect" to federal tax law for federal changes made after April 15, 1997.
- 2000 The federal government passed the Exterritorial Income Act (ETI) which replaced the foreign sales corporate laws which were found to be an unfair trade practice by the World Trade Organization. Due to Oregon's automatic connection to the federal definition of taxable income, Oregon excluded exterritorial income from the taxable income of multi-national corporations. Prior to 2000, Oregon included the income of foreign sales corporations in the definition of taxable income.
- 2001 Oregon moved to a "super sales" corporate apportionment formula where the sales factor was weighted (.8) and payroll and property factors are each weighted (.1). This applied for corporate tax years beginning May1, 2003.
- 2003 Oregon will increase the sales factor of the corporate apportionment formula to (.9) and payroll and property factors are each (.05). This will apply to corporate tax years beginning July 1, 2006. Oregon will adopt a single sales corporate apportionment formula (100% sales) beginning corporate tax years after July 1, 2008. Established a date specific connection to federal tax law, as in effect on Dec. 31, 2002, for federal law changes occurring in 2003-2005 except for federal law changes pertaining to the following: depreciation, 179 expensing, pension, employee stock ownership, deferred compensation, individual retirement plans, medical savings accounts, education IRAs, qualified tuition savings accounts or other tax-exempt savings programs. Re-establishes the "rolling reconnect" for changes in federal law pertaining to taxable income for federal law changes after December 31, 2005.
- 2005 The corporate single-sales apportionment formula becomes effective for tax years beginning on or after July 1, 2005. The maximum research and development tax credit is increased to \$2 million, beginning January 1, 2006.

Calculation of Oregon Personal Income Tax



PERSONAL INCOME TAX STATISTICAL TABLES (Pages C10-C12)

- ALL TABLES:**
- Personal income tax statistics.
 - 2003 tax year.
 - Classified by adjusted gross income group, first column shows income class.
 - Totals are shown at bottom.
- TABLE A:**
- General summary of major tax items for all tax returns.
 - Income and tax items are in thousands of dollars.
 - See outline on previous page for general scheme of table.
- Example: Taxpayers in the \$40,000 to \$45,000 adjusted gross income class had total Oregon Adjusted Gross Income(AGI) of \$3,009,255,000, a total Oregon taxable balance of \$2,128,376,000 and total tax due after credits of \$145,789,000.
- TABLE B:**
- Same as Table A except numbers are averages.
- Example: Taxpayers in the \$40,000 to \$45,000 adjusted gross income class had average Oregon AGI of \$42,448, average taxable balance of \$30,022 and average tax due after credits of \$2,057.
- TABLE C:**
- Summary of sources of adjusted gross income for all full-year tax returns.
- Example: Taxpayers in the \$40,000 to \$45,000 adjusted gross income class had total wages and salaries of \$2,163,520,000 (79% of total AGI), taxable interest and dividends of \$72,958,000 (3% of total AGI) and capital gains of \$19,047,000 (1% of total AGI).

TABLE A: TOTAL INCOME AND TAX (THOUSANDS OF DOLLARS)										All 2003 returns	
AGI Category Distribution											
AGI Level (\$000)	Number of Returns	Number of Exemptions	Adjusted Gross Income	Oregon Adjustments			Deductions	Taxable Income	Gross Tax	Credits	Net Tax
				Additions	Federal Tax Subtraction	Other Subtractions					
Less than zero	26,974	45,337	-1,412,969	47,116	416	70,504	187,875	2,389	197	97	100
0-5	168,526	178,211	415,898	7,811	3,233	20,604	343,239	185,404	10,002	4,383	5,619
5-10	157,738	209,422	1,175,740	4,828	13,948	35,135	490,340	729,428	44,069	19,859	24,210
10-15	146,013	245,290	1,821,200	5,548	36,966	71,451	590,536	1,200,989	80,879	33,485	47,394
15-20	135,163	249,330	2,357,840	5,606	72,067	106,501	608,741	1,628,994	116,596	40,700	75,896
20-25	117,139	229,452	2,627,114	5,349	107,085	122,765	583,310	1,862,693	139,647	39,967	99,679
25-30	101,929	207,434	2,798,072	5,568	134,681	139,061	563,448	1,996,665	154,162	35,739	118,423
30-35	90,578	188,997	2,938,386	5,100	158,190	149,374	574,975	2,089,501	164,607	30,973	133,633
35-40	80,061	175,503	2,998,586	4,543	161,953	165,214	580,215	2,123,661	169,565	28,061	141,505
40-45	70,893	163,511	3,009,255	5,486	160,355	170,481	575,112	2,128,376	171,726	25,938	145,789
45-50	63,159	152,071	2,997,613	5,311	156,000	170,496	562,758	2,127,172	173,164	24,007	149,157
50-60	107,269	271,208	5,878,616	9,287	293,284	353,203	1,088,104	4,174,302	343,258	42,757	300,502
60-70	84,010	223,925	5,442,783	8,607	254,156	320,235	976,239	3,916,040	325,742	35,832	289,910
70-80	64,116	175,662	4,793,597	7,113	207,022	262,540	829,757	3,512,788	295,174	28,410	266,764
80-90	47,725	133,448	4,045,717	6,501	159,483	199,366	677,808	3,023,078	256,205	22,045	234,160
90-100	34,312	97,895	3,249,745	4,340	116,474	138,067	531,718	2,475,093	211,199	16,665	194,535
100-250	100,303	287,780	13,903,621	29,634	343,685	461,226	1,977,552	11,165,448	970,815	58,813	912,003
250-500	11,374	33,348	3,794,574	13,340	38,751	81,171	390,720	3,304,662	293,417	12,835	280,582
500 +	4,503	12,692	5,628,892	27,599	15,072	107,190	484,449	5,065,213	448,175	22,878	425,297
Quintile Distribution											
First 20%	322,342	387,143	-114,334	58,766	13,220	115,772	909,662	729,603	42,371	19,142	23,229
Second 20%	322,382	560,252	4,680,309	12,638	121,079	197,620	1,360,295	3,163,714	220,126	82,718	137,407
Middle 20%	322,350	655,416	8,976,504	16,736	436,993	445,623	1,829,045	6,385,502	493,997	111,276	382,721
Fourth 20%	322,356	776,198	15,533,030	25,668	797,120	903,230	2,918,503	11,022,382	898,509	122,869	775,640
Next 15%	241,766	669,395	19,884,155	30,635	788,620	978,515	3,343,421	14,842,941	1,256,237	110,907	1,145,330
Next 4%	64,472	185,374	10,021,377	23,233	221,154	313,455	1,374,341	8,147,013	711,274	40,661	670,613
Top 1%	16,117	46,738	9,483,240	41,010	54,636	190,370	881,632	8,420,740	746,087	35,869	710,218
Total	1,611,785	3,280,516	68,464,281	208,687	2,432,822	3,144,584	12,616,898	52,711,895	4,368,600	523,443	3,845,158

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TABLE B: AVERAGE INCOME AND TAX (DOLLARS)												All 2003 returns	
AGI Category Distribution													
AGI Level (\$000)	Number of Returns	Number of Exemptions	Adjusted Gross Income	Oregon Adjustments			Deductions	Taxable Income	Gross Tax	Credits	Net Tax	Tax as a Percent of AGI	Tax as a Percent of Taxable Income
				Additions	Federal Tax Subtraction	Other Subtractions							
Less than zero	26,974	1.7	-52,383	1,747	15	2,614	6,965	89	7	4	4	0.0	4.2
0-5	168,526	1.1	2,468	46	19	122	2,037	1,100	59	26	33	1.3	3.0
5-10	157,738	1.3	7,454	31	88	223	3,109	4,624	279	126	154	2.1	3.3
10-15	146,013	1.7	12,473	38	253	489	4,044	8,225	554	229	325	2.6	3.9
15-20	135,163	1.8	17,444	42	533	788	4,504	12,052	863	301	562	3.2	4.7
20-25	117,139	2.0	22,427	46	914	1,048	4,980	15,902	1,192	341	851	3.8	5.4
25-30	101,929	2.0	27,451	55	1,321	1,364	5,528	19,589	1,512	351	1,162	4.2	5.9
30-35	90,578	2.1	32,440	56	1,747	1,649	6,348	23,069	1,817	342	1,475	4.5	6.4
35-40	80,061	2.2	37,454	57	2,023	2,064	7,247	26,526	2,118	351	1,768	4.7	6.7
40-45	70,893	2.3	42,448	77	2,262	2,405	8,112	30,022	2,422	366	2,057	4.8	6.8
45-50	63,159	2.4	47,461	84	2,470	2,700	8,910	33,680	2,742	380	2,362	5.0	7.0
50-60	107,269	2.5	54,803	87	2,734	3,293	10,144	38,914	3,200	399	2,801	5.1	7.2
60-70	84,010	2.7	64,787	103	3,025	3,812	11,621	46,614	3,877	427	3,451	5.3	7.4
70-80	64,116	2.7	74,764	111	3,229	4,095	12,942	54,788	4,604	443	4,161	5.6	7.6
80-90	47,725	2.8	84,771	136	3,342	4,177	14,202	63,344	5,368	462	4,907	5.8	7.7
90-100	34,312	2.9	94,712	127	3,395	4,024	15,497	72,135	6,155	486	5,670	6.0	7.9
100-250	100,303	2.9	138,616	295	3,427	4,598	19,716	111,317	9,679	586	9,093	6.6	8.2
250-500	11,374	2.9	333,618	1,173	3,407	7,137	34,352	290,545	25,797	1,129	24,669	7.4	8.5
500 +	4,503	2.8	1,250,032	6,129	3,347	23,804	107,584	1,124,853	99,528	5,081	94,447	7.6	8.4
Quintile Distribution													
First 20%	322,342	1.2	-355	182	41	359	2,822	2,263	131	59	72	NA	3.2
Second 20%	322,382	1.7	14,518	39	376	613	4,220	9,814	683	257	426	2.9	4.3
Middle 20%	322,350	2.0	27,847	52	1,356	1,382	5,674	19,809	1,533	345	1,187	4.3	6.0
Fourth 20%	322,356	2.4	48,186	80	2,473	2,802	9,054	34,193	2,787	381	2,406	5.0	7.0
Next 15%	241,766	2.8	82,246	127	3,262	4,047	13,829	61,394	5,196	459	4,737	5.8	7.7
Next 4%	64,472	2.9	155,438	360	3,430	4,862	21,317	126,365	11,032	631	10,402	6.7	8.2
Top 1%	16,117	2.9	588,400	2,545	3,390	11,812	54,702	522,476	46,292	2,226	44,066	7.5	8.4
Total	1,611,785	2.0	42,477	130	1,509	1,951	7,828	32,704	2,710	325	2,386	5.6	7.3

Oregon Department of Revenue
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TABLE C: SOURCES OF ADJUSTED GROSS INCOME (THOUSANDS OF DOLLARS)**2003 Full-year returns****AGI Category Distribution**

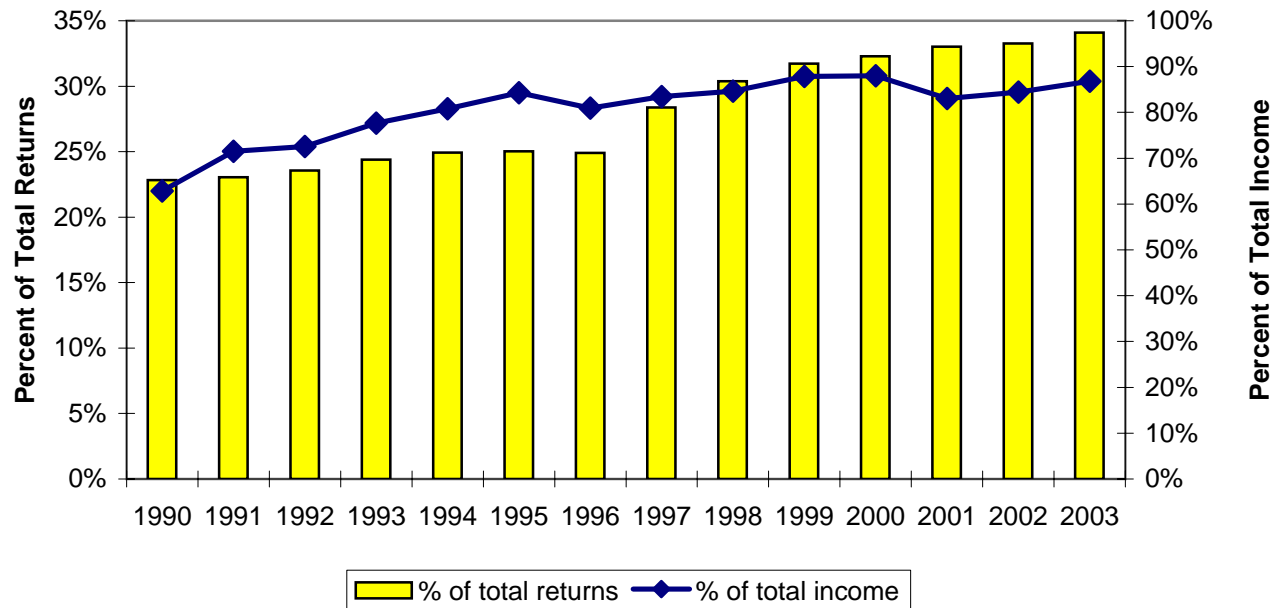
AGI Level (\$000)	Number of Returns	Adjusted Gross Income	Wages, Salaries, Tips	Taxable Dividends and Interest	Business Income	Capital Gains	Taxable Pensions	Schedule E Income ¹	Farm Income	All Other Income ²	Adjustments
Less than zero	19,983	-957,056	99,300	81,853	-74,823	99,465	31,909	-401,580	-74,891	-701,272	17,017
0-5	120,426	320,458	274,686	37,813	20,925	-10,960	27,580	-8,055	-5,556	2,149	18,125
5-10	132,515	991,911	690,172	79,844	68,217	-3,785	133,500	1,104	-6,990	59,068	29,219
10-15	129,057	1,611,914	1,070,971	105,779	100,558	4,557	263,747	11,127	-8,713	99,028	35,139
15-20	122,320	2,134,658	1,499,393	108,116	100,327	10,094	327,288	14,550	-9,619	124,184	39,675
20-25	106,601	2,391,046	1,784,155	89,083	99,724	13,689	314,985	17,093	-9,118	122,427	40,992
25-30	93,131	2,556,698	1,969,946	80,968	97,583	14,405	322,730	18,766	-8,148	103,620	43,171
30-35	82,733	2,684,157	2,106,414	77,360	92,758	19,187	324,547	18,339	-9,467	96,932	41,913
35-40	73,107	2,738,265	2,156,541	73,310	90,045	19,661	335,455	23,970	-8,768	90,573	42,522
40-45	64,846	2,752,572	2,163,520	72,958	92,230	19,047	342,086	29,586	-8,528	85,403	43,729
45-50	58,238	2,764,135	2,168,768	74,806	86,511	26,003	347,101	31,257	-7,807	80,438	42,943
50-60	99,710	5,465,753	4,246,161	141,283	169,543	53,520	729,524	71,106	-17,298	150,880	78,966
60-70	79,069	5,123,854	3,959,509	133,225	152,015	60,675	688,129	83,059	-11,890	124,414	65,282
70-80	60,617	4,532,406	3,495,790	114,676	132,165	69,562	605,324	84,755	-11,841	99,072	57,098
80-90	45,330	3,842,726	2,980,877	97,075	111,365	67,709	479,357	92,840	-9,739	75,663	52,422
90-100	32,668	3,094,094	2,393,433	81,829	97,244	65,618	366,768	86,218	-7,718	59,350	48,648
100-250	95,518	13,234,467	9,146,447	487,383	706,803	674,100	1,292,814	990,931	-29,152	241,561	276,420
250-500	10,750	3,581,702	1,912,805	214,539	245,736	438,518	141,624	650,431	-12,744	74,909	84,115
500 +	4,131	5,094,450	1,552,291	471,869	135,208	1,467,674	61,984	1,347,806	-10,791	105,231	36,822

Quintile Distribution

First 20%	286,164	491,102	1,152,075	209,784	24,823	84,651	214,585	-407,616	-88,200	-631,353	67,648
Second 20%	286,136	4,621,525	3,221,973	243,728	234,666	19,952	706,468	33,236	-21,746	272,526	89,277
Middle 20%	286,159	8,519,109	6,617,911	257,820	308,653	55,123	1,055,661	61,728	-28,586	329,037	138,239
Fourth 20%	286,142	14,441,547	11,258,111	380,156	455,488	135,486	1,876,454	181,591	-41,884	409,292	213,148
Next 15%	214,612	18,199,805	13,990,791	480,938	574,281	355,672	2,271,818	467,390	-44,079	367,467	264,473
Next 4%	57,230	9,153,937	6,049,783	371,916	557,302	566,932	814,726	849,947	-21,963	169,585	204,291
Top 1%	14,307	8,531,185	3,380,536	679,427	368,922	1,890,922	196,739	1,977,028	-22,322	177,075	117,142
Total	1,430,750	63,958,209	45,671,180	2,623,769	2,524,135	3,108,739	7,136,451	3,163,303	-268,779	1,093,629	1,094,218

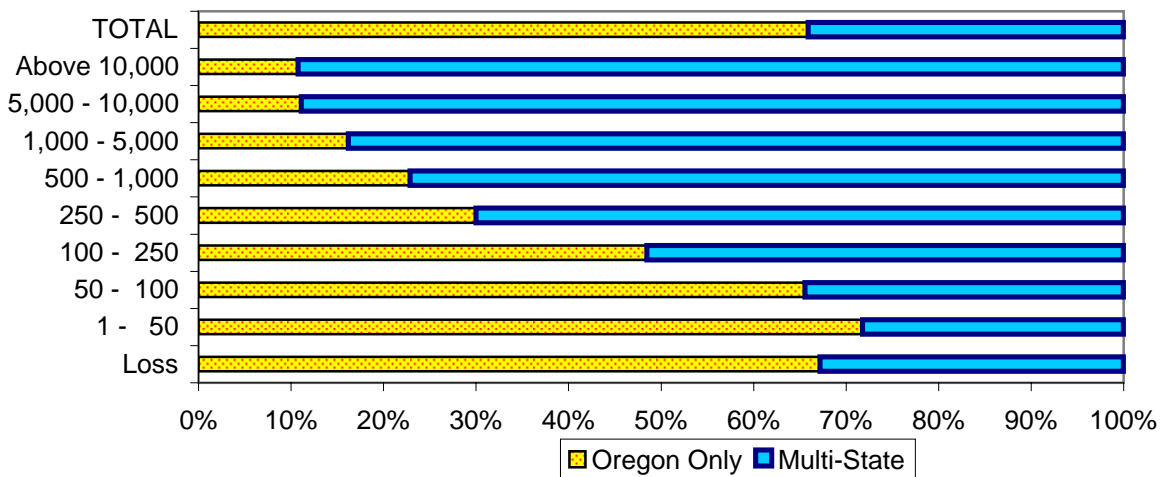
¹Schedule E income includes: rental real estate, royalties, partnerships, S corporations, and trusts.²All other income includes: taxable state income tax refunds, alimony received, unemployment compensation, and other income.Oregon Department of Revenue, 2003 Personal Income Tax Statistics

Multi-State C-Corporations
Percent of Total Returns and Taxable Income
1990-2003



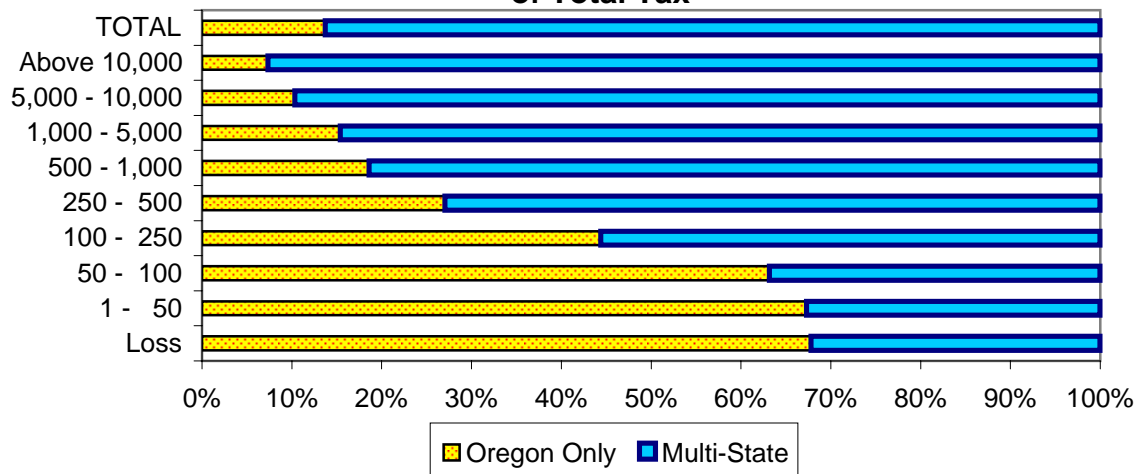
	Number of C-Corporation Returns			Taxable Income (\$000)		
	OREGON ONLY	MULTI-STATE	TOTAL	OREGON ONLY	MULTI-STATE	TOTAL
1990	27,405	8,105	35,510	766,187	1,296,475	2,062,662
1991	27,086	8,114	35,200	829,345	2,083,770	2,913,115
1992	27,262	8,398	35,660	950,930	2,513,922	3,464,852
1993	27,885	8,994	36,879	1,076,784	3,737,870	4,814,653
1994	28,785	9,559	38,344	1,109,122	4,656,363	5,765,485
1995	29,615	9,882	39,497	1,257,844	6,745,856	8,003,700
1996	29,173	9,678	38,851	1,184,077	5,027,948	6,212,025
1997	27,654	10,953	38,607	1,078,213	5,441,179	6,519,392
1998	27,582	12,030	39,612	955,042	5,270,362	6,225,404
1999	26,433	12,289	38,722	801,012	5,780,304	6,581,316
2000	25,826	12,313	38,139	708,382	5,179,050	5,887,432
2001	24,842	12,241	37,083	679,258	3,329,665	4,008,923
2002	23,957	11,935	35,892	599,393	3,241,572	3,840,965
2003	22,614	11,697	34,311	618,159	4,057,469	4,675,627

Oregon Only and Multi-State C Corporations in 2003 - Percent of Total Returns

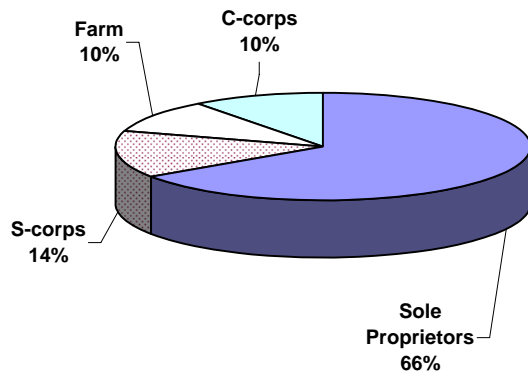


Income Before Net Loss Group (\$000)	Number of 2003 C-Corporation Returns			Oregon Tax (\$000)		
	OREGON ONLY	MULTI-STATE	TOTAL	OREGON ONLY	MULTI-STATE	TOTAL
Loss	11,220	5,480	16,700	111	53	163
0 - 50	9,283	3,649	12,932	3,853	1,873	5,727
50 - 100	1,110	583	1,693	3,152	1,837	4,988
100 - 250	624	664	1,288	4,033	5,055	9,088
250 - 500	179	418	597	2,502	6,755	9,257
500 - 1,000	99	334	433	2,705	11,836	14,541
1,000 - 5,000	80	414	494	7,731	42,455	50,185
5,000 - 10,000	9	72	81	2,718	23,602	26,320
Above 10,000	10	83	93	11,873	149,655	161,528
TOTAL	22,614	11,697	34,311	38,677	243,121	281,798

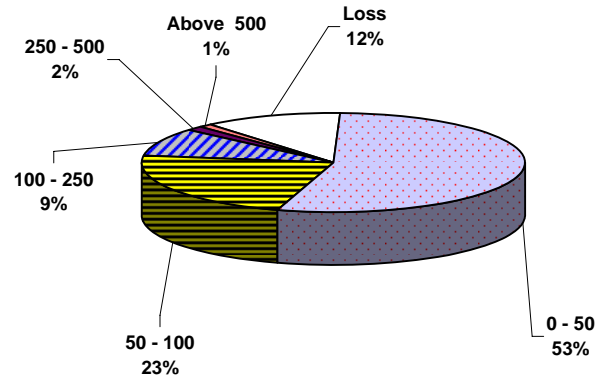
Oregon Only and Multi-State C Corporations in 2003 - Percent of Total Tax



Business Income Tax Returns By Business Type - Tax Year 2003

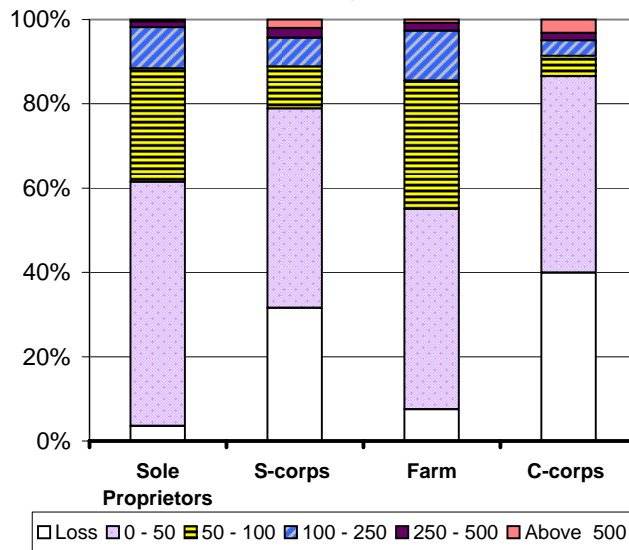


Business Income Tax Returns By Income Category - Tax Year 2003

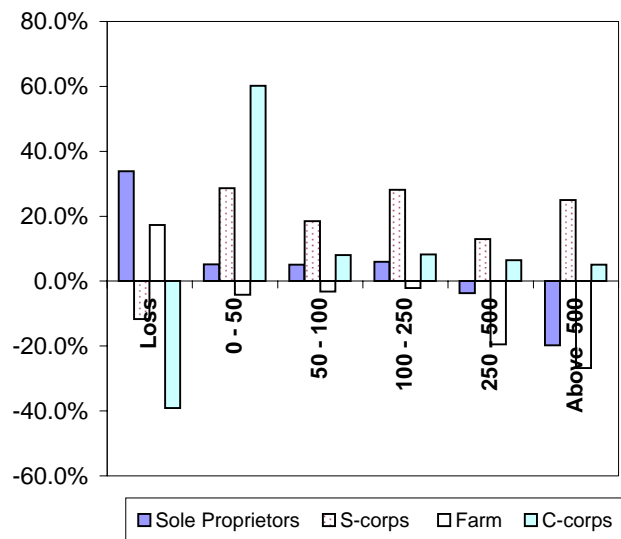


Income Level (\$000)	Number of Returns									
	2000					2003				
	Personal			Corporate	TOTAL	Personal			Corporate	TOTAL
	Sole Proprietors	S-corps	Farm	C-corps		Sole Proprietors	S-corps	Farm	C-corps	
Loss	5,825	17,082	2,197	22,497	47,601	7,800	15,083	2,578	13,692	39,153
0 - 50	121,444	17,597	16,964	9,993	165,998	127,779	22,636	16,246	16,007	182,668
50 - 100	56,405	4,020	10,791	1,528	72,744	59,284	4,762	10,441	1,650	76,137
100 - 250	20,452	2,545	4,122	1,175	28,294	21,666	3,261	4,033	1,272	30,232
250 - 500	3,034	954	786	556	5,330	2,922	1,077	633	592	5,224
Above 500	1,321	783	388	1,045	3,537	1,060	979	284	1,098	3,421
TOTAL	208,481	42,980	35,248	36,794	323,503	220,511	47,798	34,215	34,311	336,835

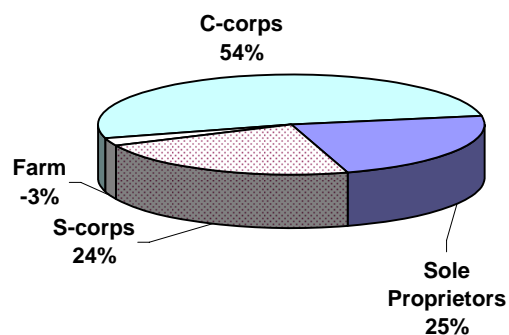
Number of Returns By Income Group (thousands) and Business Type - 2003



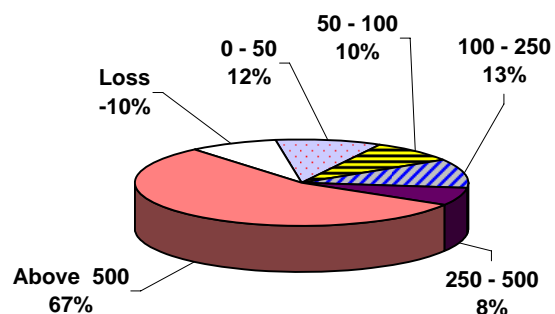
Percentage Change in Number of Returns By Income Group (thousands) - Between 2000 and 2003



Business Income By Type of Business - Tax Year 2003



Business Income By Income Category - Tax Year 2003

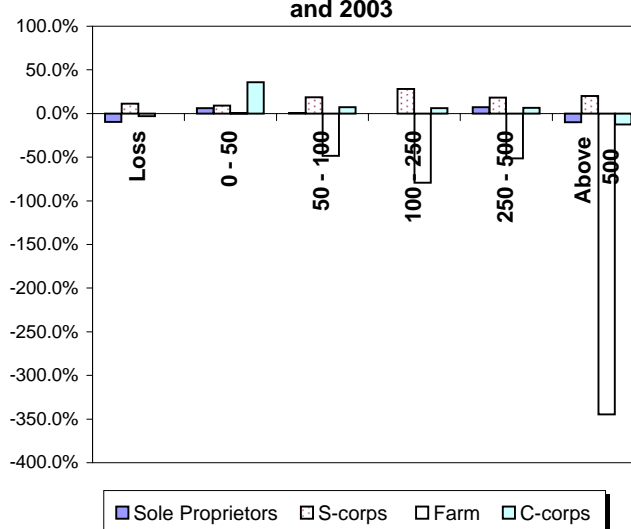


Income Level (\$000)	Total Income Reported (\$000)									
	2000					2003				
	Personal			Corporate	TOTAL	Personal			Corporate	TOTAL
	Sole Proprietors	S-corps	Farm	C-corps		Sole Proprietors	S-corps	Farm	C-corps	
Loss	-68,289	-1,061,611	-72,690	0	-1,202,590	-74,823	-940,154	-74,891	0	-1,089,868
0 - 50	800,387	305,549	-82,834	120,494	1,143,596	848,878	333,684	-82,714	163,891	1,263,739
50 - 100	657,530	282,692	-39,439	107,739	1,008,522	662,332	335,838	-58,486	115,695	1,055,379
100 - 250	706,592	390,279	-16,247	187,094	1,267,718	706,803	499,962	-29,152	198,639	1,376,252
250 - 500	228,897	313,284	-8,426	195,105	728,860	245,736	370,066	-12,744	207,487	810,545
Above 500	150,136	1,562,244	-2,426	5,651,880	7,361,834	135,208	1,874,939	-10,791	4,936,190	6,935,546
TOTAL	2,475,253	1,792,437	-222,062	6,262,312	10,307,940	2,524,134	2,474,335	-268,778	5,621,902	10,351,593

Total Income (thousands) By Income Group and Business Type - 2003



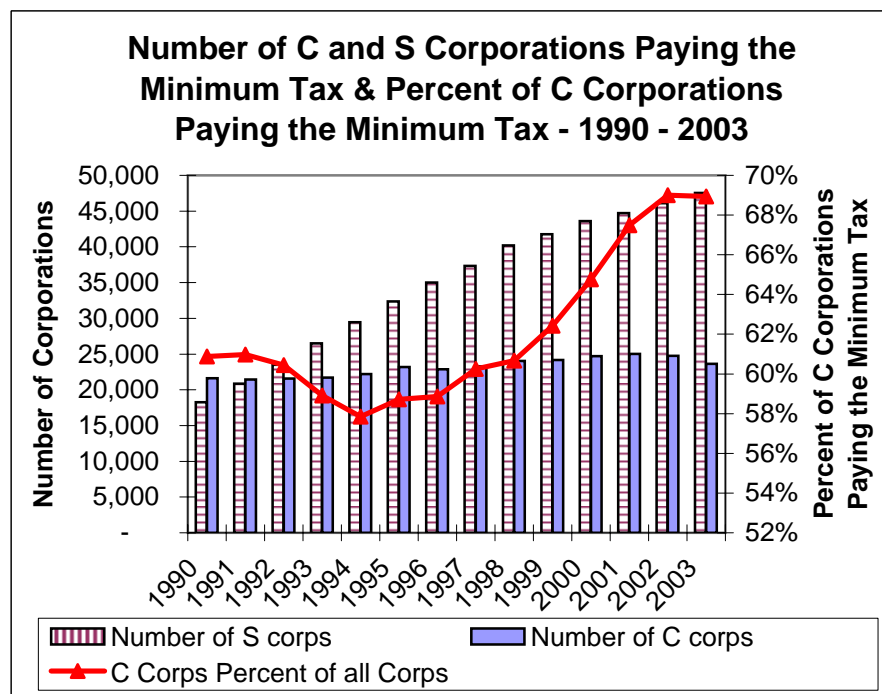
Percentage Change in Total Income By Income Group (thousands) - Between 2000 and 2003



Number of C and S Corporations Paying the Minimum Tax & Percent of C Corporations Paying the Minimum Tax

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

Tax Year	Corporations Paying Min Tax		Total C-corps	% of all C-corps paying min tax
	C-corps	S-corps		
1990	21,621	18,253	35,510	61%
1991	21,462	20,879	35,200	61%
1992	21,555	23,494	35,660	60%
1993	21,726	26,483	36,879	59%
1994	22,182	29,454	38,344	58%
1995	23,192	32,362	39,497	59%
1996	22,872	34,984	38,851	59%
1997	23,259	37,334	38,607	60%
1998	24,032	40,206	39,612	61%
1999	24,173	41,746	38,722	62%
2000	24,699	43,591	38,139	65%
2001	25,028	44,716	37,083	67%
2002	24,764	46,088	35,892	69%
2003	23,651	47,537	34,311	69%



Number of C Corporation Tax Returns By Oregon Sales and Amount of Tax - Tax Year 2003

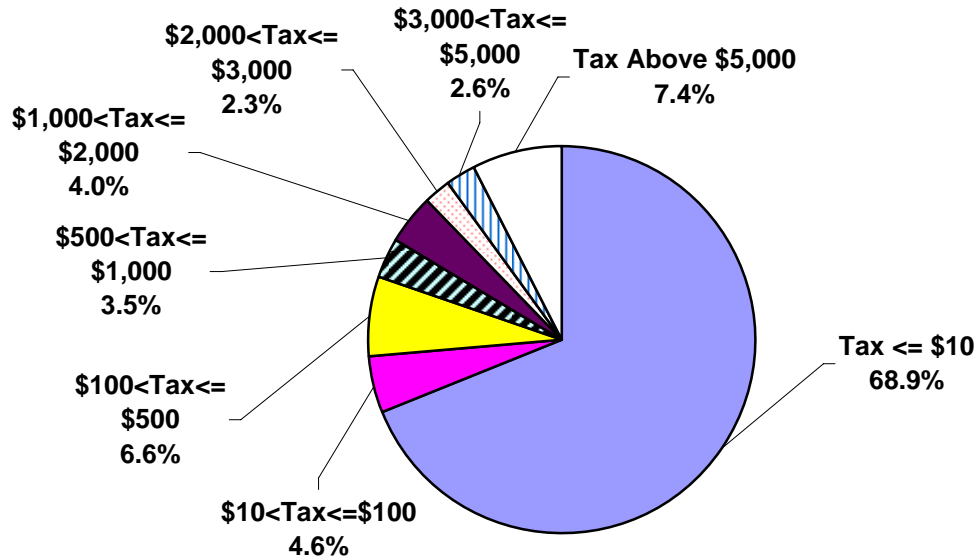
Oregon Sales¹	Tax <= \$10	\$10<Tax<=\$100	\$100<Tax<=\$500	\$500<Tax<=\$1,000	\$1,000<Tax<=\$2,000	\$2,000<Tax<=\$3,000	\$3,000<Tax<=\$5,000	Tax Above \$5,000	Total
Sales <=0	5,313	321	298	125	129	68	78	121	6,453
0< Sales<=50,000	3,415	436	394	112	71	15	23	15	4,481
50,000< Sales <=100,000	1,561	175	233	96	59	32	22	15	2,193
100,000 < Sales <250,000	2,769	208	468	214	159	83	60	42	4,003
250,000 < Sales <500,000	2,387	183	310	217	238	102	78	69	3,584
500,000 < Sales <1,000,000	2,434	130	257	198	235	151	149	141	3,695
1,000,000 < Sales <=5,000,000	3,493	93	228	204	387	267	372	851	5,895
5,000,000 < Sales <=10,000,000	685	<10	18	25	36	46	59	423	1,297
10,000,000 < Sales <=15,000,000	221	<10	<10	<10	19	14	21	224	509
15,000,000 < Sales <=20,000,000	147	<10	<10	<10	<10	<10	<10	120	289
20,000,000 < Sales <=25,000,000	107	<10	<10	<10	<10	<10	<10	80	194
Sales Above 25,000,000	485	<10	<10	<10	<10	<10	<10	413	932
Unknown	634	34	41	14	22	11	12	18	786
Total	23,651	1,591	2,260	1,218	1,367	799	893	2,532	34,311

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

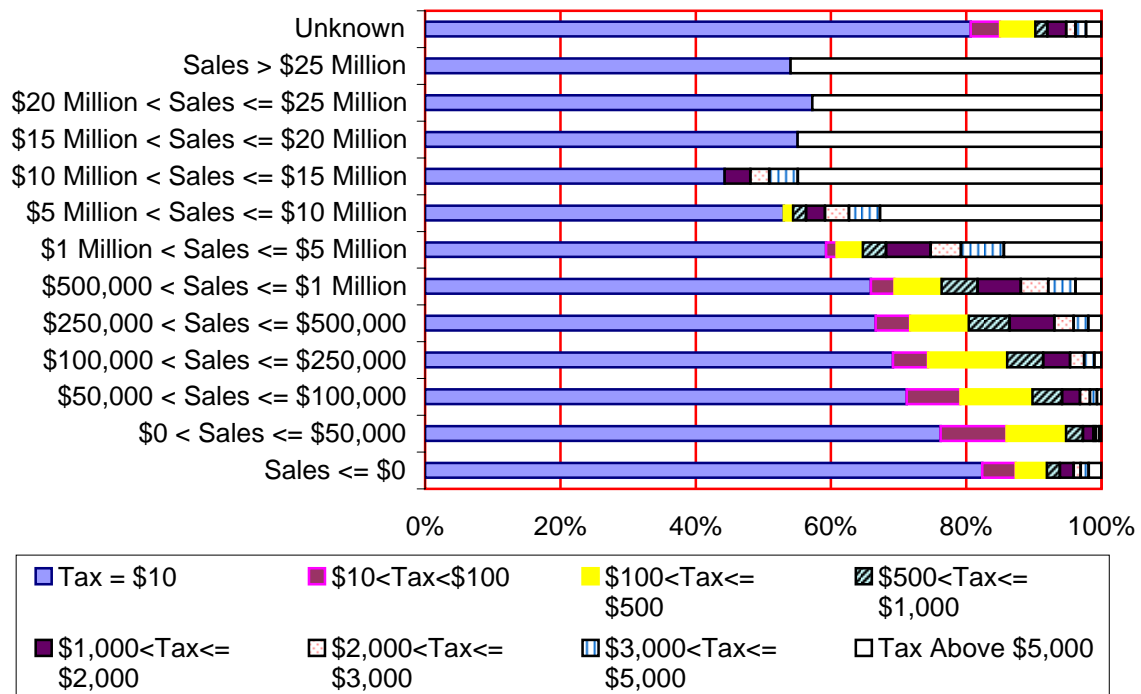
Percent of C Corporation Tax Returns By Oregon Sales and Amount of Tax - Tax Year 2003

Oregon Sales¹	Tax = \$10	\$10<Tax<\$100	\$100<Tax<=\$500	\$500<Tax<=\$1,000	\$1,000<Tax<=\$2,000	\$2,000<Tax<=\$3,000	\$3,000<Tax<=\$5,000	Tax Above \$5,000	Total
Sales <=0	22%	20%	13%	10%	9%	9%	9%	5%	19%
0< Sales<=50,000	14%	27%	17%	9%	5%	2%	3%	1%	13%
50,000< Sales <=100,000	7%	11%	10%	8%	4%	4%	2%	1%	6%
100,000 < Sales <250,000	12%	13%	21%	18%	12%	10%	7%	2%	12%
250,000 < Sales <500,000	10%	12%	14%	18%	17%	13%	9%	3%	10%
500,000 < Sales <1,000,000	10%	8%	11%	16%	17%	19%	17%	6%	11%
1,000,000 < Sales <=5,000,000	15%	6%	10%	17%	28%	33%	42%	34%	17%
5,000,000 < Sales <=10,000,000	3%	< 1%	1%	2%	3%	6%	7%	17%	4%
10,000,000 < Sales <=15,000,000	1%	< 1%	< 1%	< 1%	1%	2%	2%	9%	1%
15,000,000 < Sales <=20,000,000	1%	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%	5%	1%
20,000,000 < Sales <=25,000,000	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%	3%	1%
Sales Above 25,000,000	2%	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%	16%	3%
Unknown	3%	2%	2%	1%	2%	1%	1%	1%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Percent of 2003 C Corporation Returns By Tax Amount



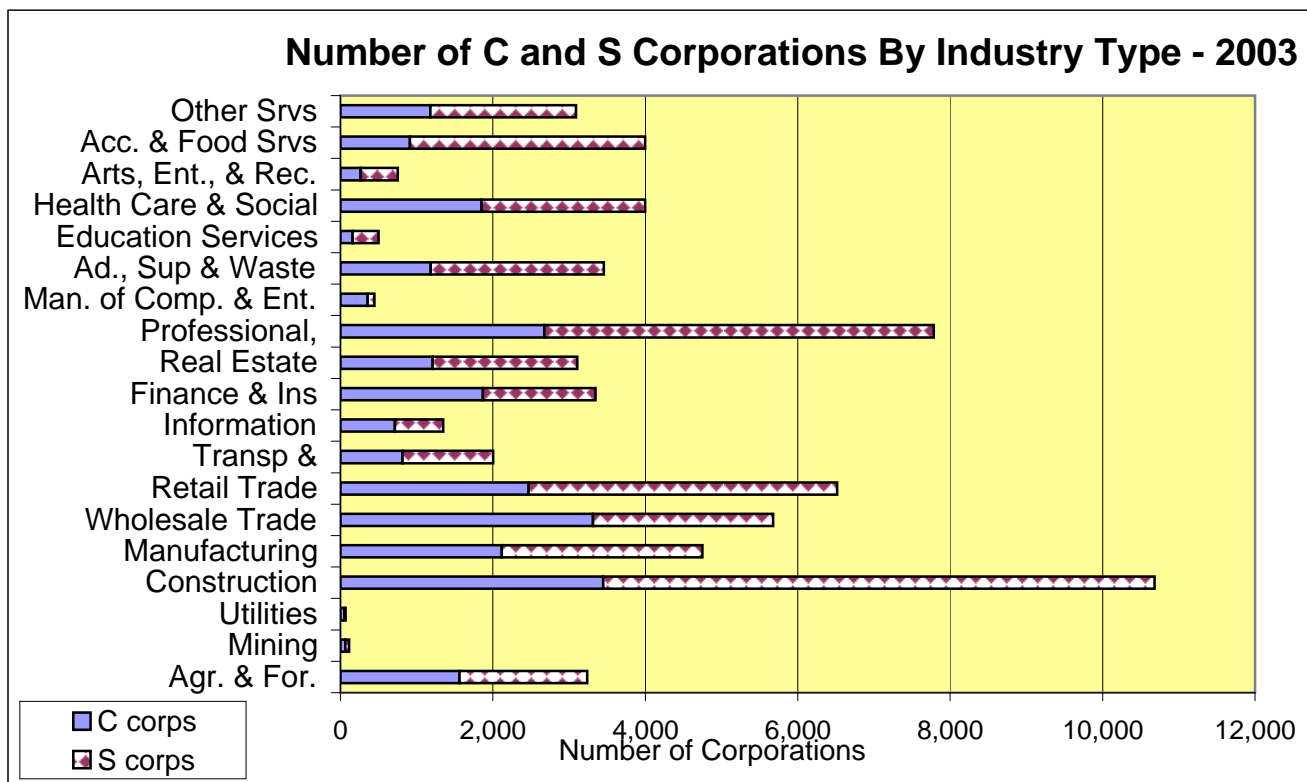
2003 C Corporation Tax Returns By Gross Sales in Oregon and Size of Tax



2003 Tax Year

Corporation Filers by Industry

Industry	C-Corp Returns	S-Corp Returns
Agr. & For.	1,564	1,678
Mining	65	51
Utilities	52	18
Construction	3,449	7,237
Manufacturing	2,115	2,637
Wholesale Trade	3,313	2,369
Retail Trade	2,470	4,052
Transp & Warehousing	814	1,191
Information	712	639
Finance & Ins	1,867	1,482
Real Estate	1,210	1,903
Professional, Scientific & Tech Srv	2,674	5,116
Man. of Comp. & Ent.	355	93
Ad., Sup & Waste Man	1,185	2,274
Education Services	160	342
Health Care & Social Asst.	1,852	2,151
Arts, Ent., & Rec.	264	490
Acc. & Food Svcs	911	3,090
Other Svcs	1,178	1,918
Unknown	8,101	9,067
All	34,311	47,798



PROPERTY TAX

The property tax in Oregon is a local tax. It funds most of the local services and many functions of county and city governments. Large portions of school-districts and community college budgets also depend on property tax receipts. Taxable property includes real property, mobile homes and some tangible personal property used by business. Prior to the passage of property tax limitation Measure 50, property was generally taxed based on its real market value. Since 1997-98 each property has a real market as well as an assessed value. Property assessment and taxation is conducted at the county level, except for large industrial properties and "centrally" assessed utilities, where Oregon Department of Revenue plays a major role.

Property tax rates differ across the state. The rate on any particular property depends on the tax rates approved by local voters and the limits established in the Oregon Constitution. Most properties are taxed by multiple districts, such as a city, county, school, community college, port and fire. The total tax rate on a particular property is figured by adding all the local taxing districts' rates in the area. The tax on each property is computed by multiplying the total tax rate by the assessed value of the property. Annually, the county assessor verifies the tax rates and levies submitted by each local taxing district. Collection of taxes and distribution of the funds to local districts is done by the county tax collector.

In 2004-05, the total Real Market Value (RMV) of taxable property in Oregon was \$329.75 billion. RMV increased 8.0% over the previous year. The statewide total Assessed Value (AV) of \$238.8 billion reflects a 4.8% growth rate over 2003-04. Excluding \$148 million set aside for Urban Renewal, 2004-05 property taxes imposed by all districts totaled \$3.61 billion in 2004-05 reflecting a 3.9% growth rate over the prior year. A 9.4% growth rate for community colleges exceeded the growth rates of every other major type of taxing district in the state.

Exemptions

Not all property is taxable. Major exemptions include intangible property (stocks, bonds), tangible personal property of individuals (household furnishings, sporting equipment), licensed property (cars, trucks), business inventories, government property (unless leased), and property used for religious or charitable purposes. Electric cooperatives, rural telephone exchanges and some other property are exempt from property taxation because other taxes are paid *in lieu* of property tax.

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

Limitations

Measure 5

Measure 5 is a tax limitation constitutional amendment approved by Oregon voters in 1990. It restricted taxes on any parcel of property per \$1000 of real market value. The education category is limited to \$5 and general government to \$10. Tax compression occurs if the tax extended on a property exceeds either of Measure 5 limits. General obligation bonds are not restricted by Measure 5 limits.

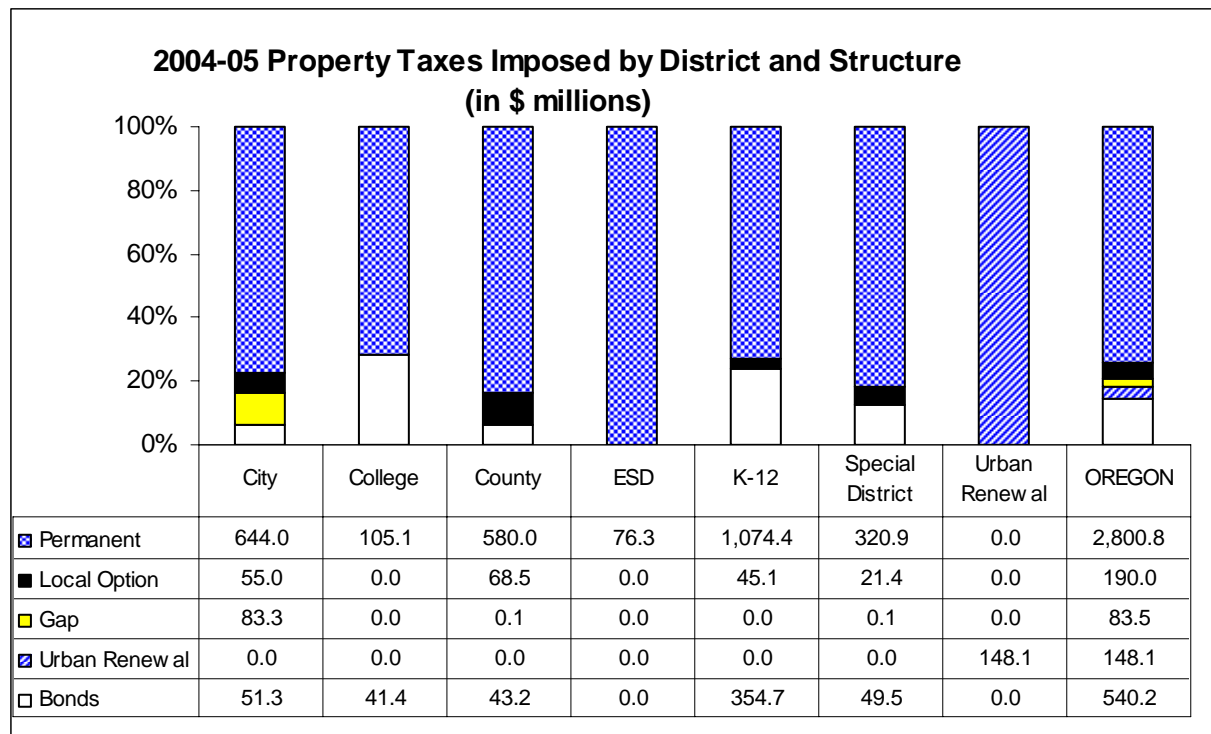
Measure 50

In May 1997 voters passed a second constitutional amendment to limit property tax. Measure 50 did not replace Measure 5, but rather established a second level of restrictions. Measure 50 gave

each district a permanent tax rate which can not be increased without a constitutional amendment. However, voters can approve local option levies for up to five years for operations, and up to the lesser of ten years or the useful life of capital projects. Those local option levies as well as two other types of levies, GAP and urban renewal, are subject to Measure 5 tax limits. Local option levies, as well as general obligation bonds, must be approved at a general election or any election at which at least 50% of eligible voters cast a ballot.

Measure 50 also defined the concept of assessed Value. The 1997-98 Maximum Assessed Value (MAV) for each property is 90% of its 1995-96 real market value. If no new construction occurs on the property, in later years, the assessed value grows annually at 3% per year. However, assessed value can not exceed real market value. The ratio between RMV and AV is known as the property change ratio (PCR). This AV ratio in 2004-05, for all classes of property statewide, is about 72.4% of total real market value. New property is first assessed at the average county PCR of existing property of the same class.

The table below breaks down the 2004-05 property taxes by type of taxing district, as well as, tax source. Except for Urban renewal areas, the largest portion of any district's property tax revenue comes from its permanent rate. Taxes from this source, totaling \$2.8 billion or 74.4% of all taxes imposed, reflected an annual growth rate of 5.6% relative to the prior year's growth rate of 3.8%. For the K-12 and special taxing districts, revenues derived from their permanent rates increased by over 6%.



OREGON	833.7	146.5	691.7	76.3	1,474.2	392.0	148.1	3,762.5
Revenue Growth	3.69%	9.36%	4.76%	4.56%	3.24%	5.08%	4.3%	4.13%

General obligation bonds in 2004-05 totaled \$540.2 million or 14.4% of all taxes imposed, reflecting an annual growth rate of 3.4%. Historically, these funds have been an important source of revenue for the K-12 taxing districts. In 2004-05, roughly \$354.7 million (65.7%) of bond all revenues were collected by K-12 school districts, reflecting a 2.1% growth rate over the prior year. Bond revenues also appear to be gaining importance to community colleges. In 2004-05, bond revenues for college taxing districts totaled \$41.4 million grew by 21.8% over the prior year.

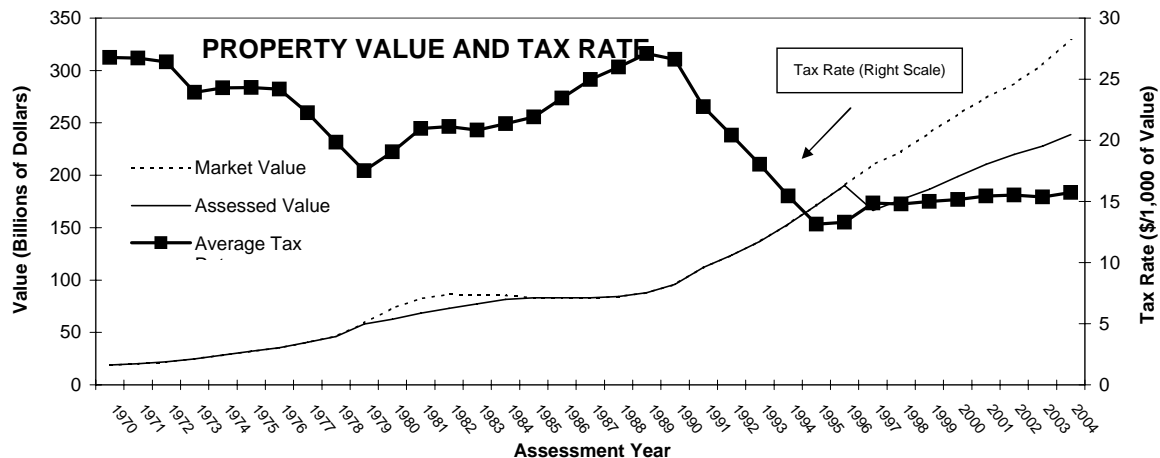
In 2004-05 the K-12 districts reduced their reliance on local option tax revenues from \$58.5 million in 2003-04 to \$45.1 million in 2004-05, a reduction of 22%. However, the counties and special taxing districts increased their use of local option levies by roughly 7.7% and 6.4%, respectively. Over all taxing districts, local option levies totaling \$190.1 million declined in 2004-05 by -3.1%.

Technically, 'compression' is the difference between 'extended' taxes and a lesser amount that can actually be imposed on property because of Oregon's Constitutional limitations. However, 'compression' can also be viewed as a loss in that it reflects the additional revenues that taxing districts anticipated they would need, but did not receive, for funding local services. Over the past two years, Oregon's RMV levels increased by 6% and 8%, respectively; but due to higher anticipated costs of providing local public services, the 'extended' property taxes exceeded the Constitutional limits. In 2003-04 compression losses totaled \$81.7 million, 37.4% higher than the prior year; but in 2004-05, due to higher growth in RMV levels in many parts of the state, compression losses declined to \$69.6 million reflecting 14.1% decline over the prior year. In 2004-05, compression losses for the K-12 taxing districts and the Educational Special Districts (ESDs) totaled \$32.2 million, reflecting an annual decline of 13.8%. Compression losses for the other taxing districts also declined to 37.4 million, reflecting a 10.1% reduction over the prior year. At the sub-state level, compression losses for K-12 taxing districts and ESDs ranged between \$7.5 million and \$1,600 in Lane and Klamath Counties, respectively. Compression losses for other taxing districts ranged between \$31.9 million and \$400,000 in Multnomah and Wallowa Counties, respectively.

VALUE OF TAXABLE PROPERTY, ASSESSMENT RATIO AND AVERAGE TAX RATE

ASSESSMENT DATE	MARKET VALUE		ASSESSED VALUE		ASSESSMENT RATIO		AVERAGE TAX RATE	
	MILLIONS	CHANGE	MILLIONS	CHANGE	HOME	OTHER	\$/1,000	CHANGE
1-1-70	18,797	9.0%	18,795	9.0%	100.0%		26.78	2.0%
1-1-71	20,261	7.8%	20,258	7.8%	100.0%		26.72	-0.2%
1-1-72	22,113	9.1%	22,108	9.1%	100.0%		26.41	-1.1%
1-1-73	24,899	12.6%	24,870	12.5%	100.0%		23.93	-9.4%
1-1-74	28,402	14.1%	28,274	13.7%	100.0%		24.29	1.5%
1-1-75	32,175	13.3%	32,015	13.2%	100.0%		24.31	0.1%
1-1-76	35,547	10.5%	35,536	11.0%	100.0%		24.20	-0.5%
1-1-77	40,704	14.5%	40,508	14.0%	100.0%		22.24	-8.1%
1-1-78	46,646	14.6%	46,155	13.9%	100.0%		19.85	-10.8%
1-1-79	59,025	26.5%	57,898	25.4%	100.0%		17.52	-11.7%
1-1-80	73,402	24.4%	62,544	8.0%	84.2%	87.6%	19.05	8.7%
1-1-81	82,427	12.3%	68,458	9.5%	81.6%	84.4%	20.97	10.1%
1-1-82	86,429	4.9%	73,029	6.7%	83.8%	85.1%	21.14	0.8%
1-1-83	85,365	-1.2%	77,399	6.0%	90.3%	90.9%	20.83	-1.4%
1-1-84	85,400	0.0%	81,428	5.2%		96.0%	21.37	2.6%
1-1-85	83,035	-2.8%	83,026	2.0%		100.0%	21.91	2.5%
1-1-86	82,944	-0.1%	82,944	-0.1%		100.0%	23.47	7.1%
1-1-87	83,111	0.2%	83,129	0.2%		100.0%	24.97	6.4%
1-1-88	84,258	1.4%	84,305	1.4%		100.0%	25.99	4.1%
1-1-89	88,076	4.5%	88,085	4.5%		100.0%	27.09	4.2%
1-1-90	95,850	8.8%	95,851	8.8%		100.0%	26.61	-1.8%
7-1-91	112,134	17.0%	112,154	17.0%		100.0%	22.74	-14.5%
7-1-92	123,755	10.4%	123,780	10.4%		100.0%	20.43	-10.2%
7-1-93	136,787	10.5%	136,815	10.5%		100.0%	18.03	-11.7%
7-1-94	153,370	12.1%	153,400	12.1%		100.0%	15.45	-14.3%
7-1-95	171,190	11.6%	171,226	11.6%		100.0%	13.13	-15.0%
7-1-96	190,161	11.1%	190,209	11.1%		100.0%	13.29	1.2%
7-1-97	209,981	10.4%	166,507	-12.5%		79.3%	14.87	11.9%
1-1-98	222,313	5.9%	176,906	6.2%		79.6%	14.80	-0.5%
1-1-99	240,312	8.1%	186,676	5.5%		77.7%	15.01	1.4%
1-1-00	258,133	7.4%	198,911	6.6%		77.1%	15.15	1.0%
1-1-01	274,042	6.2%	210,435	5.8%		76.8%	15.45	2.0%
1-1-02	287,260	4.8%	219,781	4.4%		76.5%	15.54	0.5%
1-1-03	305,351	6.3%	227,876	3.7%		74.6%	15.37	-1.0%
1-1-04	329,746	8.0%	238,759	4.8%		72.4%	15.74	2.4%
Ave. Growth Rate (1970-2004)		9.0%		8.0%				-1.3%

NOTE: Market value is the taxable property value certified by the Department of Revenue (ORS 309.360).
Assessed value is the total value on the roll at the time the levy is extended. Value may be reduced by appeals.
Beginning in 1998, excess urban renewal value, both used and unused value, is included in the assessed value.
1991 value growth is for 18 months with change in assessment date to July.
1998 value growth is for 6 months with change in assessment date back to January.



**TOTAL ASSESSED (AV), REAL MARKET (RMV) VALUES
AND PROPERTY CHANGE RATIOS (PCR)**

COUNTY	TOTAL RMV (\$000s)			TOTAL AV (\$000s)			RATIO - AV/RMV (PCR)		
	2003-04	2004-05	CHANGE	2003-04	2004-05	CHANGE	2003-04	2004-05	CHANGE
BAKER	1,071,147	1,112,536	3.9%	914,098	946,480.2	3.5%	85.34%	85.07%	-0.3%
BENTON	6,054,453	6,806,727	12.4%	5,004,834	5,280,144.9	5.5%	82.66%	77.57%	-6.2%
CLACKAMAS	34,245,170	36,881,647	7.7%	26,364,804	27,608,115.2	4.7%	76.99%	74.86%	-2.8%
CLATSOP	4,499,149	5,038,357	12.0%	3,581,351	3,759,324.1	5.0%	79.60%	74.61%	-6.3%
COLUMBIA	3,647,536	3,810,285	4.5%	2,981,325	3,106,217.1	4.2%	81.74%	81.52%	-0.3%
COOS	3,910,099	4,363,377	11.6%	3,280,143	3,409,757.6	4.0%	83.89%	78.14%	-6.9%
CROOK	1,321,366	1,457,457	10.3%	1,050,423	1,123,687	7.0%	79.50%	77.10%	-3.0%
CURRY	2,204,168	2,593,153	17.7%	1,828,684	1,932,060	5.7%	82.96%	74.51%	-10.2%
DESCHUTES	15,893,814	17,613,736	10.8%	11,159,454	12,209,406	9.4%	70.21%	69.32%	-1.3%
DOUGLAS	6,558,653	7,236,702	10.3%	5,428,270	5,764,638	6.2%	82.77%	79.66%	-3.8%
GILLIAM	265,501	268,369	1.1%	217,707	228,736	5.1%	82.00%	85.23%	3.9%
GRANT	429,167	429,054	0.0%	343,639	353,513	2.9%	80.07%	82.39%	2.9%
HARNEY	441,539	456,026	3.3%	337,682	340,709	0.9%	76.48%	74.71%	-2.3%
HOOD RIVER	1,682,667	1,916,038	13.9%	1,235,607	1,318,784	6.7%	73.43%	68.83%	-6.3%
JACKSON	15,950,252	18,497,104	16.0%	11,677,436	12,102,437	3.6%	73.21%	65.43%	-10.6%
JEFFERSON	1,396,173	1,505,949	7.9%	1,035,801	1,104,131	6.6%	74.19%	73.32%	-1.2%
JOSEPHINE	5,477,102	6,500,776	18.7%	4,232,512	4,479,560	5.8%	77.28%	68.91%	-10.8%
KLAMATH	4,401,885	4,816,651	9.4%	3,537,808	3,680,657	4.0%	80.37%	76.42%	-4.9%
LAKE	517,710	535,606	3.5%	400,732	408,338	1.9%	77.40%	76.24%	-1.5%
LANE	24,246,310	26,739,084	10.3%	19,412,692	20,371,200	4.9%	80.06%	76.19%	-4.9%
LINCOLN	5,460,233	5,770,252	5.7%	4,773,691	4,920,470	3.1%	87.43%	85.27%	-2.5%
LINN	6,776,611	7,381,070	8.9%	5,662,737	5,989,446	5.8%	83.56%	81.15%	-2.9%
MALHEUR	1,471,216	1,528,109	3.9%	1,257,923	1,297,876	3.2%	85.50%	84.93%	-0.7%
MARION	18,173,721	19,256,708	6.0%	14,427,510	15,002,773	4.0%	79.39%	77.91%	-1.9%
MORROW	1,157,353	1,169,908	1.1%	1,007,515	1,029,026	2.1%	87.05%	87.96%	1.0%
MULTNOMAH	66,463,085	70,615,568	6.3%	45,519,478	47,292,694	3.9%	68.49%	66.97%	-2.2%
POLK	3,839,968	4,182,974	8.9%	3,097,255	3,297,143	6.5%	80.66%	78.82%	-2.3%
SHERMAN	238,826	233,367	-2.3%	209,186	211,658	1.2%	87.59%	90.70%	3.6%
TILLAMOOK	3,291,889	3,559,685	8.1%	2,712,065	2,849,424	5.1%	82.39%	80.05%	-2.8%
UMATILLA	4,165,958	4,352,083	4.5%	3,395,676	3,575,048	5.3%	81.51%	82.15%	0.8%
UNION	1,354,602	1,399,638	3.3%	1,102,743	1,140,901	3.5%	81.41%	81.51%	0.1%
WALLOWA	619,759	645,301	4.1%	480,552	501,589	4.4%	77.54%	77.73%	0.3%
WASCO	1,626,399	1,712,125	5.3%	1,334,841	1,379,259	3.3%	82.07%	80.56%	-1.9%
WASHINGTON	50,523,742	52,646,589	4.2%	34,258,289	35,792,982	4.5%	67.81%	67.99%	0.3%
WHEELER	109,728	117,132	6.8%	76,273	80,990	6.2%	69.51%	69.14%	-0.5%
YAMHILL	5,823,658	6,597,550	13.3%	4,535,024	4,869,874	7.4%	77.87%	73.81%	-5.2%
OREGON	305,310,608	329,746,692	8.0%	227,875,759	238,759,049	4.8%	74.64%	72.41%	-3.0%

NET ASSESSED VALUE AND AVERAGE TAX RATE

COUNTY	--- NET ASSESSED VALUE (\$000s) ---			-- AVERAGE TAX RATE --		
	2003-04	2004-05	CHANGE	2003-04	2004-05	CHANGE
BAKER	914,269	946,658	3.54%	13.50	13.63	0.96%
BENTON	4,988,768	5,261,638	5.47%	15.62	15.23	-2.48%
CLACKAMAS	25,122,808	26,322,636	4.78%	15.26	15.10	-1.02%
CLATSOP	3,539,332	3,711,396	4.86%	12.51	12.80	2.30%
COLUMBIA	2,939,214	3,048,844	3.73%	12.96	13.04	0.58%
COOS	3,167,520	3,299,831	4.18%	13.67	13.57	-0.73%
CROOK	1,050,423	1,123,687	6.97%	14.21	13.99	-1.49%
CURRY	1,820,753	1,917,303	5.30%	8.89	8.92	0.31%
DESCHUTES	11,012,291	12,047,545	9.40%	14.41	14.41	0.04%
DOUGLAS	5,285,870	5,608,699	6.11%	11.27	11.19	-0.66%
GILLIAM	219,296	230,373	5.05%	13.35	12.84	-3.79%
GRANT	344,000	353,882	2.87%	15.50	15.31	-1.25%
HARNEY	337,682	340,709	0.90%	13.81	13.77	-0.28%
HOOD RIVER	1,206,697	1,289,640	6.87%	12.74	12.38	-2.81%
JACKSON	11,012,291	11,765,901	6.84%	14.00	13.48	-3.72%
JEFFERSON	1,026,533	1,091,068	6.29%	16.69	16.66	-0.22%
JOSEPHINE	4,121,917	4,356,930	5.70%	9.04	9.17	1.36%
KLAMATH	3,515,036	3,652,065	3.90%	11.15	11.00	-1.34%
LAKE	401,638	409,272	1.90%	14.17	14.11	-0.38%
LANE	19,191,256	20,159,386	5.04%	15.38	15.26	-0.78%
LINCOLN	4,415,548	4,549,678	3.04%	13.27	13.42	1.18%
LINN	5,584,128	5,896,221	5.59%	14.86	14.84	-0.17%
MALHEUR	1,259,223	1,299,217	3.18%	12.68	12.62	-0.41%
MARION	13,851,148	14,455,141	4.36%	16.47	16.61	0.83%
MORROW	1,007,518	1,029,030	2.14%	17.05	16.51	-3.15%
MULTNOMAH	43,408,763	44,918,058	3.48%	20.23	19.88	-1.74%
POLK	3,094,266	3,294,301	6.46%	15.23	15.29	0.38%
SHERMAN	209,214	211,686	1.18%	17.36	17.05	-1.75%
TILLAMOOK	2,712,065	2,849,424	5.06%	10.12	10.31	1.94%
UMATILLA	3,373,716	3,554,605	5.36%	16.19	15.52	-4.13%
UNION	1,089,045	1,123,852	3.20%	13.53	13.68	1.07%
WALLOWA	481,092	502,152	4.38%	13.34	13.17	-1.30%
WASCO	1,287,069	1,331,963	3.49%	16.90	16.56	-2.02%
WASHINGTON	33,842,430	35,353,772	4.47%	16.27	15.53	-4.55%
WHEELER	76,926	81,663	6.16%	16.51	16.62	0.71%
YAMHILL	4,535,024	4,869,874	7.38%	15.48	14.69	-5.07%
TOTAL	221,444,769	232,258,098	4.88%	15.82	15.55	-1.73%
URBAN RENEWAL	6,367,739	6,795,604.0	6.72%	21.93	21.80	-0.59%
OREGON	227,812,508	239,053,702	4.9%	15.99	15.73	-1.63%

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

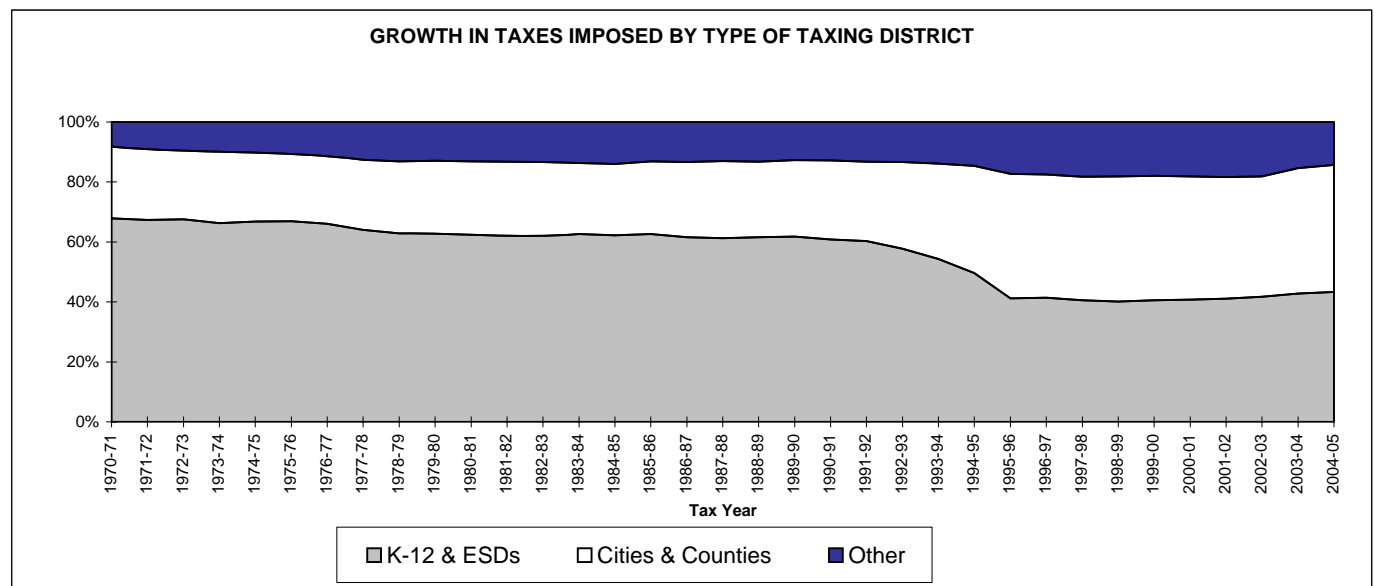
UR Assessed Value includes the used Excess Value only.

GROWTH OF IMPOSED PROPERTY TAX LEVIES

YEAR	TOTAL LEVIES		%	COUNTIES		CITIES		SCHOOLS AND E.S.D.S		COMMUNITY COLLEGES		OTHER DISTRICTS	
	LEVIES			LEVIES	%	LEVIES	%	LEVIES	%	LEVIES	%	LEVIES	%
1970-71	503.2		11.1%	51.3	3.4%	69.4	10.5%	341.4	11.1%	18.9	32.2%	22.2	18.1%
1971-72	541.3		7.6%	56.5	10.1%	71.1	2.4%	364.5	6.8%	21.0	11.1%	28.2	27.0%
1972-73	583.9		7.9%	58.4	3.4%	75.2	5.8%	394.6	8.3%	22.8	8.6%	32.9	16.7%
1973-74	595.3		2.0%	61.1	4.6%	81.0	7.7%	394.4	-0.1%	24.2	6.1%	34.6	5.2%
1974-75	687.1		15.4%	65.8	7.7%	91.8	13.3%	458.9	16.4%	28.2	16.5%	42.4	22.5%
1975-76	778.5		13.3%	71.2	8.2%	103.1	12.3%	521.3	13.6%	33.3	18.1%	49.6	17.0%
1976-77	860.0		10.5%	79.4	11.5%	115.6	12.1%	567.8	8.9%	36.1	8.4%	61.1	23.2%
1977-78	901.0		4.8%	85.7	7.9%	124.4	7.6%	577.2	1.7%	39.9	10.5%	73.8	20.8%
1978-79	916.0		1.7%	88.1	2.8%	132.0	6.1%	575.8	-0.2%	40.9	2.5%	79.2	7.3%
1979-80	1,014.4		10.7%	94.3	7.0%	152.7	15.7%	636.2	10.5%	47.8	16.9%	83.4	5.3%
1980-81	1,191.3		17.4%	107.6	14.1%	183.9	20.4%	743.5	16.9%	56.2	17.6%	100.1	20.0%
1981-82	1,435.6		20.5%	150.1	39.5%	206.7	12.4%	889.5	19.6%	64.8	15.3%	124.5	24.4%
1982-83	1,543.6		7.5%	159.2	6.1%	220.4	6.6%	958.8	7.8%	70.6	9.0%	134.6	8.1%
1983-84	1,612.3		4.5%	149.0	-6.4%	233.4	5.9%	1,010.1	5.4%	73.9	4.7%	145.9	8.4%
1984-85	1,740.0		7.9%	163.7	9.9%	251.6	7.8%	1,081.8	7.1%	79.5	7.6%	163.4	12.0%
1985-86	1,819.2		4.6%	173.3	5.9%	267.6	6.4%	1,139.2	5.3%	82.0	3.1%	157.1	-3.9%
1986-87	1,946.5		7.0%	198.6	14.6%	289.0	8.0%	1,199.0	5.2%	92.9	13.3%	167.0	6.3%
1987-88	2,072.9		6.5%	223.9	12.7%	309.9	7.2%	1,269.2	5.9%	97.0	4.4%	172.9	3.5%
1988-89	2,223.7		7.3%	243.1	8.6%	318.5	2.8%	1,368.8	7.8%	106.0	9.3%	187.3	8.3%
1989-90	2,386.0		7.3%	248.3	2.1%	359.9	13.0%	1,475.2	7.8%	109.2	3.0%	193.4	3.3%
1990-91	2,550.6		6.9%	282.1	13.6%	390.4	8.5%	1,550.4	5.1%	115.0	5.3%	212.7	10.0%
1991-92	2,549.9		0.0%	292.1	3.5%	382.7	-2.0%	1,537.7	-0.8%	112.5	-2.2%	224.9	5.7%
1992-93	2,529.0		-0.8%	314.7	7.7%	416.8	8.9%	1,461.3	-5.0%	112.2	-0.3%	224.0	-0.4%
1993-94	2,466.4		-2.5%	336.3	6.9%	447.2	7.3%	1,340.4	-8.3%	103.6	-7.7%	238.8	6.6%
1994-95	2,369.8		-3.9%	353.8	5.2%	494.1	10.5%	1,175.6	-12.3%	90.1	-13.0%	256.3	7.3%
1995-96	2,248.2		-5.1%	398.8	12.7%	533.5	8.0%	927.2	-21.1%	78.6	-12.8%	310.1	21.0%
1996-97	2,527.9		12.4%	470.5	18.0%	568.8	6.6%	1,045.9	12.8%	89.0	13.2%	353.6	14.0%
1997-98	2,476.5		-2.0%	469.6	-0.2%	549.1	-3.5%	1,005.1	-3.9%	88.9	-0.1%	363.7	2.9%
1998-99	2,617.8		5.7%	514.7	9.6%	579.9	5.6%	1,049.1	4.4%	93.1	4.7%	381.0	4.8%
1999-00	2,801.5		7.0%	536.9	4.3%	625.9	7.9%	1,135.4	8.2%	97.8	5.1%	405.6	6.4%
	1.093%												
2000-01	3,014.0		7.6%	574.2	7.0%	664.4	6.1%	1,229.2	8.3%	105.1	7.4%	441.3	8.8%
2001-02	3,251.9		7.9%	618.7	7.7%	699.0	5.2%	1,337.8	8.8%	127.3	21.1%	469.1	6.3%
2002-03	3,414.6		5.0%	638.5	3.2%	733.6	4.9%	1,424.7	6.5%	128.8	1.2%	489.0	4.2%
2003-04	3,503.4		2.6%	660.3	3.4%	804.0	9.6%	1,500.9	5.3%	134.0	4.0%	404.6	-17.3%
2004-05	3,774.8		7.7%	691.7	4.8%	910.6	13.3%	1,633.9	8.9%	146.5	9.4%	392.0	-3.1%
Ave. Growth Rate (1970-2005)			6.4%		8.0%		8.0%		5.2%		7.2%		9.5%
Ave. Growth Rate (1990-2005)			2.9%		7.2%		6.5%		1.1%		2.4%		5.2%

NOTES: Dollar figures in millions.

"Other Districts" include urban renewal districts.



**Property Taxes Imposed
2004-05**

Research Report #1-06

COUNTY	--- TOTAL IMPOSED ---		--- COUNTIES---		--- CITIES ---		--- SCHOOLS & ESDs ---		COMMUNITY COLLEGE		--SPECIAL DISTRICTS--	
	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	% CHANGE	AMOUNT	% CHANGE
BAKER	12,898,499	4.5%	3,788,189	2.0%	2,510,615	3.8%	4,623,528	3.4%	581,356	3.3%	1,394,811	19.2%
BENTON	80,145,622	2.9%	13,078,228	-7.9%	23,001,496	4.9%	35,669,766	5.7%	3,549,637	6.3%	4,846,495	2.9%
CLACKAMAS	397,569,221	4.9%	70,634,354	4.7%	62,714,121	1.0%	186,962,966	3.7%	18,915,019	9.3%	58,342,760	12.2%
CLATSOP	47,515,698	8.1%	5,654,510	6.1%	8,458,543	6.4%	21,545,081	4.7%	2,856,471	5.7%	9,001,093	21.5%
COLUMBIA	39,745,050	4.6%	5,310,905	2.1%	4,128,842	3.6%	19,137,184	6.4%	1,172,357	3.1%	9,995,762	3.1%
COOS	44,766,037	3.8%	5,553,981	4.5%	9,974,738	3.9%	18,881,090	4.6%	2,260,062	4.8%	8,096,166	1.0%
CROOK	15,725,628	5.4%	4,621,554	11.5%	1,325,045	3.8%	6,384,143	-5.1%	803,811	5.9%	2,591,075	28.9%
CURRY	17,093,530	5.4%	1,131,811	7.9%	2,596,221	3.0%	9,118,975	5.4%	1,344,896	5.3%	2,901,627	6.5%
DESCHUTES	173,635,029	10.7%	32,539,832	17.3%	21,183,425	11.1%	79,356,500	9.0%	8,711,093	8.2%	31,844,179	9.2%
DOUGLAS	62,771,236	5.4%	6,085,308	7.0%	14,443,164	4.8%	30,112,705	5.6%	2,601,490	6.1%	9,528,570	4.3%
GILLIAM	2,958,968	1.1%	881,401	5.0%	318,828	2.9%	1,354,275	-1.4%	0	0.0%	404,464	-0.1%
GRANT	5,416,785	1.6%	1,291,279	1.9%	587,070	0.8%	1,804,832	-5.1%	0	0.0%	1,733,604	9.7%
HARNEY	4,690,668	0.6%	1,498,226	0.5%	651,052	1.2%	1,825,743	0.6%	0	0.0%	715,648	0.6%
HOOD RIVER	15,967,389	5.7%	2,123,321	6.0%	1,270,242	5.4%	9,491,712	6.5%	361,605	6.5%	2,720,509	2.7%
JACKSON	158,603,953	5.0%	29,064,232	4.2%	38,436,762	5.9%	68,857,067	4.9%	6,025,928	5.6%	16,219,965	4.7%
JEFFERSON	18,174,310	6.1%	5,746,119	6.3%	1,094,062	8.1%	8,287,984	4.6%	772,139	4.9%	2,274,005	10.5%
JOSEPHINE	39,939,953	7.1%	3,694,035	1.8%	7,559,689	9.0%	25,103,240	7.7%	2,232,950	5.8%	1,350,040	3.8%
KLAMATH	40,154,935	1.9%	8,073,816	-3.9%	4,724,771	4.0%	14,888,809	3.8%	1,567,713	3.7%	10,899,826	2.7%
LAKE	5,775,182	1.5%	1,525,668	2.6%	580,064	3.5%	2,345,968	0.5%	76,251	1.7%	1,247,232	1.2%
LANE	307,613,071	4.9%	28,363,139	3.6%	107,714,576	3.8%	131,830,275	6.0%	17,624,501	5.9%	22,080,579	3.9%
LINCOLN	61,068,599	4.3%	13,487,514	3.0%	10,541,091	0.2%	27,275,421	2.5%	2,331,148	205.7%	7,433,425	-2.1%
LINN	87,475,190	6.0%	19,409,742	7.9%	20,860,417	4.2%	35,797,583	6.1%	4,055,211	7.5%	7,352,236	4.9%
MALHEUR	16,402,599	2.8%	3,848,214	3.4%	3,413,120	0.2%	6,014,659	3.1%	1,473,424	3.5%	1,653,183	4.7%
MARION	240,092,904	6.8%	43,523,661	4.5%	57,148,326	4.8%	101,115,751	6.8%	13,901,218	30.7%	24,403,949	4.3%
MORROW	16,989,577	-1.1%	4,142,031	1.3%	1,924,288	-2.2%	7,615,121	-2.7%	970,300	-1.9%	2,337,836	1.6%
MULTNOMAH	892,800,133	3.3%	223,481,132	4.6%	297,950,774	2.1%	324,627,646	3.8%	22,494,840	2.2%	24,245,740	3.2%
POLK	50,360,263	7.7%	6,697,049	7.2%	12,922,606	7.2%	23,874,235	5.7%	3,110,024	34.0%	3,756,349	5.5%
SHERMAN	3,609,776	-0.6%	1,861,843	-1.1%	134,391	13.1%	1,244,988	0.4%	0	0.0%	368,555	-5.4%
TILLAMOOK	29,384,545	7.1%	7,887,666	13.3%	1,654,299	6.0%	14,779,750	5.0%	743,062	5.2%	4,319,767	4.5%
UMATILLA	55,181,958	2.7%	11,128,373	3.5%	10,254,012	3.9%	25,455,005	2.0%	3,233,567	0.6%	5,111,000	3.7%
UNION	15,374,325	4.3%	3,352,298	3.2%	4,164,141	3.7%	6,674,442	3.6%	0	0.0%	1,183,444	14.9%
WALLOWA	6,612,618	3.0%	1,428,170	4.6%	708,295	4.0%	3,299,464	2.2%	0	0.0%	1,176,688	3.0%
WASCO	22,051,182	1.4%	6,036,879	3.3%	1,923,447	3.3%	9,145,785	0.9%	1,014,508	2.0%	3,930,563	-1.2%
WASHINGTON	549,041,128	-0.3%	101,571,526	3.7%	81,550,583	4.5%	244,990,177	-4.7%	17,950,804	4.1%	102,978,038	2.7%
WHEELER	1,357,550	6.9%	683,538	7.1%	82,473	4.8%	495,390	7.0%	0	0.0%	96,148	6.6%
YAMHILL	71,554,469	1.9%	12,537,398	7.5%	15,195,069	2.8%	35,177,733	-3.5%	3,805,480	26.3%	4,838,789	12.6%
TOTAL	3,610,517,581	3.9%	691,736,944	4.8%	833,700,658	3.5%	1,545,164,993	3.0%	146,540,866	9.4%	393,374,121	5.6%
URBAN RENEWAL	148,143,986											
OREGON	3,758,661,567	4.0%										

PROPERTY TAX COMPRESSION LOSSES

2004-05

	INSIDE M5 LIMIT SCHOOL LEVIES			INSIDE M5 LIMIT NON-SCHOOL LEVIES			----- TOTAL LEVIES ----- (Excludes Urban Renewal)		
COUNTY	Loss \$000s	% of Tax	% Change	Loss \$000s	% of Tax	% Change	Loss \$000s	% of Tax	% Change
BAKER	476.5	10.3%	5.8%	265.3	3.2%	44.5%	741.8	5.8%	17.0%
BENTON	1,607.6	4.5%	-24.8%	56.4	0.1%	-56.4%	1,664.0	2.1%	-26.6%
CLACKAMAS	3,508.4	1.9%	-9.6%	148.8	0.1%	-10.2%	3,657.1	0.9%	-9.6%
CLATSOP	378.7	1.8%	-28.4%	146.5	0.6%	-11.0%	525.2	1.1%	-24.3%
COLUMBIA	250.0	1.3%	-3.8%	82.5	0.4%	14.2%	332.5	0.8%	0.1%
COOS	200.4	1.1%	-29.4%	52.3	0.2%	-55.9%	252.8	0.6%	-37.2%
CROOK	103.2	1.6%	2.6%	13.9	0.1%	4.2%	117.1	0.7%	2.8%
CURRY	3.3	0.04%	-19.6%	0.5	0.01%	-19.6%	3.8	0.0%	-19.6%
DESCHUTES	418.3	0.5%	6.3%	113.8	0.1%	18.7%	532.1	0.3%	8.7%
DOUGLAS	378.3	1.3%	-3.1%	190.5	0.6%	-11.2%	568.8	0.9%	-6.0%
GILLIAM	26.3	1.9%	-88.1%	14.0	0.9%	7.3%	40.3	1.4%	-82.9%
GRANT	33.5	1.9%	10.1%	2.8	0.1%	31.2%	36.3	0.7%	11.5%
HARNEY	77.4	4.2%	10.2%	89.7	3.1%	23.2%	167.1	3.6%	16.8%
HOOD RIVER	98.3	1.0%	-5.9%	5.5	0.1%	-6.4%	103.8	0.6%	-5.9%
JACKSON	77.6	0.1%	-9.6%	73.7	0.1%	38.6%	151.3	0.1%	8.9%
JEFFERSON	166.6	2.0%	9.8%	72.0	0.7%	20.0%	238.6	1.3%	12.7%
JOSEPHINE	12.4	0.0%	-44.5%	1.3	0.01%	-44.3%	13.7	0.0%	-44.5%
KLAMATH	1.6	0.0%	-10.3%	552.3	2.2%	5.3%	553.9	1.4%	5.2%
LAKE	11.2	0.5%	-6.7%	49.2	1.4%	11.3%	60.3	1.0%	7.4%
LANE	7,554.3	5.7%	-18.7%	277.3	0.2%	23.1%	7,831.6	2.5%	-17.7%
LINCOLN	308.8	1.1%	-21.7%	160.6	0.5%	-28.9%	469.3	0.8%	-24.3%
LINN	716.5	2.0%	-10.7%	1,176.2	2.3%	-11.8%	1,892.7	2.2%	-11.4%
MALHEUR	160.0	2.7%	-9.4%	61.1	0.6%	-3.7%	221.1	1.3%	-7.9%
MARION	695.1	0.7%	4.2%	775.2	0.6%	-13.6%	1,470.3	0.6%	-6.0%
MORROW	140.8	1.8%	6.8%	365.0	3.9%	43.1%	505.8	3.0%	30.7%
MULTNOMAH	9,153.1	2.8%	5.8%	31,952.3	5.6%	-11.1%	41,105.4	4.6%	-7.8%
POLK	236.2	1.0%	-8.5%	29.4	0.1%	-8.5%	265.5	0.5%	-8.5%
SHERMAN	34.5	2.8%	10.3%	39.5	1.7%	-57.1%	74.0	2.0%	-40.0%
TILLAMOOK	159.5	1.1%	-5.4%	9.8	0.1%	-2.7%	169.2	0.6%	-5.2%
UMATILLA	1,720.6	6.8%	10.4%	225.2	0.8%	15.7%	1,945.7	3.5%	11.0%
UNION	94.7	1.4%	-3.4%	97.9	1.1%	22.5%	192.6	1.3%	8.3%
WALLOWA	188.4	5.7%	5.8%	0.4	0.01%	15.9%	188.8	2.9%	5.8%
WASCO	237.6	2.6%	3.5%	110.9	0.9%	-12.8%	348.5	1.6%	-2.3%
WASHINGTON	2,689.8	1.1%	-66.2%	87.4	0.03%	-3.8%	2,777.2	0.5%	-65.4%
WHEELER	13.2	2.7%	-17.6%	22.6	2.6%	-9.1%	35.9	2.6%	-12.4%
YAMHILL	291.7	0.8%	-23.3%	29.7	0.1%	-3.1%	321.4	0.5%	-21.8%
TOTAL(4)	32,224.2	2.1%	-19.7%	37,351.5	1.8%	-10.1%	69,575.7	1.9%	-14.8%

NOTE: Thousands of Dollars. Levies for joint districts are apportioned among counties.

Compression loss equals the M5 compression losses for local taxing districts , excluding urban renewal agencies.

PROPERTY TAX RELIEF

General property tax relief began with the Property Tax Relief Act of 1929. This act imposed a personal income tax and dedicated the revenues to offset the State's property tax levy. As a result, the State has not levied a property tax since 1940.

Homeowners and Renters Refund Program (HARRP)

HARRP was created in 1973 and discontinued by the 1991 Legislature. Refunds were phased down in 1991 and then ended. In 1991 HARRP gave property tax refunds to homeowners and renters with household income of less than \$10,000. Assets (excludes homestead, personal property and retirement plans) could not exceed \$25,000 unless age 65 or older. The program refunded property taxes up to a maximum for each income group.

Property Tax Relief Program (PTR)

PTR was enacted in 1979 and repealed by the 1985 Legislature. The program, when originally enacted, refunded 30% of qualifying operating levies up to a maximum of \$800 for each homeowner. Renters were refunded 4.7% of contract rent up to \$400 for each renter.

Elderly Rental Assistance (ERA)

ERA was enacted in 1975. ERA makes payments to renters age 58 and older with annual household income less than \$10,000. Assets (excludes homestead, personal property and retirement plans) must be less than \$25,000 if under age 65. Rent must exceed 20% of household income for calculating a payment. The payment is gross rent (including fuel and utilities) up to the \$2,100 limit less 20% of household income, such that the payment reaches maximum of \$2,100 when income is zero and the minimum \$100 at \$10,000 income. Taxpayers must file Form 90R to apply for a payment. Payments are made by check in October of each year. In 1992, the total cash outlay from the General Fund reached its highest level with an average refund of \$711 per renter. Between 1992 and 2004, the number of ERA participants declined by almost half and the average refund declined by 23%. One plausible explanation is that between 2002 and 2005 mortgage interest rates declined; and the availability of mortgage instruments such as the 'interest only' mortgages may have enabled a number of former ERA participants to purchase homes. About 4,614 renters received an average ERA refund of \$542 in 2004 for a cost of roughly \$2.5 million to the General Fund.

Senior Citizens Property Tax Deferral Program

The senior deferral was enacted in 1963. A homeowner age 62 and over can defer payment of property taxes until the owner dies or sells the property. The State pays the tax and obtains a lien on the property for the tax and accrued simple interest at the rate of 6% per year. At the time of enactment, the owner's household income was required to be under \$24,500 in the year prior to applying for the deferment. Once on the program, a taxpayer may defer only in years when federal adjusted gross income is less than \$29,000. In 1977, the Legislature expanded the program to include special assessments. The 1999 Legislature opened the deferral program to the disabled community and increased the initial income threshold to \$27,500 in the year prior to applying, and raised household income once in the program to \$32,000. The 2001 Legislature raised the initial household income to match the "once in the program limit" of \$32,000. These new income limits are indexed to the U.S. Urban CPI.

Between 1980 and 1992-93, the number of deferred accounts increased from 1,976 to 12,181. During every year of this period, except for 1992-93, property tax payments to counties on behalf of some senior citizens exceeded other seniors' repayments of their deferred taxes and accrued interest. By the end of 1992-93, the 'balance owed' to the General Fund stood at \$102 million, reflecting an annualized growth rate of roughly 34% during this period.

Between 1992-03 and 1998-99 this pattern changed; and repayments exceeded the required tax payments to counties resulting in a decline over time in the 'balance owed'. However, prior to 1998-99 the 'balance owed' in the senior deferral account did not report the accrued interest on the tax liabilities. Therefore, in 1998-99 the table presented below (see table on page E5) shows that the 'balance owed' increased substantially in one year. This 'spike' reflects a change in accounting practices that pulled the accrued interest into the 'balance owed' statement of the senior deferral account.

Between 1998-99 and 2004-05, the number of deferred accounts declined from 12,181 to 8,823; and repayments continued to exceed the required payments to counties. As a result, except for the 1998-99 increase in the 'balance owed' that was caused by the accounting change mentioned above, the 'balance owed' declined to \$120 million by the end of 2004-05.

In recent years, the reduction in the number of deferred accounts and the higher level of repayments has been fueled by historically low interest rates that created an incentive to refinance home mortgages. Refinancing home mortgages can not be undertaken if property taxes are unpaid and/or if there are liens against the property.

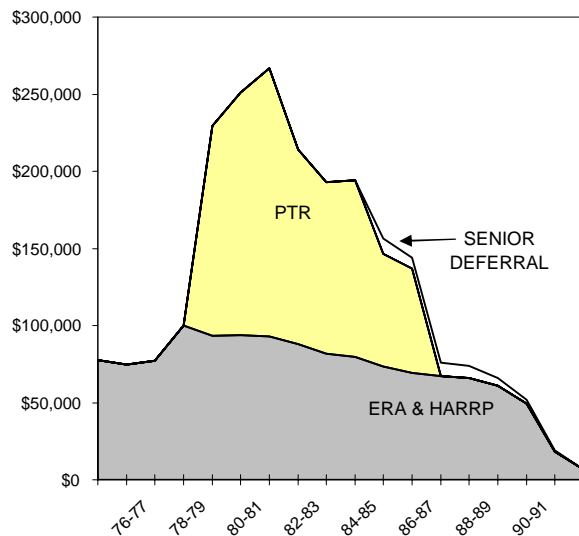
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GENERAL FUND EXPENDITURES FOR PROPERTY TAX RELIEF

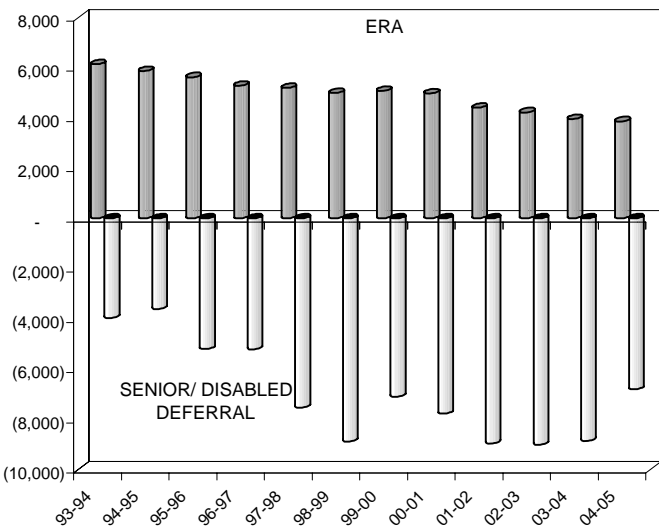
FISCAL YEAR	GENERAL FUND EXPENDITURES (\$ 000)				HARRP PROGRAM PARAMETERS			PTR MAXIMUM PAYMENT
	ERA*** & HARRP*	PTR	DEFERRAL** PROGRAMS	TOTAL	INCOME LIMIT	MAXIMUM REFUND	ASSET TEST	
1975-76	\$77,693	\$0	\$0	\$77,693	15,000	490		
1976-77	74,887	0	0	74,887	15,000	490		
1977-78	77,335	0	0	77,335	15,000	490		
1978-79	100,076	0	0	100,076	16,000	655		
1979-80	93,444	135,993	0	229,437	17,500	750		800
1980-81	93,879	157,261	0	251,140	17,500	750		800
1981-82	92,810	174,053	0	266,863	17,500	750		425
1982-83	87,883	126,264	0	214,147	17,500	750		192
1983-84	81,755	111,089	0	192,844	17,500	750		170
1984-85	79,688	114,451	0	194,139	17,500	750		170
1985-86	73,573	72,913	9,926	156,412	17,500	750		100
1986-87	69,489	67,519	7,160	144,168	17,500	750		100
1987-88	67,215	0	8,559	75,774	17,500	750		0
1988-89	65,773	0	8,293	74,066	17,500	750		0
1989-90	60,971	0	4,817	65,788	17,500	750		0
1990-91	49,257	0	2,783	52,040	17,500	750	25,000	0
1991-92	18,256	0	633	18,889	10,000	500	25,000	0
1992-93	6,586	0	(1,399)	5,187	0	0	0	0
1993-94	6,143	0	(3,964)	2,179	0	0	0	0
1994-95	5,875	0	(3,612)	2,263	0	0	0	0
1995-96	5,630	0	(5,195)	435	0	0	0	0
1996-97	5,291	0	(5,219)	72	0	0	0	0
1997-98	5,205	0	(7,528)	(2,323)	0	0	0	0
1998-99	5,000	0	(8,887)	(3,887)	0	0	0	0
1999-00	5,085	0	(7,097)	(2,012)	0	0	0	0
2000-01	4,984	0	(7,779)	(2,795)	0	0	0	0
2001-02	4,417	0	(8,958)	(4,541)	0	0	0	0
2002-03	4,225	0	(9,015)	(4,790)	0	0	0	0
2003-04	3,966	0	(8,864)	(4,898)	0	0	0	0
2004-05	3,868	0	(6,800)	(2,932)	0	0	0	0

NOTE: * HARRP refunds ended with the Oct. 1991 payment based on the 1990 return
ERA, Elderly (age 58 or older) Rental Assistance for households with income less than \$10,000 continues
** General Fund cost as current year payments less repayments for prior years
Prior to 1985-86 deferral payments were treated as General and Other Fund investments
*** ERA numbers include Nonprofit Housing starting 1991-92.

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



**GENERAL FUND EXPENDITURES FOR PROPERTY
TAX RELIEF -1992-2005**



PROPERTY TAX RELIEF

HOMEOWNER'S AND RENTER'S REFUND PROGRAM (HARRP)

RETURN YEAR	REFUNDS (\$000)				NUMBER OF RETURNS				AVERAGE REFUND (\$)			
	HOME OWNER	RENTER	MOBILE HOME	TOTAL	HOME OWNER	RENTER	MOBILE HOME	TOTAL	HOME OWNER	RENTER	MOBILE HOME	TOTAL
1975	48,277	25,789	3,017	77,083	268,010	240,922	18,445	527,377	180.13	107.04	163.57	146.16
1976	44,044	25,939	3,055	73,038	234,813	241,469	18,229	494,511	187.57	107.42	167.59	147.70
1977	57,781	31,984	4,223	93,988	222,570	214,217	19,020	455,807	259.61	149.31	222.03	206.20
1978	53,172	32,015	3,878	89,065	209,977	221,354	20,410	451,741	253.23	144.63	190.00	197.16
1979	51,211	31,990	4,278	87,479	200,311	238,150	21,254	459,715	255.66	134.33	201.28	190.29
1980	49,861	33,297	4,422	87,580	185,111	238,498	20,997	444,606	269.36	139.61	210.60	196.98
1981	47,477	32,856	4,416	84,749	171,208	221,018	20,083	412,309	277.31	148.66	219.89	205.55
1982	43,886	26,677	4,174	74,737	152,214	175,902	18,069	346,185	288.32	151.66	231.00	215.89
1983	40,938	28,207	4,092	73,237	143,524	182,165	17,363	343,052	285.23	154.84	235.67	213.49
1984	37,002	28,229	3,950	69,181	129,900	179,968	16,335	326,203	284.85	156.86	241.81	212.08
1985	34,518	25,136	3,852	63,506	120,882	176,986	15,742	313,610	285.55	142.02	244.70	202.50
1986	32,342	25,329	4,047	61,718	112,816	169,351	15,255	297,422	286.68	149.57	265.29	207.51
1987	32,253	24,129	4,104	60,486	110,549	164,051	14,925	289,525	291.75	147.08	274.97	208.91
1988	29,851	22,646	3,886	56,383	103,337	157,141	14,127	274,605	288.87	144.11	275.08	205.32
1989	22,602	19,774	3,484	45,859	79,190	138,598	12,713	230,501	285.41	142.67	274.05	198.95
1990	4,578	4,487	747	9,812	26,873	56,711	4,772	88,356	170.36	79.12	156.54	111.05

HARRP NOTES: HARRP program ended in 1991.

Refunds for 1971 and 1972 were under the Homeowners Property Tax Relief Program (HOPTR).

Mobile homes are included in homeowners and renters for 1973 and 1974.

In 1973 the household income limit increased to \$16,000 and the maximum refund schedule increased.

In 1977 the household income limit increased to \$17,500 and the maximum refund schedule increased.

In 1982 the HARRP packet was separated from the income tax packet and mailed late in March of 1983.

In 1985 each qualified renter filed separately - previously only one return was allowed per household.

In 1989 asset test added for those under age 65. Assets must be less than \$25,000 excluding the homestead tangible personal property and retirement plans.

In 1990 the household income limit decreased to \$10,000 and the maximum refund schedule decreased.

ERA NOTES:

In 1975 renters eligible if age 65 or older with income less than \$3,000 and rent exceeds 60% of income.

In 1977 age reduced to 58 or older, income increased to \$5,000 and rent (up to \$2,100) exceeds 40% of income.

In 1989 asset limit of \$25,000 (with exclusions) added if under age 65.

In 1991 household income limit increased to \$10,000 and percent of income reduced to 20%.

Payment equals rent (up to \$2,100) less 20% of household income (\$10,000 limit).

ERA payments are made each fall for returns filed in the Spring.

Returns may be filed up to 3 years later.

ELDERLY RENTAL ASSISTANCE (ERA)

RETURN YEAR	REFUNDS (\$000)	RETURNS	AVERAGE REFUND
1980	2,820	4,699	\$600
1981	2,184	3,525	620
1982	2,028	3,129	648
1983	1,757	2,738	642
1984	1,482	2,397	618
1985	1,358	2,228	610
1986	1,161	1,930	602
1987	1,063	1,810	587
1988	879	1,549	567
1989	549	1,045	526
1990	6,357	11,372	559
1991	5,564	10,430	533
1992	6,555	9,216	711
1993	5,522	9,542	579
1994	4,978	8,880	561
1995	4,652	8,230	565
1996	4,425	7,873	562
1997	4,214	7,571	557
1998	4,289	7,708	556
1999	4,238	7,579	559
2000	3,487	7,732	451
2001	3,202	6,215	515
2002	4,794	9,596	500
2003	2,745	5,076	541
2004	2,505	4,614	543
2005	2,095	4,538	462

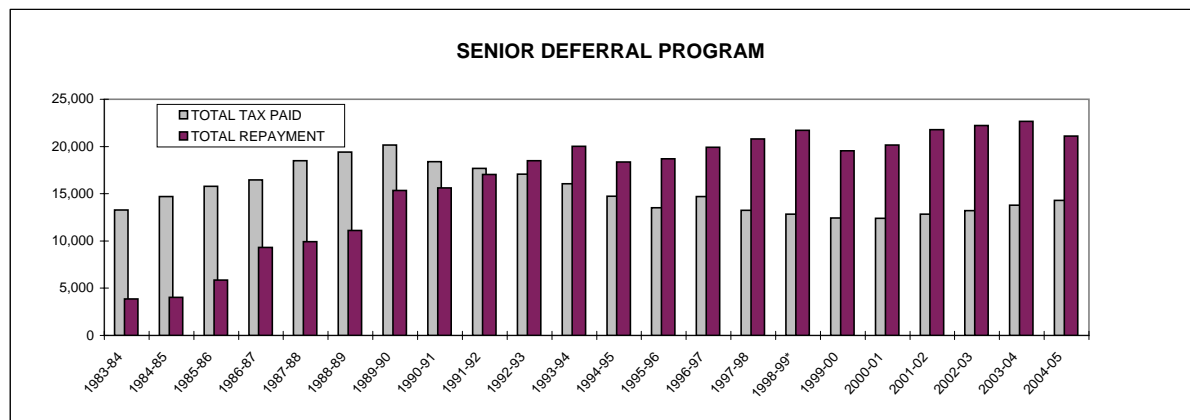
NON PROFIT HOUSING

FISCAL YEAR	REFUNDS (\$000)	RETURNS	AVERAGE REFUND
FY 94	648	25	\$25,920
FY 95	664	28	23714
FY 96	760	31	24516
FY 97	747	32	23344
FY 98	828	34	24353
FY 99	901	36	25028
FY 00	1,009	38	26553
FY 01	840	39	21538
FY 02	1,083	41	26415
FY 03	1,221	43	28395
FY 04	1,364	44	31000
FY05	1,263	44	28705

SENIOR CITIZENS PROPERTY TAX DEFERRAL

FISCAL YEAR	PROPERTY TAXES		SPECIAL ASSESSMENT		Disabled Deferral		(\$ 000)		
	PAID	AVG.	PAID	AVE.	PAID	AVG.	TOTAL TAX	TOTAL	BALANCE
	ACCTS.	PAID	ACCTS.	PAID	ACCTS.	PAID	PAID	REPAYMENT	OWED
1978-79	1,976	845	111	147	0	0	1,676	273	N/A
1979-80	4,000	645	168	187	0	0	2,649	370	N/A
1980-81	6,046	723	184	352	0	0	4,438	559	N/A
1981-82	7,097	917	246	442	0	0	6,614	833	N/A
1982-83	8,827	1,103	389	656	0	0	9,992	1,529	22,859
1983-84	10,976	1,181	404	761	0	0	13,275	3,864	34,540
1984-85	11,603	1,236	430	853	0	0	14,710	4,018	45,806
1985-86	12,228	1,261	501	735	0	0	15,785	5,859	56,811
1986-87	12,632	1,282	419	677	0	0	16,480	9,320	65,732
1987-88	12,738	1,430	422	548	0	0	18,493	9,934	75,236
1988-89	13,092	1,463	396	613	0	0	19,410	11,117	84,834
1989-90	13,165	1,513	393	641	0	0	20,164	15,347	91,676
1990-91	12,976	1,398	379	579	0	0	18,387	15,603	96,856
1991-92	12,039	1,449	411	544	0	0	17,685	17,051	100,433
1992-93	12,181	1,387	476	337	0	0	17,085	18,484	102,763
1993-94	11,681	1,358	495	366	0	0	16,058	20,022	102,937
1994-95	11,216	1,299	504	334	0	0	14,740	18,352	103,967
1995-96	10,763	1,235	431	397	0	0	13,519	18,714	102,373
1996-97	10,520	1,380	365	391	0	0	14,703	19,921	101,801
1997-98	10,823	1,207	343	404	0	0	13,260	20,788	99,784
1998-99*	9,769	1,272	209	302	0	0	12,832	21,719	136,268
1999-00	9,184	1,345	170	415	0	0	12,443	19,541	135,161
2000-01	8,822	1,396	155	468	0	0	12,392	20,172	133,271
2001-02	9,215	1,362	137	473	206	1,041	12,835	21,792	129,900
2002-03	9,107	1,404	118	445	323	1,080	13,196	22,210	126,224
2003-04	8,900	1,485	211	255	448	1,154	13,783	22,647	122,953
2004-05	8,823	1,534	180	272	584	1,182	14,302	21,102	120,031

NOTES: Senior repayment excludes special assessments until 1983-84. Balance owed includes interest from 98-99 forward.
From 1991-92 General Fund appropriation not used. Deferral fund plus repayments exceed costs.
Interest rate of 6% is calculated as simple interest.
In 1984 household income limit of \$17,500 added for tax deferral and special assessment.
Property tax deferral income limit was \$18,500 in 1990, \$19,500 in 1991, and \$24,500 through tax year 2000-01.
The property tax deferral income increased to \$27,500 in 2001-02.
In 2001-02, The annual income to remain eligible for the the tax deferral program was increased to \$32,000 indexed to the CPI.
The qualification threshold to qualify for the program will increase to \$32,000 indexed to the CPI in 2002-03 .
Household income limit for the Special Assessment Deferrall is to increase to 32,000 (from \$17,500) and indexed to the CPI.
The 1999 Legislature opened the deferral program to the disabled community beginning 2001-02.
* In 1998-99 while converting from one mainframe system to another, the DOR discovered that interest for prior years had not been posted to the senior deferral account. The increase in the 'balance owed' in 1998-99 reflects the impact of this interest.



OREGON ESTATE AND INHERITANCE TAXES

Overview of Estate and Inheritance Tax Revenues

The estate tax is a tax on the right to transfer property at death and generally is measured by the value of the estate passing at the time of the decedent's death. Oregon's estate tax is based on the federal estate law and the pick-up tax, albeit not the most recent federal code. Oregon does not impose any other estate or inheritance taxes besides collecting the federal pick-up tax. The federal pick-up tax is a way in which states capture a portion of the federal estate tax liability but do not increase the overall tax liability of the estate. From legislation in 2003, Oregon is connected to federal tax law known as "Taxpayer Relief Act of 1997". Oregon has not adopted the 2001 federal law changes included in the Economic Growth and Tax Reconciliation Act.

Oregon collected \$130.5 million in estate tax in the 2003-05 biennium, which comprised 1.2% of the total state general fund, and ranked as third largest single tax source behind corporate excise taxes. A small number of taxpayers pay the estate tax each year. Consequently, revenues from Oregon's estate tax are very volatile and one large estate tax return paying a sizeable amount of tax in a given year can result in a significant increase in estate tax revenue. In examining the percentage change each year from fiscal year 1970-71 to 2004-05, the annual percentage change had a range between a high of 103% increase in 1992-93 and a low of 60% decrease for 1987-88 from the prior year.

Brief History of Oregon's Estate and Inheritance Tax – pre-1990s

Oregon first enacted an inheritance tax in 1903. An inheritance tax is a tax on the beneficiary of the estate rather than on the estate itself. Prior to 1977, Oregon imposed an inheritance, gift and estate tax. The Oregon inheritance tax was calculated as a variable tax rate, a certain percentage of taxable estate value. The tax rates ranged from 12% to 20% depending on who was inheriting the estate, with the closest relationships receiving the lowest tax rates. The estate tax imposed was a graduated tax rate on the gross estate value less deductions. Deductions are allowed for debts owed at the time of death. In 1977, Oregon's inheritance tax was simplified and the tax was based on the value of the property received from a decedent's estate and the tax rate was a flat 12% of the taxable value. In addition, Oregon adopted the federal pick-up estate tax instead of its own estate tax. The federal pick-up tax became a floor on Oregon's own inheritance tax. Beginning in 1978, Oregon started phasing out its inheritance tax over 10 years. As the phase-out of Oregon's inheritance tax continued, the tax revenues dropped significantly to a low of \$8.87 million in fiscal year 1988-89, as the state was only collecting the federal pick-up tax. Since Oregon phased-out its inheritance tax and adopted the federal pick-up tax exclusively, Oregon's estate tax revenue has been tied to federal law as in place on a specific date. As Oregon rapidly became a destination of the elderly population, as well as the growth in property values after 1988-89, the estate tax revenues in Oregon started growing again.

Federal Estate Tax Changes

The federal pick-up tax was created in 1926. The maximum federal credit for state taxes paid is calculated as a graduated percentage of the taxable estate value. The tax rates, used to calculate the maximum state death tax credit, range from 0% for taxable estates under \$40,000 up to 16% for estates over \$10 million. Oregon connected exclusively to the federal pick-up tax as of 1987. After that, Oregon's estate tax revenue was dependent on a date specific federal tax code. Oregon was not automatically connecting to federal estate tax law changes. Additional legislation was needed in Oregon to adopt federal estate tax law changes. Oregon's estate tax law was connected to federal law, which established the federal gross estate value filing threshold at \$600,000 until the 2003 Legislative session.

1997 Taxpayer Relief Act (TRA97)

The 1997 Taxpayer Relief Act (TRA97) gradually increased the gross estate value filing threshold from \$600,000 up to \$1 million by tax year 2006. This change affected which estates would be subject to the estate tax. As a practice, in the past, Oregon had only assessed a tax on Oregon estates that were large enough to be subject to the federal estate tax.

Tax Year	Gross Estate Value Filing Threshold – TRA97
1998	\$ 625,000
1999	\$ 650,000
2000 and 2001	\$ 675,000
2002 and 2003	\$ 700,000
2004	\$ 850,000
2005	\$ 950,000
2006	\$ 1,000,000

2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA)

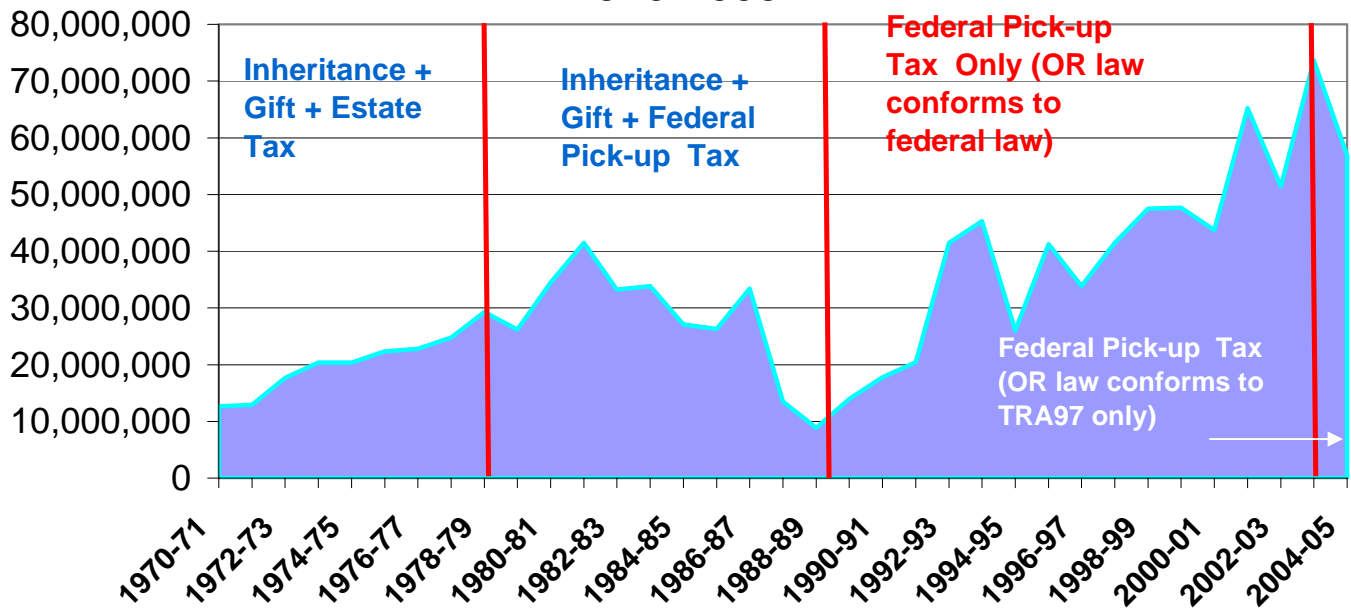
The 2001 federal Economic Growth and Tax Relief Reconciliation Act legislation – P.L. 107-16, made significant changes in a number of tax areas, including federal estate taxes. The 2001 federal estate tax law changes included a phase-out of the state death tax credit, an increase in the gross estate value filing threshold, a decrease in the federal highest estate tax rates and a complete elimination of the federal estate tax effective 2010 for one year. The phase-out of the total state death tax credit will eliminate the states' ability to capture a portion of each estate's federal tax liability by 2005. An increase in the gross estate value filing threshold will remove the tax assessment on certain smaller estates. The decrease in the federal highest estate tax rates also reduces the federal tax liability for estates. If Oregon connected to all the provisions in the 2001 estate tax law changes, Oregon's estate tax would be eliminated completely by tax year 2005.

Tax Year	% reduction	Tax Year	% reduction
Phase out of total state death tax			
2002	25%	2004	75%
2003	50%	2005	100%
Increase in gross estate value filing threshold from EGTRRA			
2002	\$ 1.0 million	2006	\$ 2.0 million
2004	\$ 1.5 million	2009	\$ 3.5 million
Decrease in federal highest estate tax rates			
2002	50%	2005	47%
2003	49%	2006	47%
2004	48%	2007 -2009	45%

2003 Legislative Changes in HB 3072 – Clarification in Oregon Law

Prior to the 2003 Oregon legislation, legal opinions indicated that Oregon had not adopted either the Taxpayer Relief Act (TRA97) or the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001. Up until 2001, Oregon's Department of Revenue had assumed Oregon had adopted the federal law change in 1997 (TRA97). The primary purpose of HB 3072 was to codify in law the connection to the Taxpayer Relief Act of 1997 for prior tax years 1998-2001. For deaths occurring in 2002, the gross estate value filing threshold was \$1 million, the same as the federal filing threshold under EGTRRA. Another important objective of the 2003 legislation was to clarify that Oregon's estate tax connection is to the federal law under the Taxpayer Relief Act of 1997 for deaths occurring in 2003 and beyond. Oregon is not connected to 2001 federal estate tax law changes contained in the Economic Growth and Tax Relief Reconciliation Act.

Oregon Estate and Inheritance Tax Collections: 1970-2005



Fiscal Yr.	\$ Amount	% Change
1970-71	12,613,154	
1971-72	12,910,782	2.4%
1972-73	17,649,065	36.7%
1973-74	20,375,279	15.4%
1974-75	20,354,671	-0.1%
1975-76	22,334,631	9.7%
1976-77	22,814,203	2.1%
1977-78	24,782,221	8.6%
1978-79	29,307,501	18.3%
1979-80	26,190,894	-10.6%
1980-81	34,490,610	31.7%
1981-82	41,494,561	20.3%
1982-83	33,236,857	-19.9%
1983-84	33,855,381	1.9%
1984-85	27,084,953	-20.0%
1985-86	26,313,563	-2.8%
1986-87	33,413,595	27.0%

Fiscal Yr.	\$ Amount	% Change
1987-88	13,476,313	-59.7%
1988-89	8,875,434	-34.1%
1989-90	13,962,361	57.3%
1990-91	17,766,526	27.2%
1991-92	20,398,303	14.8%
1992-93	41,480,573	103.4%
1993-94	45,323,450	9.3%
1994-95	26,014,021	-42.6%
1995-96	41,264,996	58.6%
1996-97	33,856,234	-18.0%
1997-98	41,489,930	22.5%
1998-99	47,483,851	14.4%
1999-00	47,684,649	0.4%
2000-01	43,729,981	-8.3%
2001-02	65,201,986	49.1%
2002-03	51,431,290	-21.1%
2003-04	73,609,000	43.1%
2004-05	56,902,000	-22.7%

OREGON ESTATE TAXES - FOR DEATHS IN 2000 - 2004
BREAKDOWN OF 2002, 2003, and 2004
ESTATE TAX RETURNS BY GROSS ESTATE VALUE

Tax Year	Total # of Returns	Total OR Payable Tax (\$ millions)
2000	879	44.2
2001	878	70.8
2002	752	43.3
2003	1034	78.5
2004	913	51.8

2002 Estate Tax Returns With Gross Estate Value				
Size of Oregon Gross Estate	# of Returns	% of total returns	OR Payable Tax	% of total OR Payable Tax
Under \$1 million	175	23%	5,860,358	13.5%
\$1 million up to \$1.5 million	255	34%	6,093,213	14.1%
\$1.5 million up to \$2 million	126	17%	4,206,055	9.7%
\$2 million up to \$3.5 million	119	16%	7,437,423	17.2%
\$3.5 million up to \$5 million	37	5%	4,337,183	10.0%
\$5 million up to \$10 million	26	3%	4,786,353	11.1%
\$10 million up to \$20 million	6	1%	1,911,069	4.4%
more than \$20 million	8	1%	8,658,011	20.0%
TOTAL	752	100%	\$43,289,665	100%

2003 Estate Tax Returns With Gross Estate Value				
Under \$1 million	415	32%	7,233,427	9.2%
\$1 million up to \$1.5 million	283	31%	9,214,034	11.7%
\$1.5 million up to \$2 million	110	13%	5,338,978	6.8%
\$2 million up to \$3.5 million	134	13%	11,031,071	14.1%
\$3.5 million up to \$5 million	38	3%	5,975,753	7.6%
\$5 million up to \$10 million	36	5%	13,595,791	17.3%
\$10 million up to \$20 million	11	1%	7,830,529	10.0%
more than \$20 million	7	1%	18,246,437	23.3%
TOTAL	1034	100%	\$78,466,020	100%

2004 Estate Tax Returns With Gross Estate Value				
Under \$1 million	231	25%	2,728,507	5.3%
\$1 million up to \$1.5 million	318	35%	9,663,862	18.7%
\$1.5 million up to \$2 million	146	16%	6,754,930	13.0%
\$2 million up to \$3.5 million	126	14%	8,490,594	16.4%
\$3.5 million up to \$5 million	37	4%	5,392,412	10.4%
\$5 million up to \$10 million	37	4%	8,322,977	16.1%
\$10 million up to \$20 million	14	2%	9,519,484	18.4%
more than \$20 million	4	0%	914,559	1.8%
TOTAL	913	100%	51,787,324	100%

SCHOOL FINANCE

K-12 School Districts

Oregon has 198 school districts serving about 555,000 students in kindergarten through high school. These districts operate with relative autonomy within guidelines specified by both the Legislature and the State Department of Education. The federal government also requires certain mandated programs.

Local Revenue

School districts receive general operating revenue from various sources. Property taxes are the primary source. Other sources include federal forest payments, county school funds, the state Common School Fund and state timber sales. Local revenues are included in the school distribution formula and are about 33% of state and local formula operating revenue.

State Support

The Legislature through the State School Fund (SSF) provides about 67% of school formula operating revenue. This revenue is mostly from state income taxes and lottery revenue. The state's share increased from about 30% before Measure 5 (1990) to about 70% after Measure 50 (1997). State revenue replaced reduced local revenue because of these property tax limitations. Along with increased state aid, the school finance distribution method for state support changed dramatically.

Funding Equity

The 1991 Legislature adopted the school equalization formula and phased in its implementation. Equity as measured by the equalization formula applied to all school districts beginning in 2001-02. Past Legislatures have also provided some funding outside the equalization formula. The 2005 Legislature provided funds for small high schools from the State School Fund outside the formula.

Equalization Formula

The SSF equalization formula allocates an amount to each school district based primarily on number of students. The state grant is this formula amount reduced by local revenues. The formula equalizes revenues per student by removing past differentials caused by widely varying local tax rates and property wealth per student. To recognize that some students need more school services and their schools may face higher costs, the formula assigns weights to certain students. For example, special education students count as 2.0 students to recognize their need for special programs. Additional student weights are for English as a second language programs, students from families in poverty, remote small schools and others. A general purpose grant per weighted student is adjusted for the experience level of teachers and set at a level that allocates available funding. The formula also funds 70-90% of transportation costs, costs above \$30,000 per high cost disability student (limited to \$12 million per year statewide) and up to 8% of classroom construction costs (limited to \$17.5 million per biennium with an increase to \$25 million beginning in 2007-09).

Local Option

School districts may ask voters to approve temporary local option levies. Local option revenue is limited to the lesser of (1) the district Measures 5 and 50 tax gap, (2) 15% of formula revenue or (3) \$750 per weighted student. The levies may be approved for up to 5 years for operations and up to 10 years for capital projects. Local option revenue is in addition to equalization formula revenue.

Education Service Districts

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

The 2001 Legislature adopted a phased-in plan to equalize ESD revenue. Those below the state ESD average revenue per student gradually received more and those above the average gradually received less. Final equalization began in 2005-06. Revenue for each ESD is 5.26% of the formula revenue of its component school districts. This makes the ESD share of total ESD and K-12 school formula revenue 5%. Beginning in 2006-07, ESD revenue is 4.99% of component district formula revenue for a 4.75% share of both ESD and K-12 school formula revenue.

Community Colleges

Community college districts also impose property taxes and receive state aid. Unlike school districts and ESDs, another major revenue source is tuition. Also state support is not from the State School Fund. The Legislature appropriates community college aid in a lump sum. The community colleges then allocate the state funds by rule.

Education Stability Fund

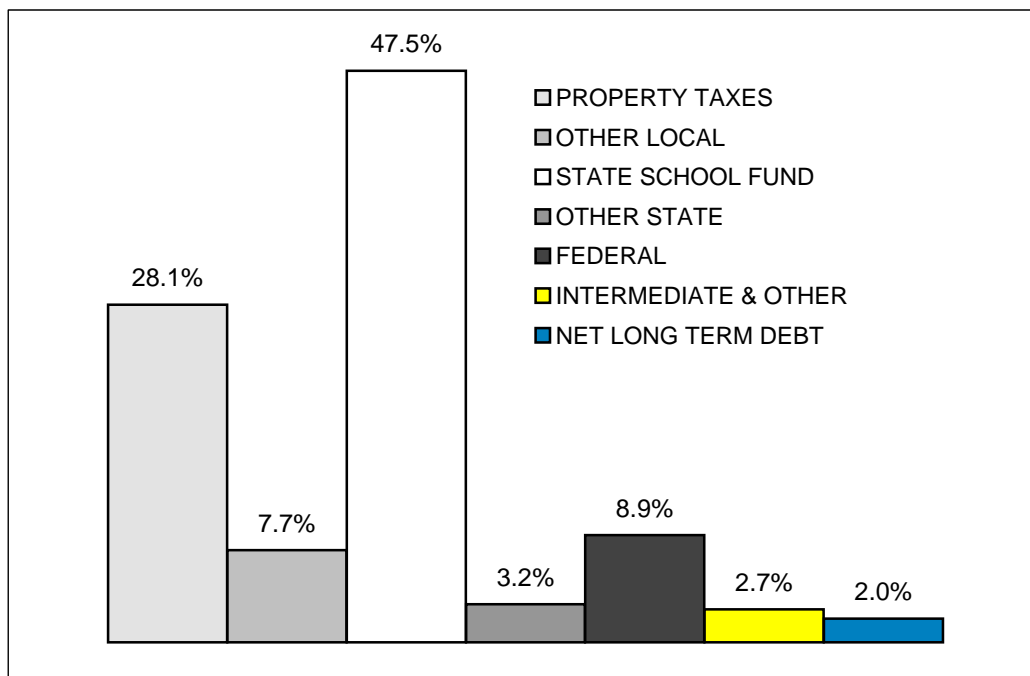
Voters approved a constitutional amendment converting the Education Endowment Fund to the Education Stability Fund in 2002. This change allows the principal of the Stability Fund to be used to fund education.

The fund receives 18% of lottery net proceeds. The size is limited to 5% of General Fund revenue. Use of the principal requires meeting criteria reflective of an economic recession and approval by a 3/5 vote in each legislative chamber. The principal can also be used if the Governor declares an emergency and both chambers approve by a 3/5 vote. The principal can only be used to fund pre-kindergarten through higher education, continuing education and workforce training. Fund earnings currently are used to pay education lottery bond debt (75%) and provide scholarships (25%).

SCHOOL RESOURCES

2003-04 Audited (\$000)

	K-12	ESD	TOTAL
PROPERTY TAXES	1,399,780	71,826	1,471,606
OTHER LOCAL REVENUES	341,404	59,894	401,298
STATE SCHOOL FUND	2,384,241	107,583	2,491,824
COMMON SCHOOL FUND	13,579	0	13,579
OTHER STATE REVENUE	85,354	67,522	152,876
FEDERAL FOREST FEES	32,311	0	32,311
OTHER FEDERAL REVENUE	382,066	52,934	435,000
INTERMEDIATE & OTHER	140,155	4,072	144,227
NET LONG TERM DEBT	<u>66,752</u>	<u>35,913</u>	<u>102,665</u>
TOTAL REVENUE	4,845,642	399,744	5,245,386
PLUS BEGINING BALANCE	<u>1,385,405</u>	<u>59,549</u>	<u>1,444,954</u>
TOTAL RESOURCES	6,231,047	459,293	6,690,340
LESS TOTAL EXPENDITURES	<u>-4,840,466</u>	<u>-371,382</u>	<u>-5,211,848</u>
ENDING BALANCE	1,390,581	87,911	1,478,492



Notes: About 47% of the ending balance is in Capital Projects and Debt Service Funds.
 Excludes Internal Services Funds and Trust and Agency Funds.
 Numbers exclude interfund transfers to avoid double counting.

Source: Oregon Department of Education financial data base.

STATE SCHOOL SUPPORT HISTORY

Fiscal Year	K-12 Audited Current Operating Expenditures		Basic School Support Appropriation		BSSF Share of Operating Expenditures
	\$1,000	% Change	\$1,000	% Change	
1947-48	43,513		15,946		36.6%
1948-49	51,800	19.0%	16,954	6.3%	32.7%
1949-50	58,799	13.5%	17,489	3.2%	29.7%
1950-51	63,213	7.5%	18,425	5.4%	29.1%
1951-52	72,330	14.4%	29,597	60.6%	40.9%
1952-53	78,720	8.8%	30,986	4.7%	39.4%
1953-54	87,691	11.4%	32,370	4.5%	36.9%
1954-55	94,844	8.2%	33,478	3.4%	35.3%
1955-56	102,336	7.9%	35,144	5.0%	34.3%
1956-57	114,016	11.4%	36,378	3.5%	31.9%
1957-58	122,597	7.5%	45,153	24.1%	36.8%
1958-59	134,054	9.3%	50,987	12.9%	38.0%
1959-60	152,022	13.4%	52,612	3.2%	34.6%
1960-61	161,451	6.2%	55,020	4.6%	34.1%
1961-62	177,526	10.0%	61,785	12.3%	34.8%
1962-63	190,419	7.3%	65,454	5.9%	34.4%
1963-64	208,685	9.6%	65,184	-0.4%	31.2%
1964-65	220,225	5.5%	61,167	-6.2%	27.8%
1965-66	239,193	8.6%	72,088	17.9%	30.1%
1966-67	262,428	9.7%	75,898	5.3%	28.9%
1967-68	286,729	9.3%	77,786	2.5%	27.1%
1968-69	325,536	13.5%	77,431	-0.5%	23.8%
1969-70	363,633	11.7%	88,928	14.8%	24.5%
1970-71	398,013	9.5%	88,928	0.0%	22.3%
1971-72	421,635	5.9%	99,428	11.8%	23.6%
1972-73	459,210	8.9%	104,063	4.7%	22.7%
1973-74	505,138	10.0%	143,520	37.9%	28.4%
1974-75	579,991	14.8%	170,789	19.0%	29.4%
1975-76	659,718	13.7%	200,733	17.5%	30.4%
1976-77	716,519	8.6%	217,446	8.3%	30.3%
1977-78	777,130	8.5%	269,000	23.7%	34.6%
1978-79	883,324	13.7%	341,373	26.9%	38.6%
1979-80	993,142	12.4%	384,379	12.6%	38.7%
1980-81	1,132,706	14.1%	406,376	5.7%	35.9%
1981-82	1,248,596	10.2%	413,960	1.9%	33.2%
1982-83	1,306,447	4.6%	426,203	3.0%	32.6%

Fiscal Year	K-12 Audited Current Operating Expenditures		Basic School Support Appropriation		BSSF Share of Operating Expenditures
	\$1,000	% Change	\$1,000	% Change	
1983-84	1,375,777	5.3%	431,200	1.2%	31.3%
1984-85	1,443,655	4.9%	448,800	4.1%	31.1%
1985-86	1,536,009	6.4%	463,000	3.2%	30.1%
1986-87	1,613,506	5.0%	482,000	4.1%	29.9%
1987-88	1,717,051	6.4%	496,832	3.1%	28.9%
1988-89	1,830,678	6.6%	526,703	6.0%	28.8%
1989-90	1,983,316	8.3%	570,429	8.3%	28.8%
1990-91	2,120,311	6.9%	605,716	6.2%	28.6%
1991-92	2,264,071	6.8%	805,000	32.9%	35.6%
Fiscal Year	K-12 and ESD Operating Revenue		State School Fund		SSF Share of Operating Revenue
	\$1,000	% Change	\$1,000	% Change	
1991-92	2,379,032		818,391		34.4%
1992-93	2,590,575	8.9%	1,100,300	34.4%	42.5%
1993-94	2,475,136	-4.5%	1,131,900	2.9%	45.7%
1994-95	2,605,406	5.3%	1,427,000	26.1%	54.8%
1995-96	2,651,525	1.8%	1,750,000	19.1%	66.0%
1996-97	2,715,451	2.4%	1,759,700	0.6%	64.8%
1997-98	2,918,589	7.5%	2,022,873	15.0%	69.3%
1998-99	2,989,171	2.4%	2,100,040	3.8%	70.3%
1999-00	3,210,469	7.4%	2,243,058	6.8%	69.9%
2000-01	3,333,835	3.8%	2,339,200	4.3%	70.2%
2001-02	3,469,061	4.1%	2,428,964	3.8%	70.0%
2002-03	3,258,562	-6.1%	2,146,933	-11.6%	65.9%
2003-04	3,723,250	14.3%	2,589,764	20.6%	69.6%
Est. 2004-05	3,538,143	-5.0%	2,326,080	-10.2%	65.7%
Est. 2005-06	3,842,478	8.6%	2,566,585	10.3%	66.8%
Est. 2006-07	4,029,918	4.9%	2,696,415	5.1%	66.9%

- Notes:
1. In 1992-93 state aid shifted to the State School Fund with a new distribution formula.
 2. Operating revenue does not include federal and other non-formula revenue.
 3. 1993-94 to present, State School Fund includes funds for state youth correction schooling.
 4. 1997-98 to 99-00 State School Fund excludes funds not used due to a state and local revenue cap.
 5. Additional funding outside the State School Fund: 1997-98 \$50 million for classroom needs; 1998-99 \$150 million lottery bond for capital; 1999-00 \$56 million lottery bond for capital; 2000-01 \$71 million lottery bond for capital; 2001-02 \$108 million for school improvement.
 6. The 1999-01 interim Emergency Board added revenue to the State School Fund appropriation.
 7. 2001-02 to present, State School Fund includes funds for state juvenile detention schooling.

K-12 SCHOOL EQUALIZATION FORMULA

STATE SCHOOL FUND DISTRIBUTION

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

School District Revenue

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

The school equalization formula determines each school district's general operating revenue from the State School Fund (SSF) in combination with local revenue. It is the sum of a general purpose grant, a transportation grant, a new high cost disability grant and a facility grant. The formula allocates state and local revenue based on relative need for the formula component grants given the funding level available.

State School Fund

The Legislature allocates money to the State School Fund primarily from the state General Fund and lottery revenue for distribution to school districts.

Local Revenue

Statutorily, the school formula only includes district local revenue from the following sources:

Operating property taxes collected (including prior years)
Common School Fund
County School Fund
Federal forest related revenue
State managed county trust forests (Chapter 530)
ESD funds required to be shared with school districts
Revenue *in lieu* of property taxes
Supplantable federal funds

General Purpose Revenue

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

Weighted Students (ADMw)

Weighted student count is measured by average daily membership with extra counts or weights for students in special categories. Average daily membership (ADM) is the average number of resident students during the school year. Weighted ADM or ADMw counts students in special enrollment categories as more than one student.

The higher of the current year or prior year ADMw is used. The higher count is called extended ADMw.

Student Weights

Student weight categories are as follows:

Category	Additional Weight	Count (ADMw)
Special Education and At Risk		
Individual Education Program	1.00	2.00
English as a Second Language	0.50	1.50
Pregnant and Parenting	1.00	2.00
Students in Poverty Adjusted	0.25	1.25
Neglected and Delinquent	0.25	1.25
Students in Foster Care	0.25	1.25
Grade and School		
Kindergarten	-0.50	0.50
Elementary District	-0.10	0.90
Union High District	0.20	1.20
Remote Small School	Varies	

A student cannot have an additional weight sum greater than 2, but not all additional weights are included.

Individual Education Program Weight

Students with various limitations such as hearing, speech, and visual impairments receive special individual education. The count cannot exceed 11% of ADM without approval by the Department of Education.

Remote Small School Weight

A school site qualifies for additional ADMw if

	<u>Elementary</u>	<u>High</u>
ADM less than (varies with grades)	224 (8gr)	350 (4gr)
Distance to nearest school more than	8 miles	

The additional ADMw varies with number of students and distance. Generally, the smaller the school the greater the additional weight per student. The high school distance adjustment for being less than 20 miles from the nearest high school was phased out and sunset at the end of 2004-05.

Teacher Experience and Balance to Funding

The dollars per weighted student target is arbitrarily set at \$4,500 (adopted in 1991) before adjustment for teacher experience.

The teacher experience adjustment increases (or decreases) the target by \$25 for each year the district average teacher experience is more (or less) than the statewide average teacher experience.

A calculated multiplier balances funds available to funds allocated. The multiplier modifies the adjusted

target amount to distribute the available state appropriation. The multiplier is currently about 1.16 using \$4,500 per ADMw. The equivalent amount is \$5,220 per ADMw.

Transportation Revenue

Transportation Grant	=	70% to 90% of Transportation Costs
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Districts are ranked by approved transportation costs per student from highest to lowest. The district grant depends on the following ranking:

District Rank	% of Costs
Top 10%	90%
Next 10%	80%
Bottom 80%	70%

The grant is the percent of costs corresponding to district rank times approved transportation costs.

Approved transportation costs are the following:

- Preschool handicapped students
- Elementary students more than 1 mile from school
- Secondary students more than 1.5 miles from school
- Students going between school facilities
- Students on field trips
- Health or safety needs
- Room and board *in lieu* of transportation

High Cost Disability Revenue

High Cost Disability Grant	=	Up to Sum of Costs above \$30,000 per Disability Student
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For a student with approved disability costs above \$30,000, the grant is the cost minus \$30,000. The district grant is the sum of the grants for each student with disability costs above \$30,000. ESD costs for each student can be included in the student total. Total district grants cannot exceed \$12 million per year. If total grants initially exceed this amount, the grants are reduced proportionally.

New Facility Revenue

Facility Grant	=	Up to 8% of Construction Costs
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Districts adding new classroom space receive up to 8% of construction (excluding land) and portable unit costs for furnishings and equipment. Total grants are limited to \$17.5 million per biennium. This increases to \$25 million per biennium beginning in 2007-09. If grants at 8% exceed the limit, the percent is reduced. The actual percent is currently about 4%.

School Revenue Share

The school share of both school district and ESD formula revenue is 95% (95.25% beginning in 2006-07). Formula revenue is State School Fund dollars available for distribution to school districts and ESDs and designated local revenue (primarily property taxes) included for each in their respective formulas. The K-12 equalization formula uses 95% (95.25% in 2006-07) of this total to allocate to school districts.

2005-07 Funding Level

The appropriation is \$5.2 billion for the State School Fund with the potential of an additional \$23 million. The formula local revenue estimate for schools and ESD's is currently \$2.6 billion.

State Payment Schedule

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

Other State School Fund Allocations

The Legislature also funds special programs separate from the school formula. Districts with small high schools are allocated \$5 million and certain state special education programs receive about \$17 million from the State School Fund in the 2005-07 biennium.

FORMULA GRANT PERCENTAGE BY DISTRICT SIZE 2003-04					
District Size by ADM	# of Districts	General Purpose	Transportation	High Cost Disability	Facility
0- 500	78	94.44%	5.35%	0.05%	0.16%
500- 1,000	33	95.34%	4.38%	0.18%	0.11%
1,000- 3,000	44	95.24%	3.93%	0.17%	0.67%
3,000- 5,000	17	96.00%	3.62%	0.23%	0.15%
5,000-10,000	17	95.68%	3.71%	0.31%	0.30%
10,000-30,000	9	95.73%	3.51%	0.40%	0.37%
30,000-50,000	3	96.17%	3.21%	0.58%	0.04%

ESD EQUALIZATION

STATE SCHOOL FUND DISTRIBUTION

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

Equalization

The ESD equalization formula determines each ESD's operating revenue from the State School Fund and local revenue. The allocation formula basically assumes that ESD revenue should be proportional to the equalization formula revenue of component school districts.

Revenue Share

The ESD share of both school district and ESD formula revenue is 5% (4.75% beginning in 2006-07). Formula revenue is State School Fund dollars available for distribution to school districts and ESDs and designated local revenue (primarily property taxes) included for each in the respective formulas. The K-12 equalization formula uses 95% (95.25% beginning in 2006-07) of this total to allocate to school districts.

Component School Districts

The school districts within the boundary of an ESD are the ESD's component school districts.

General Services Revenue

General services revenue equals the district base revenue. The source is State School Fund revenue and the local revenue of the ESD.

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

State School Fund Grant

The State School Fund Grant is the ESD's allocated general services amount less its local revenue.

Local Revenue

Local revenue is the sum of these two sources:

- Operating property tax collections (including prior years)
- State managed county trust timber (Chapter 530).

Excess Local Revenue

If an ESD's local revenue is greater than its general services revenue, then the State School Fund grant is zero. Any local revenue in excess of the allocation is distributed to component districts proportional to ADMw (extended) and is included as local revenue for them in the school formula the following year.

Base Revenue

The base revenue is 5.263% (4.987% beginning in 2006-07) times the sum of the school formula revenue for the ESD component districts. With the ESD total state and local share set at 5%, the ESD percent applied to the school district 95% must be more than 5% (5.263%*95%=5%).

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

By using school district formula revenue as the basis for allocating general services revenue, ESD equalization depends on the same factors as school district equalization. ESDs in their role of assisting component school districts are assumed to have the same relative need for funds as their school districts.

Minimum Base

The district minimum allocation is \$1 million. If the base revenue allocation is initially less than \$1 million, the base is increased to the \$1 million minimum.

Percent to Balance

Applying the 5.263% to the sum of the component district formula revenue uses up the 5% of total revenue available for schools and ESDs. So if extra funds are necessary to meet the \$1 million minimum, then the higher total must be reduced to stay within the 5% of available funds. Multiplying allocated revenue including minimums by a percent slightly less than 100% brings the total down to available funds.

State Payment Schedule

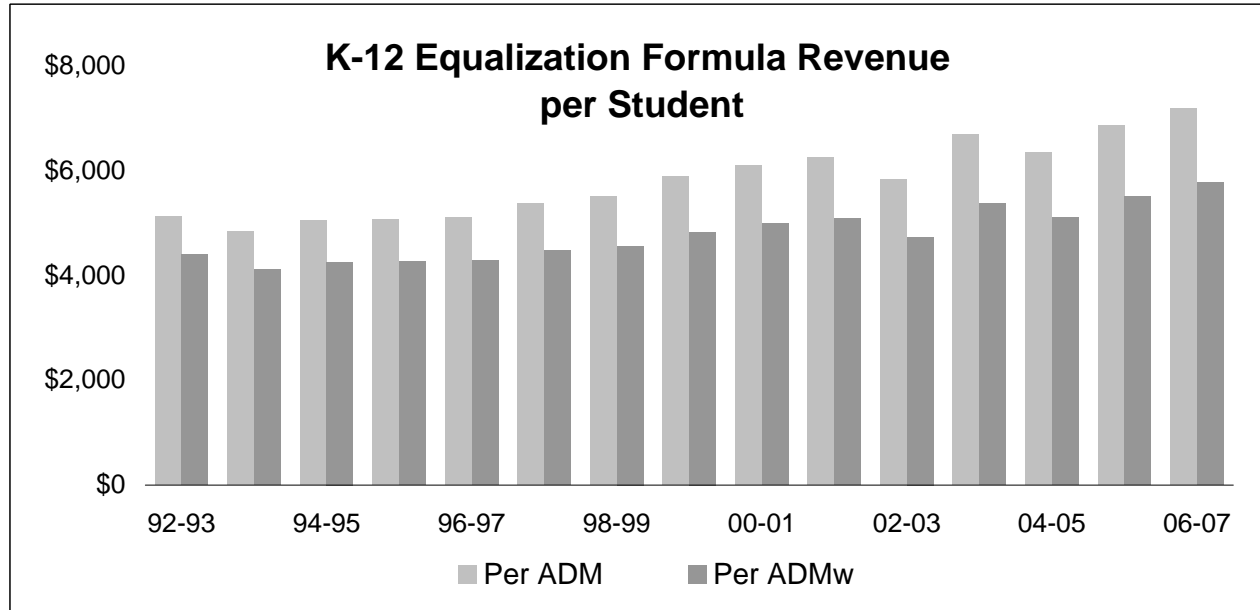
The July payment is 16.67% of the estimated State School Fund grant with 8.33% in each of the following 10 months. There is no June payment. Adjustments for audited data are made the following year.

ESD Students

The student count for an ESD is considered to be the sum of the students in its component school districts. However, the formula does not directly use an ESD student count.

K-12 EQUALIZATION FORMULA REVENUE PER STUDENT

	Average Daily Membership				State School Fund and Formula Local Revenue			
	Unweighted (ADM)		Weighted (ADMw)		\$ Per ADM		\$ Per ADMw	
	#	Growth	#	Growth	\$	Change	\$	Change
1992-93	486,829		566,858		5,120		4,397	
1993-94	491,982	1.1%	578,602	2.1%	4,834	-5.6%	4,110	-6.5%
1994-95	495,076	0.6%	586,859	1.4%	5,043	4.3%	4,255	3.5%
1995-96	501,919	1.4%	595,547	1.5%	5,065	0.4%	4,268	0.3%
1996-97	508,579	1.3%	605,801	1.7%	5,109	0.9%	4,289	0.5%
1997-98	514,094	1.1%	616,998	1.8%	5,371	5.1%	4,475	4.3%
1998-99	517,348	0.6%	624,228	1.2%	5,501	2.4%	4,559	1.9%
1999-00	519,587	0.4%	632,895	1.4%	5,883	6.9%	4,830	5.9%
2000-01	522,753	0.6%	638,073	0.8%	6,091	3.5%	4,990	3.3%
2001-02	528,346	1.1%	647,960	1.5%	6,245	2.5%	5,092	2.0%
2002-03	530,653	0.4%	654,536	1.0%	5,831	-6.6%	4,727	-7.2%
2003-04	528,180	-0.5%	657,110	0.4%	6,686	14.7%	5,374	13.7%
2004-05 Est.	528,179	0.0%	656,347	-0.1%	6,343	-5.1%	5,104	-5.0%
2005-06 Est.	530,028	0.4%	659,212	0.4%	6,856	8.1%	5,513	8.0%
2006-07 Est.*	532,413	0.4%	662,953	0.6%	7,179	4.7%	5,765	4.6%
14 Year Growth	9.4%		17.0%		40.2%		31.1%	



Notes:

* Includes \$23 million subject to June 2006 revenue forecast trigger.

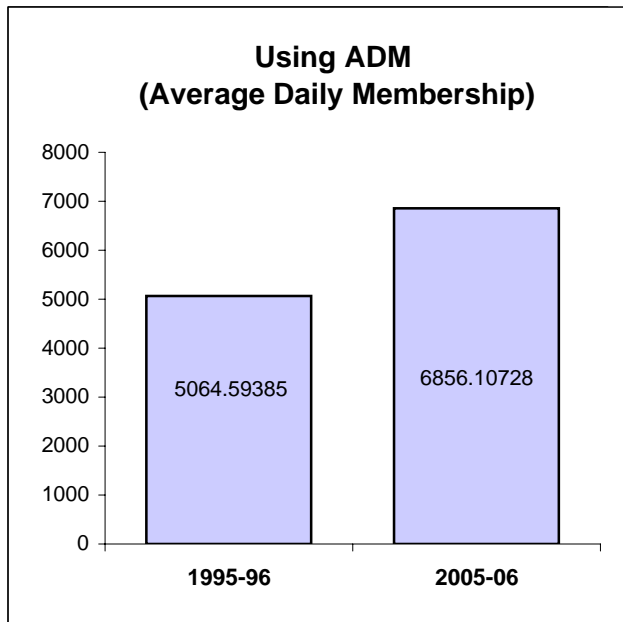
Excludes revenue outside the school formula like lottery revenue bonds and federal funds.

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

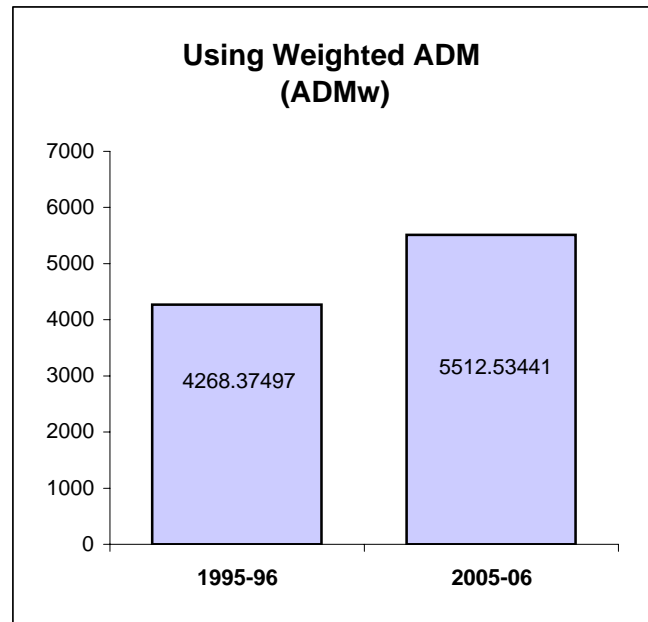
Includes students in the state youth corrections program beginning in 1997-98.

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

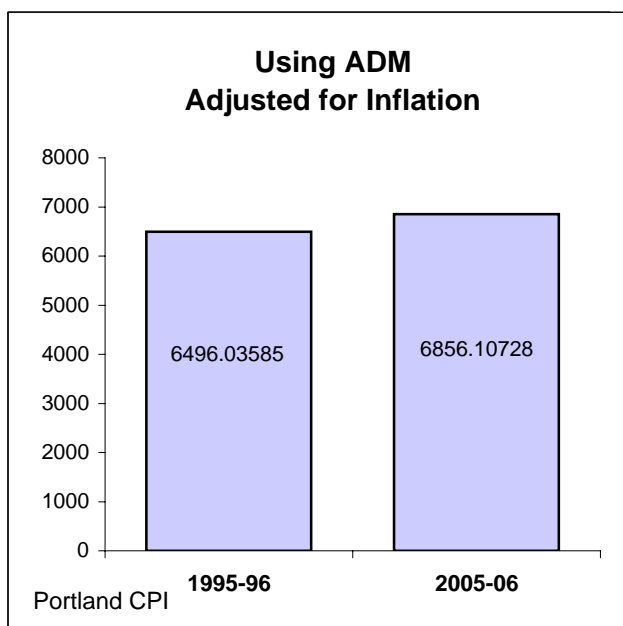
K-12 SCHOOL FINANCIAL TRENDS STATE AND LOCAL FORMULA REVENUE PER STUDENT 10 Year Comparison



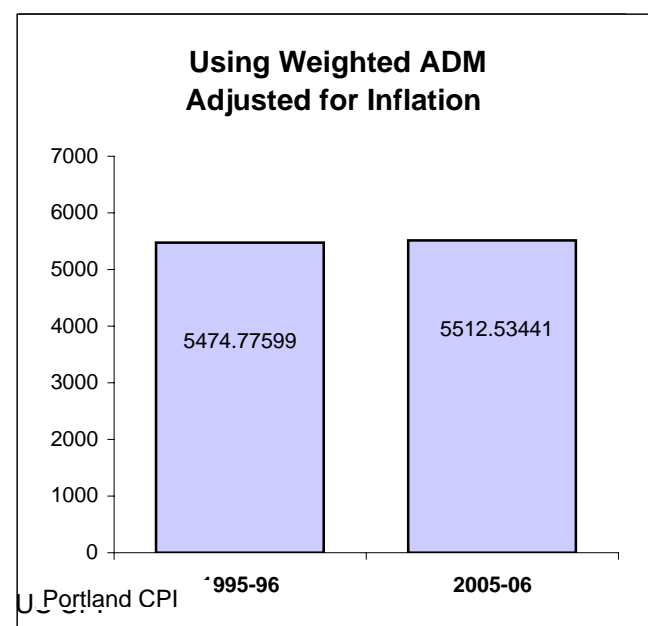
Revenue per student increases about 35%.



Revenue per weighted student increases about 29%.



Revenue per student adjusted for inflation increases about 5%.



Revenue per weighted student adjusted for inflation remains about unchanged.

Note: 2005-06 numbers are Feb. 2006 estimates of student counts, local revenue and inflation.

K-12 and ESD REVENUE HISTORY

Summary of State School Fund and Local Formula Revenue

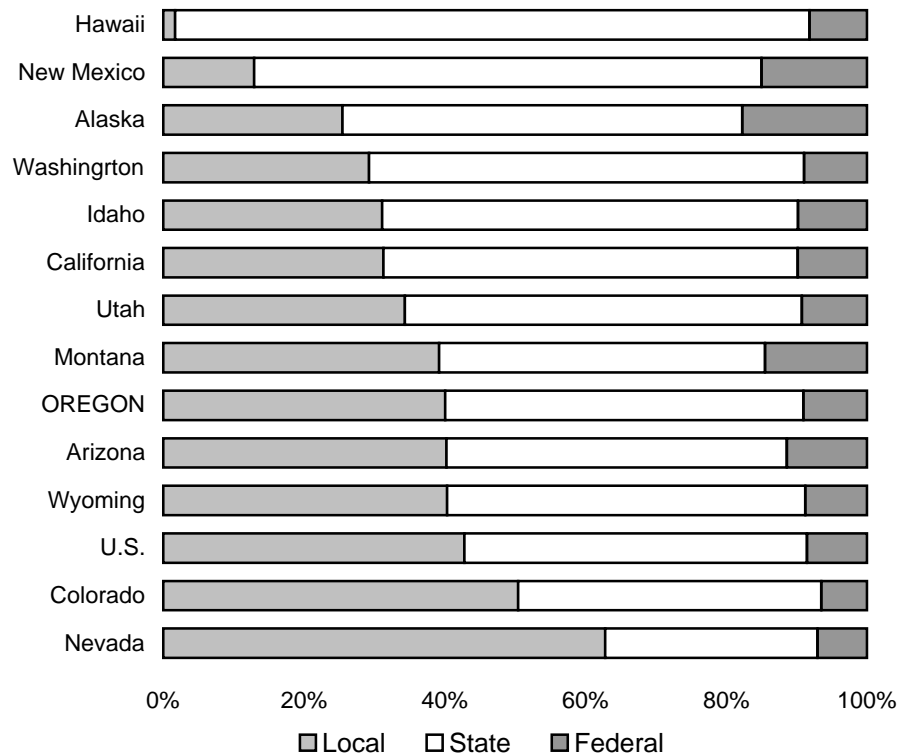
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Source										Estimates		
State												
State School Fund	1,750.0	1,759.7	2,048.4	2,101.6	2,246.2	2,339.2	2,429.0	2,146.9	2,589.8	2,326.1	2,566.6	2,696.4
Local K-12												
Property and Timber Taxes	799.6	848.3	781.6	801.7	845.6	873.4	922.7	970.2	1,003.4	1,054.5	1,088.6	1,145.0
Other Local	63.2	64.3	56.0	50.4	84.0	84.0	77.0	94.0	77.5	104.6	109.5	106.6
Excluded from Formula	<u>-13.4</u>	<u>-13.3</u>	<u>-20.0</u>	<u>-20.0</u>	<u>-23.1</u>	<u>-22.1</u>	<u>-22.6</u>	<u>-19.5</u>	<u>-19.5</u>	<u>-21.5</u>	<u>0.0</u>	<u>0.0</u>
	849.4	899.4	817.6	832.0	906.4	935.3	977.2	1,044.8	1,061.3	1,137.6	1,198.0	1,251.6
Local ESD												
Property Tax	56.6	61.4	56.5	59.5	61.8	63.2	66.6	70.1	72.2	75.2	79.1	83.1
Shared with K-12	<u>-4.5</u>	<u>-5.0</u>	<u>-3.9</u>	<u>-3.9</u>	<u>-3.9</u>	<u>-3.8</u>	<u>-3.6</u>	<u>-3.3</u>	<u>0.0</u>	<u>-0.8</u>	<u>-1.2</u>	<u>-1.2</u>
	52.1	56.4	52.6	55.5	57.8	59.3	62.9	66.9	72.2	74.4	77.9	81.9
Total Sources	2,651.5	2,715.5	2,918.6	2,989.2	3,210.5	3,333.8	3,469.1	3,258.6	3,723.3	3,538.1	3,842.5	4,029.9
Revenue Allocation												
ESD												
Districts	109.5	117.1	130.8	139.5	148.7	148.7	157.3	145.8	176.1	171.1	191.5	190.9
OPEN Technology	0.0	0.0	1.0	1.0	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0
K-12 School												
Out-of-State Disability/Virtual School	0.0	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0	1.0	1.0
Small High School Grants							4.6	4.5	2.5	2.5	2.5	2.5
State Special Education							7.2	7.4	7.3	8.5	8.0	8.5
Youth Corrections & Detention	5.4	6.9	8.3	9.3	10.6	10.9	13.0	12.1	11.0	11.3	0.0	0.0
District Equalization Formula	2,536.6	2,591.4	2,752.8	2,836.9	3,046.0	3,173.1	3,286.3	3,081.9	3,520.3	3,338.8	3,633.9	3,822.1
Misc. & Prior Year Corrections	0.0	0.0	-0.2	0.5	0.5	-0.4	0.2	6.4	6.0	6.0	5.5	5.0
State												
Over Cap for Lottery Bonds	<u>0.0</u>	<u>0.0</u>	<u>25.5</u>	<u>1.6</u>	<u>3.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Allocation	2,651.5	2,715.5	2,918.6	2,989.2	3,210.5	3,333.8	3,469.1	3,258.6	3,723.3	3,538.1	3,842.5	4,029.9
Other State Revenue												
K-12 Lottery-Backed Bonds	0.0	0.0	0.0	150.0	56.0	71.0	0.0	0.0	0.0	0.0	0.0	0.0
K-12 Other/School Improvement	0.0	0.0	55.0	0.0	27.0	27.0	108.0	0.0	0.0	0.0	0.0	0.0

Notes: Dollars in millions.

Pre-1997-98 years adjusted to exclude Portland property tax for PERS bond.

2002-03 REVENUE PER STUDENT WESTERN STATES COMPARISON BY SOURCE

State	Rank	Total	Local	State	Federal
Hawaii	7	11,309	191	10,191	927
Alaska	9	10,928	2,783	6,209	1,936
Wyoming	10	10,909	4,398	5,552	959
U.S.		9,135	3,909	4,447	779
California	23	8,975	2,806	5,282	886
Washington	28	8,570	2,506	5,295	768
New Mexico	30	8,387	1,082	6,048	1,257
Colorado	31	8,379	4,223	3,611	544
OREGON	32	8,302	3,323	4,228	751
Montana	35	8,030	3,145	3,721	1,165
Arizona	38	7,839	3,153	3,792	895
Nevada	40	7,536	4,731	2,275	531
Idaho	47	6,832	2,125	4,037	670
Utah	51	5,954	2,043	3,360	551



Source: National Center for Education Statistics, Revenue, 2002-03

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

Students is fall enrollment.

Includes intermediate in local.

HIGHWAY TAXES

Highway finance spans several facets of Transportation policy and regulations. However, the following major revenue sources constitute the five pillars of Highway finance in Oregon:

Fuel taxes include Motor Fuel Tax (gasoline) and Use fuel tax (diesel, natural gas, etc.) currently at 24 cents per gallon. Motor Fuel Tax is paid by the wholesaler and included in the price at the pump with refunds for non-highway or exempt use. Use Fuel tax is paid by the retailer when purchased for highway use. Heavy vehicles pay the weight-mile taxes and not fuel tax.

Weight-Mile taxes (WMT) on heavy vehicles (trucks) are paid monthly to the Motor Carrier Transportation Division of the Department of Transportation for each mile traveled on Oregon roads. The cost per mile is based on the declared gross weight of the truck. The rate schedule ranges, in 2,000-pound increments, from 26,000 to 105,500. The rates increase from 4.00 cents per mile to 13.16 cents per mile for trucks below 80,000 pounds. The rate for trucks over 80,000 increases inversely with the number of axles. Log, sand and gravel, and wood chip trucks may elect to pay monthly fees in lieu of weight-mile taxes (flat fees). These are based on gross vehicle weight and do not vary with miles traveled.

Motor vehicle registration fees are imposed on cars and trucks. Cars and other vehicles under 8,000 pounds pay a \$54 biennial fee (new vehicles: \$108 for 4 years). Trucks pay a fee based on gross weight. These fees range from \$169 to \$636 with reduced fees for nonprofit organizations, tow trucks, and farm vehicles.

Vehicle Titling Fees are imposed on cars and trucks. Vehicles under 26,000 pounds pay \$55 and vehicles over 26,000 pounds pay \$90.

Bonding, which has been low in Oregon historically, was increased by HB 2142 (2001), HB 4010 (2002, First Special Session), and by HB 2041 (2003). As an outcome of the 2001 legislative session, HB 2142 dedicated \$71.2 million annually for debt service on bonds supporting up to \$400 million in net proceeds for modernization projects. HB 4010 (2002) took an advantage of lower interest rates and increased the limit on net proceeds to \$500 million. HB 2041 (2003) increased most fees and tax rates to provide debt service for \$1.6 billion in bond proceeds for bridge repair and replacement, and \$300 million in net proceeds for highway modernization. These three bonding programs are known as Oregon Transportation Improvement Act (OTIA) I, II, and III respectively.

The above revenue sources supply most state funds available for highways. There are numerous other special fees such as recreational vehicles and motor homes registration fees, personalized license plates, and driver's licenses. The different fees address multiple interests of the operation or regulation of the transportation system, and some of the fees are dedicated to non-highway uses.

The Oregon Constitution requires all tax revenues collected upon ownership or operation of motor vehicles (except recreational vehicle) be used for road related expenditures. In 1999, the responsibility clause was added to require that light and heavy vehicles pay fees in proportion to the costs exacted by each vehicle class.

Highway Fund

Net revenues from the dedicated taxes and fees are deposited in the Highway Fund. The Highway Fund is distributed among the state, cities and counties for road construction and maintenance. Moneys distributed among the counties in proportion to vehicle registrations, and city distributions are in proportion to population. As a result of the OTIA legislations mentioned above, ODOT will

have to track revenues separately for title fees at \$10, \$30, and at \$55; for registration fees and WMT before and after the HB 2041 increases; and for various license and other fees before and after the HB 2041. The different distribution formulas for these revenues are shown in the table below. The Base includes all revenues from taxes and fees before the increases in HB 2142 and HB 2041. The distribution for OTIA is any excess of the \$71.2 million that is not required for debt service. In the case of the Bridge distribution, any revenue not used for debt service goes to the indicated jurisdiction.

HIGHWAY FUND DISTRIBUTION

Recipient	Base	OTIA	Bridge*	Misc.
State	60.05%	50%	57.53%	0%
Counties	24.38%	30%	25.48%	60%
Cities	15.57%	20%	16.99%	40%

* All revenues go to ODOT for debt service on bonded projects in the indicated jurisdictions.

Total Transportation Revenue

The table below shows total revenue to the Department of Transportation by selected categories. These include revenue for transit and rail in addition to revenue for highways.

Total Transportation Revenue (millions of dollars)					
	Actual Revenue				Legislative Adopted
Revenue Source	1997-99	1999-01	2001-03	2003-05	2005-07
Beginning Balance	114.2	53.6	160.6	453.3	348.7
Revenues					
Fuel Taxes	800.8	808.6	824.8	839.8	852.4
Weight-Mile Taxes	477.8	429.8	390.3	436.9	455
Driver & Vehicle Licenses	218.1	228.7	304	446.5	499.5
General Fund	0.7	19.9	17.1	3.9	8.6
Federal Funds	602.2	584.8	671.6	696.3	604.7
Lottery	20.2	17.6	6	20.7	33.2
Bond & COP Proceeds	16.4	58.5	291.2	195.6	743.8
All Other	172.8	172.8	220.2	203.1	233
Total Revenue	2,309.0	2,320.7	2,725.2	2,842.8	3,430.2
Total Resources	2,423.2	2,374.3	2,885.8	3,296.1	3,778.9

Source: ODOT Program Budget.

The following two tables show gross tax collections from state imposed highway user fees and the amounts distributed for expenditure on roads by the state, cities and counties. Page H-5 shows fuel tax rates by state and page H-6 shows motor carrier fees and taxes by state for an 80,000-pound vehicle, as well as two other sources for Diesel tax.

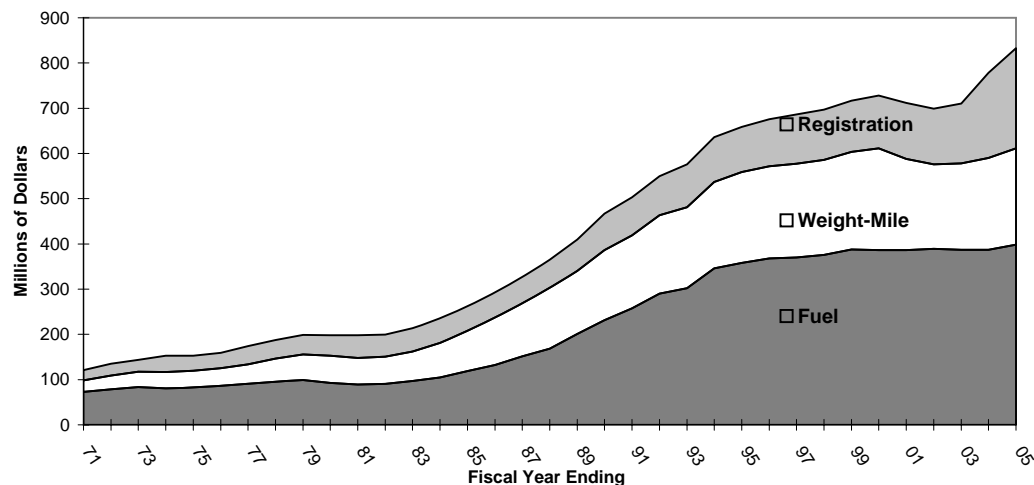
MOTOR VEHICLE AND FUEL TAX REVENUES

Gross Tax Collections* (millions)

Fiscal Year	Fuel Tax		Weight-Mile Tax		Registration & License		Total Collections	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	Growth
1970-71	72.7	60.2%	25.9	21.4%	22.2	18.4%	120.8	
1971-72	78.6	58.1%	30.4	22.5%	26.3	19.4%	135.3	12.0%
1972-73	83.4	58.1%	34.1	23.8%	26.0	18.1%	143.5	6.1%
1973-74	80.4	52.7%	36.2	23.7%	36.0	23.6%	152.6	6.3%
1974-75	82.7	54.1%	37.0	24.2%	33.1	21.7%	152.8	0.1%
1975-76	86.1	54.2%	39.3	24.7%	33.5	21.1%	158.9	4.0%
1976-77	90.6	52.1%	43.3	24.9%	40.0	23.0%	173.9	9.4%
1977-78	95.7	51.1%	50.8	27.1%	40.7	21.7%	187.2	7.6%
1978-79	99.2	49.8%	56.5	28.4%	43.3	21.8%	199.0	6.3%
1979-80	92.4	46.6%	60.1	30.3%	45.9	23.1%	198.4	-0.3%
1980-81	88.8	44.8%	58.8	29.6%	50.8	25.6%	198.4	0.0%
1981-82	90.6	45.4%	60.0	30.1%	48.9	24.5%	199.5	0.6%
1982-83	96.6	45.2%	65.2	30.5%	51.9	24.3%	213.7	7.1%
1983-84	104.9	44.6%	76.4	32.5%	54.1	23.0%	235.4	10.2%
1984-85	118.6	45.2%	89.1	34.0%	54.7	20.8%	262.4	11.5%
1985-86	132.0	45.1%	105.6	36.1%	55.1	18.8%	292.7	11.5%
1986-87	151.5	46.3%	116.6	35.6%	59.0	18.0%	327.1	11.8%
1987-88	168.3	46.1%	135.0	37.0%	61.6	16.9%	364.9	11.6%
1988-89	200.6	48.9%	139.5	34.0%	69.7	17.0%	409.9	12.3%
1989-90	231.1	49.5%	155.3	33.3%	80.5	17.2%	467.0	13.9%
1990-91	257.6	51.2%	161.1	32.0%	84.5	16.8%	503.2	7.8%
1991-92	290.2	52.8%	173.2	31.5%	86.2	15.7%	549.6	9.2%
1992-93	302.3	52.5%	179.1	31.1%	94.5	16.4%	575.9	4.8%
1993-94	345.9	54.4%	191.4	30.1%	98.6	15.5%	635.9	10.4%
1994-95	357.8	54.3%	201.3	30.6%	99.5	15.1%	658.6	3.6%
1995-96	368.1	54.5%	203.3	30.1%	104.1	15.4%	675.6	2.6%
1996-97	370.2	53.9%	206.9	30.1%	109.3	15.9%	686.4	1.6%
1997-98	375.6	53.9%	209.9	30.1%	111.3	16.0%	696.9	1.5%
1998-99	387.9	54.1%	215.7	30.1%	113.1	15.8%	716.7	2.8%
1999-00	386.4	53.1%	224.7	30.9%	116.9	16.1%	728.1	1.6%
2000-01	386.2	54.3%	202.1	28.4%	123.3	17.3%	711.6	-2.3%
2001-02	388.8	55.6%	187.0	26.8%	123.2	17.6%	699.0	-1.8%
2002-03	387.0	54.5%	191.1	26.9%	132.3	18.6%	710.4	1.6%
2003-04	387.3	49.8%	203.0	26.1%	187.9	24.1%	778.2	9.5%
2004-05	398.1	47.8%	213.0	25.6%	221.8	26.6%	832.8	7.0%

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

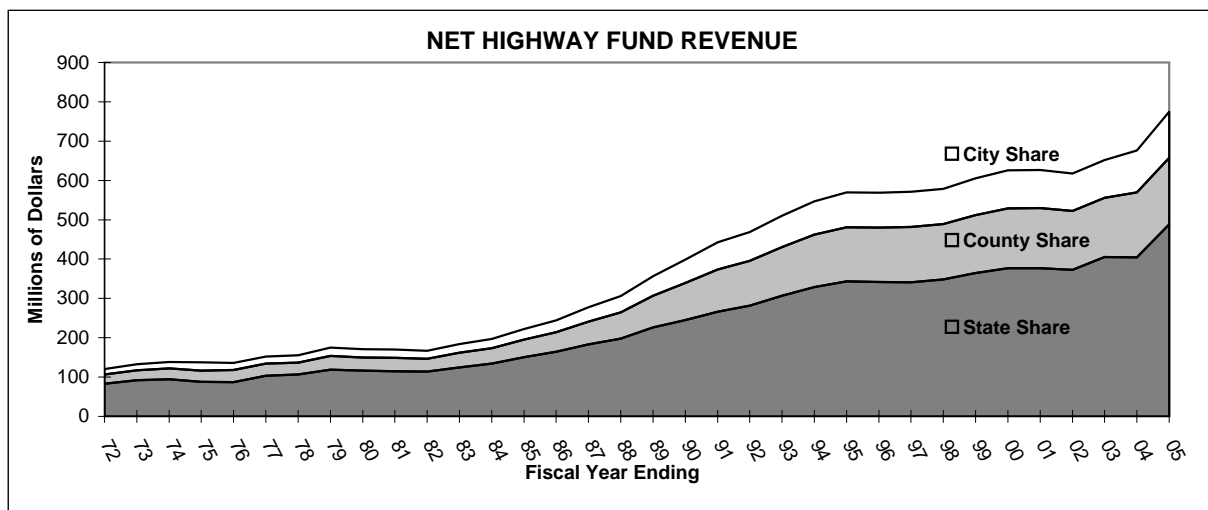
MOTOR VEHICLE AND FUEL TAX REVENUE



NET HIGHWAY FUND REVENUE
(millions)

Fiscal Year	Total Highway Fund	Less Transfers to		Net State Revenue	Highway Fund Growth
		Cities	Counties		
1971-72	120.8	14.0	23.8	83.0	7.5%
1972-73	132.5	15.1	25.8	91.6	9.7%
1973-74	138.0	16.3	27.1	94.6	4.2%
1974-75	137.6	21.1	28.9	87.6	-0.3%
1975-76	136.2	18.6	30.8	86.8	-1.0%
1976-77	152.5	18.4	30.5	103.6	12.0%
1977-78	155.5	18.4	30.6	106.5	2.0%
1978-79	174.7	21.1	35.1	118.5	12.3%
1979-80	170.8	20.7	34.1	116.0	-2.2%
1980-81	170.3	21.0	34.6	114.7	-0.3%
1981-82	166.7	19.9	32.9	113.9	-2.1%
1982-83	184.0	22.4	36.9	124.7	10.4%
1983-84	196.6	23.4	38.9	134.3	6.8%
1984-85	221.9	27.0	44.3	150.6	12.9%
1985-86	243.8	29.9	49.2	164.7	9.9%
1986-87	277.4	36.3	58.4	182.7	13.8%
1987-88	305.6	41.3	66.6	197.7	10.2%
1988-89	356.6	50.0	80.0	226.6	16.7%
1989-90	399.1	59.8	94.4	244.9	11.9%
1990-91	442.9	69.0	108.1	265.8	11.0%
1991-92	468.8	73.1	114.5	281.2	5.8%
1992-93	510.2	79.4	124.4	306.4	8.8%
1993-94	546.9	85.1	133.3	328.5	7.2%
1994-95	569.5	88.2	138.3	343.0	4.1%
1995-96	568.8	88.3	138.5	342.0	-0.1%
1996-97	571.0	89.6	140.6	340.8	0.4%
1997-98	578.7	89.6	140.6	348.5	1.4%
1998-99	605.3	93.7	147.1	364.5	4.6%
1999-00	626.1	97.0	152.2	377.0	3.4%
2000-01	626.4	97.0	152.2	377.2	0.0%
2001-02	617.4	95.3	149.2	372.9	-1.4%
2002-03	651.7	95.9	150.2	405.6	5.5%
2003-04	675.9	106.2	165.5	404.2	3.7%
2004-05	774.9	117.8	168.5	488.6	14.6%

Source: Oregon Department of Transportation



Motor Fuel Tax Rates (cents per gallon)

January 1, 2005

State	Gasoline Tax Rates				Diesel Fuel Tax Rates				Gasohol Tax Rates				Add Sales	
	Excise	Add'l	Total	Rank	Excise	Add'l	Total	Rank	Excise	Add'l	Total	Rank	Tax	Other
Alabama /1	16.0	2.0	18.0	37	19.0		19.0	35	16	2	18	37		Inspection fee
Alaska	8.0		8.0	50	8.0		8.0	50	0		0	51		
Arizona /3	18.0		18.0	37	18.0		18.0	38	18		18	37		
Arkansas	21.5		21.5	23	22.5		22.5	22	21.5		21.5	22		
California	18.0		18.0	37	18.0		18.0	38	18		18	37	Y	
Colorado	22.0		22.0	21	20.5		20.5	30	22		22	21		
Connecticut	25.0		25.0	11	26.0		26.0	12	25		25	11		
Deleware /5	23.0		23.0	18	22.0		22.0	25	23		23	17		Plus 0.5% GRT
District of Columbia	22.5		22.5	20	22.5		22.5	22	22.5		22.5	19		
Florida /2	4.0	10.5	14.5	47	16.8	10.5	27.3	6	4	10.5	14.5	47	Y	
Georgia	7.5		7.5	51	7.5		7.5	51	7.5		7.5	50	Y	
Hawaii /1	16.0		16.0	45	16.0		16.0	42	16		16	45	Y	
Idaho /7	25.0		25.0	11	25.0		25.0	16	22.5		22.5	19		
Illinois /1,3	19.0	1.1	20.1	28	21.5	1.1	22.6	21	19	1.1	20.1	26	Y	Enviro. Fee
Indiana /3	18.0		18.0	37	16.0		16.0	42	18		18	37	Y	
Iowa	20.5		20.5	27	22.5		22.5	22	19		19	33		
Kansas /8	24.0		24.0	14	26.0		26.0	12	24		24	13		
Kentucky /3,4	16.0	1.4	17.4	42	13.0	1.4	14.4	47	16	1.4	17.4	42		Enviro. Fee
Louisiana	20.0		20.0	29	20.0		20.0	31	20		20	27		
Maine /5	25.2		25.2	10	26.3		26.3	10	25.2		25.2	10		
Maryland	23.5		23.5	16	24.3		24.3	18	23.5		23.5	15		
Massachusetts	21.0		21.0	25	21.0		21.0	28	21		21	24		
Michigan	19.0		19.0	34	15.0		15.0	46	19		19	33	Y	
Minnesota	20.0		20.0	29	20.0		20.0	31	20		20	27		
Mississippi	18.0	0.4	18.4	36	18.0	0.4	18.4	36	18	0.4	18.4	36		Enviro. Fee
Missouri	17.0	0.0	17.0	43	17.0	0.0	17.0	41	17	0.03	17.03	43		Inspection fee
Montana	27.0		27.0	5	27.8		27.8	5	27		27	5		
Nebraska /5	25.4	0.9	26.3	8	25.4	0.9	26.3	10	25.4	0.9	26.3	8		Petroleum fee
Nevada /1	23.0		23.0	18	27.0		27.0	7	23		23	17		
New Hampshire	18.0	1.5	19.5	33	18.0	1.5	19.5	34	18	1.5	19.5	32		Oil discharge cleanup fee
New Jersey	10.5	4.0	14.5	47	13.5	4.0	17.5	40	10.5	4	14.5	47		Petroleum fee
New Mexico /8	17.0	1.9	18.9	35	21.0	1.9	22.9	20	17	1.9	18.9	35		Petroeum loading fee
New York	8.0	15.2	23.2	17	8.0	13.45	21.5	27	8	15.2	23.2	16	Y	
North Carolina /4	26.6	0.3	26.9	7	26.6	0.3	26.9	9	26.6	0.25	26.85	7		Inspection tax
North Dakota	21.0		21.0	25	21.0		21.0	28	21		21	24		
Ohio	26.0		26.0	9	26.0		26.0	12	26		26	9		Plus 3 cents commerical
Oklahoma	16.0	1.0	17.0	44	13.0	1.0	14.0	48	16	1	17	44		Enviro. Fee
Oregon /1	24.0		24.0	14	24.0		24.0	19	24		24	13		
Pennsylvania	12.0	18.0	30.0	2	12.0	24.4	36.4	1	12	18	30	2		Oil franchise tax
Rhode Island	30.0	1.0	31.0	1	30.0	1.0	31.0	2	30	1	31	1		LUST tax
South Carolina	16.0		16.0	45	16.0		16.0	42	16		16	45		
South Dakota /1	22.0		22.0	21	22.0		22.0	25	20		20	27		
Tennessee /1	20.0	1.4	21.4	24	17.0	1.4	18.4	36	20	1.4	21.4	23		Fee
Texas	20.0		20.0	29	20.0		20.0	31	20		20	27		
Utah	24.5		24.5	13	24.5		24.5	17	24.5		24.5	12		
Vermont	19.0	1.0	20.0	29	25.0	1.0	26.0	12	19	1	20	27		Petroleum fee
Virginia /1,6	17.5		17.5	41	16.0		16.0	42	17.5		17.5	41		
Washington	28.0		28.0	4	28.0		28.0	4	28		28	4		0.5% privilege tax
West Virginia	20.5	6.5	27.0	5	20.5	6.2	27.0	7	20.5	6.5	27	5	Y	
Wisconsin /5	29.1		29.1	3	29.1		29.1	3	29.1		29.1	3		
Wyoming	13.0	1.0	14.0	49	13.0	1.0	14.0	48	13	1	14	49		License tax
Federal /7	18.3	0.1	18.4		24.3	0.1	24.4		13	0.1	13.1			LUST tax

SOURCE: Compiled by FTA from various sources.

/1 Tax rates do not include local option taxes. In AL, 1 - 3 cents; HI, 8.8 to 18.0 cent; IL, 5 cents in Chicago and 6 cents in Cook county (gasoline only);

NV, 1.75 to 7.75 cents; OR, 1 to 3 cents; SD and TN, one cent; and VA 2%.

/2 Local taxes for gasoline and gasohol vary from 9.7 cents to 17.7 cents. Plus a 2.07 cent per gallon pollution tax.

/3 Carriers pay an additional surcharge equal to AZ-8 cents, IL-6.3 cents (g) 6.0 cents (d), IN-11 cents, KY-2% (g) 4.7% (d).

/4 Tax rate is based on the average wholesale price and is adjusted quarterly. The actual rates are: KY, 9%; and NC, 17.5¢ + 7%.

/5 Portion of the rate is adjustable based on maintenance costs, sales volume, or inflation.

/6 Large trucks pay an additional 3.5 cents.

/7 Tax rate is based on the percentage of ethanol used in blending (reported rate assumes the max. 10% ethanol).

L.R. 2/24/2006

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

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

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

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

2004
Diesel Tax Rates

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

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

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

* Nebraska: In addition each county assesses a motor vehicle tax and motor vehicle fee.

** Utah based carriers are required to pay an additional ad valorem tax.

ATA: American Trucking Association

All States Tax Handbook published each year by Thomson/RIA

TIMBER TAXATION

A Brief History

Prior to 1929, all private forestland (8 million acres) and the value of standing timber on the land were subject to property taxation. Between 1929 and 1977, a Forest Fee and Yield tax was allowed for reforestation lands (860,000 acres) in lieu of property taxes. In 1953, a Forest Products Harvest Tax was imposed per thousand board feet on all merchantable harvests from both public and private land (first 25,000bf exempt). In 1961, the Small Tract Option allowed property tax on the productivity value of qualified forestland (200,000 acres) in western Oregon. In 1962 (eastern Oregon) and in 1977 (western Oregon), severance taxes were imposed on the value of timber harvested in lieu of property tax on the value of standing timber (not applicable to forestland under the Small Tract Option). The 1977 legislation returned the reforestation lands to the regular program over roughly 20 years. State collected severance taxes were distributed to local taxing districts.

In 1991, in response to Measure 5 (1990), the severance taxes were converted to privilege taxes with temporary rate reductions. The 1993 Legislature exempted standing timber from property tax, set new statutory forestland values, assessed forestland at 20% of the statutory value, reduced privilege tax rates, and completed the transition for reforestation lands. The privilege taxes were imposed in lieu of property tax on 80% of forestland value. Under Measure 50 (1997), Small Tract Option productivity values were converted to statutory forestland values and maximum assessed values were established for all forestland. See RR #6-00 for more detail. The 1999 Legislature phased in a new program for forestland in ownerships of 5,000 or more acres and the 2001 Legislature extended this program to all forestland as of 2003. Forest land is assessed at 100% of the lesser of its maximum assessed value or its specially assessed value as determined by the Department. The privilege taxes are repealed. The 2003 Legislature passed HB 2197, which extended the 1999 phase in for one year for ownerships of less than 5,000 acres and created an optional Small Tract Forestland (STF) program (see below). The 2005 Legislature simplified the time requirements for filers who apply for a continued classification of a parcel as STF; and clarified that unless the Tax Assessor determines that the property does not constitute forestland, a disqualified STF parcel will automatically be qualified as either Western or Eastern Oregon forestland. A \$200 late filing fee was also enacted for applications for continued classification as STF parcels if the applications are filed after a 30 day notification period has ended.

Current Law

As of July 1, 2004 all forestland is subject to the Forest Products Harvest Tax and all private forest land is taxed under the Oregon Forestland program (sometimes referred to either as the 100% program or the industrial program) unless the owner elects to have qualified parcels taxed under the Small Tract Forestland program. Under the Oregon Forestland program, forest land is assessed for property tax at the lesser of either its maximum assessed value or its specially assessed value as determined by the Department. There are no privilege or severance taxes imposed at the time of harvest other than the Forest Products Harvest Tax. The Forest Products Harvest Tax Rate is established each biennium. Under the Small Tract Forestland program, forest land has a specially assessed value equal to 20% of the values determined by the Department and the 2004-05 values are limited as shown in the table below. The reduced tax (relative to being taxed under the Oregon Forestland program) is deferred. Deferrals older than 10 years are written off. Forest land in the Small Tract Forestland program must pay a severance tax at the time of harvest in addition to the Forest Products Harvest Tax. The severance tax rates for calendar year 2004 are \$4.00 (Western Oregon) or \$3.12 (Eastern Oregon) per 1,000 board feet harvested. These rates are indexed annually in proportion to the increase in forest land value of forest land in the Program in each area.

For a parcel of forest land to qualify for the Small Tract Forestland program, it must be held in common ownership of at least 10 acres but less than 5,000 acres and meet minimum stocking and species requirements. The owner must apply to the relevant county assessor(s) and the application must include all forest land owned in contiguous parcels. Assessors must disqualify forest land from the Small Tract

forestland program if it fails to meet minimum stocking and species requirements, becomes part of an ownership of less than 10 acres or more than 5,000 acres, or at the request of the owner. Disqualification from the program is subject to penalties equal to the amount of property tax deferred while in the program. The values per acre shown in the table below are the maximum assessed values for forest land in the Oregon Forestland program (OFP) and the value limits set in HB 2197 for forest land in the Small Tract Forestland program (STF).

2004-05 Limit on Per Acre Forestland Value		
Site Class by Region	OFP	STF
Western Oregon		
FA	\$477.40	\$94.76
FB	\$378.74	\$75.19
FC	\$317.20	\$62.83
FD	\$269.46	\$53.86
FE	\$179.29	\$35.02
FF	\$129.42	\$25.75
FG	\$54.10	\$10.30
FX	\$6.36	\$1.03
Eastern Oregon	\$54.10	\$10.30

The historically complex distribution system for privilege taxes has been eliminated. Property taxes on forest land are treated like any other property taxes. The severance taxes under the Small Tract Forestland program are deposited to the appropriate Eastern or Western Oregon Timber Severance Tax Fund. After payment of administrative expense, the balance in each Fund is distributed to the State School Fund (60.5%), the Community College Support Fund (4.5%) on May 1st of each year, and to the counties in either eastern or western Oregon (35%) on August 15th following the end of the fiscal year.

As noted above, the Forest Products Harvests Tax applies to harvests of merchantable timber from both publicly and privately owned forestland. The tax is levied per 1,000 board feet of timber harvested and the tax rates are set to fund various forestry related activities as listed in the table below. The activities include: research, fire suppression, and studies funded by the Department of Forestry. The 'Other' rates include \$1.75 (11 months) for salmon reclamation and \$0.15 for assistance to nonindustrial landowners. Rates shown for the Forest Research Institute in 2007 and 2009 are subject to change by the governing board of the institute. The statutory rate for fire suppression is \$0.50 but the State Forester may suspend this rate if the balance in the Forest Land Protection Fund is estimated to exceed \$15 million for a calendar year or increase the rate if additional funding is required.

FOREST PRODUCTS HARVEST TAX RATES					
Year	Research	Fire Suppression	Forest Practices	Forest Institute	Other
1990-91	\$0.21	\$0.30	\$0.16	-	-
1991-92	0.3	0.5	0.53	\$0.31	-
1992-93	0.3	0.66	0.53	0.31	-
1993.2, 3	0.4	0.66	0.77	0.31	-
1994	0.4	0.66	0.77	0.31	-
1995	0.4	0.66	0.77	0.31	-
1996	0.5	0.5	0.6	0.51	-
1997	0.5	0.5	0.6	0.51	-
1998	0.55	0.5	0.7	0.51	\$1.75
1999	0.55	0.5	0.7	0.79	-
2000	0.67	0.5	1.08	0.79	0.15
2001	0.67	-	1.08	0.79	0.15
2002	0.67	0.5	0.91	0.79	
2003	0.67	0.5	0.91	0.79	
2004	0.67	0.5	0.79	0.99	
2005	0.67	0.5	0.79	0.89	
2006	0.67	0.5	0.55	0.89	
2007	0.67	0.5	0.55		

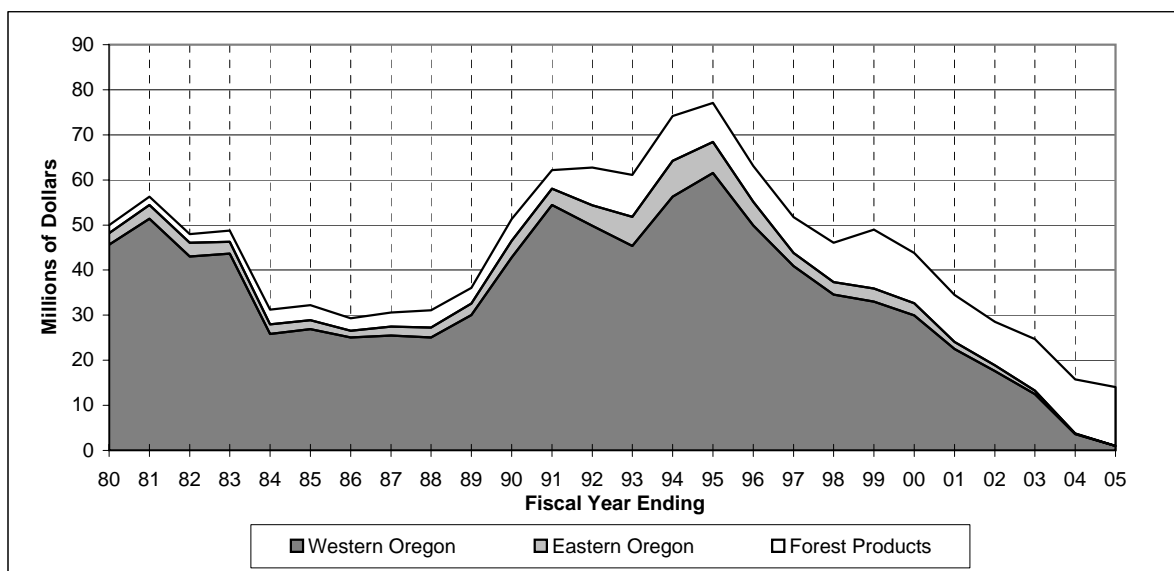
TIMBER TAX COLLECTIONS

(millions of dollars)

Fiscal Year	Privilege Taxes				Forest Products	
	Eastern Oregon		Western Oregon		Harvest Tax	
	Amount	% Change	Amount	% Change	Amount	% Change
1979-80	2.53	6.1%	45.67	8.3%	1.75	0.2%
1980-81	3.10	22.4%	51.36	12.5%	1.81	3.3%
1981-82	3.05	-1.7%	43.04	-16.2%	1.89	4.4%
1982-83	2.64	-13.3%	43.62	1.4%	2.50	31.9%
1983-84	2.15	-18.5%	25.85	-40.8%	3.23	29.2%
1984-85	1.98	-8.2%	26.92	4.1%	3.35	3.8%
1985-86	1.51	-23.8%	25.04	-7.0%	2.79	-16.7%
1986-87	1.97	30.8%	25.49	1.8%	3.11	11.7%
1987-88	2.15	9.2%	25.08	-1.6%	3.87	24.3%
1988-89	2.57	19.4%	30.02	19.7%	3.48	-10.0%
1989-90	3.72	44.9%	42.80	42.6%	4.76	36.8%
1990-91	3.66	-1.7%	54.43	27.2%	4.12	-13.5%
1991-92	4.50	23.0%	49.84	-8.4%	8.41	104.3%
1992-93	6.51	44.6%	45.33	-9.0%	9.26	10.1%
1993-94	7.94	22.0%	56.30	24.2%	9.94	7.3%
1994-95	6.85	-13.7%	61.56	9.3%	8.70	-12.4%
1995-96	5.18	-24.3%	49.93	-18.9%	8.01	-7.9%
1996-97	2.88	-44.4%	40.90	-18.1%	7.96	-0.7%
1997-98	2.71	-6.0%	34.59	-15.4%	8.77	10.1%
1998-99	2.95	9.1%	32.97	-4.7%	13.05	48.8%
1999-00	2.73	-7.6%	29.95	-9.2%	11.11	-14.9%
2000-01	1.50	-45.1%	22.53	-24.8%	10.48	-5.7%
2001-02	1.28	-14.9%	17.60	-21.9%	9.67	-7.7%
2002-03	0.78	-39.1%	12.49	-29.0%	11.42	18.0%
2003-04	0.18	-76.3%	3.60	-71.2%	11.94	4.6%
2004-05	0.04	-78.3%	1.00	-72.2%	13.02	9.0%

Source: Oregon Department of Revenue, Monthly Receipts Statement.

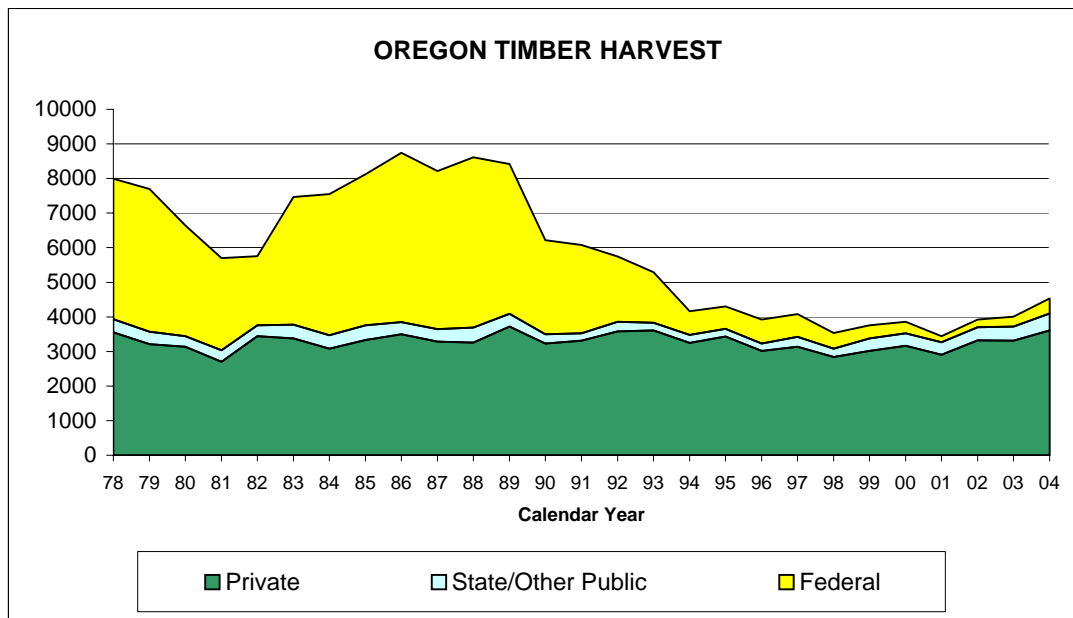
TIMBER TAX COLLECTIONS



OREGON TIMBER HARVEST

Million Board Feet - Scribner Scale

Calendar Year	Private		Federal		State / other public		Total	
	Volume	% Change	Volume	% Change	Volume	% Change	Volume	% Change
1978	3,550		4,069		378		7,997	
1979	3,208	-9.6%	4,123	1.3%	363	-4.0%	7,694	-3.8%
1980	3,134	-2.3%	3,196	-22.5%	310	-14.6%	6,640	-13.7%
1981	2,702	-13.8%	2,658	-16.8%	335	8.1%	5,695	-14.2%
1982	3,440	27.3%	2,000	-24.8%	318	-5.1%	5,758	1.1%
1983	3,373	-1.9%	3,691	84.6%	400	25.8%	7,464	29.6%
1984	3,078	-8.7%	4,084	10.6%	388	-3.0%	7,550	1.2%
1985	3,332	8.3%	4,371	7.0%	423	9.0%	8,126	7.6%
1986	3,494	4.9%	4,892	11.9%	357	-15.6%	8,743	7.6%
1987	3,281	-6.1%	4,566	-6.7%	368	3.1%	8,215	-6.0%
1988	3,259	-0.7%	4,926	7.9%	430	16.8%	8,615	4.9%
1989	3,721	14.2%	4,333	-12.0%	366	-14.9%	8,420	-2.3%
1990	3,229	-13.2%	2,718	-37.3%	272	-25.7%	6,219	-26.1%
1991	3,311	2.5%	2,554	-6.0%	214	-21.3%	6,079	-2.3%
1992	3,581	8.2%	1,886	-26.2%	275	28.5%	5,742	-5.5%
1993	3,609	0.8%	1,463	-22.4%	222	-19.3%	5,294	-7.8%
1994	3,244	-10.1%	688	-53.0%	235	5.9%	4,167	-21.3%
1995	3,432	5.8%	654	-4.9%	218	-7.2%	4,304	3.3%
1996	3,018	-12.1%	690	5.5%	214	-1.8%	3,922	-8.9%
1997	3,133	3.8%	659	-4.5%	290	35.5%	4,082	4.1%
1998	2,840	-9.4%	455	-31.0%	237	-18.3%	3,532	-13.5%
1999	3,014	6.1%	383	-15.8%	363	53.2%	3,760	6.5%
2000	3,167	5.1%	328	-14.4%	359	-1.1%	3,854	2.5%
2001	2,905	-8.3%	173	-47.3%	361	0.6%	3,439	-10.8%
2002	3,318	14.2%	222	28.3%	382	5.8%	3,922	14.0%
2003	3,313	-0.2%	281	26.6%	408	6.8%	4,002	2.0%
2004	3,606	8.8%	433	54.1%	412	1.0%	4,451	11.2%

Source: http://egov.oregon.gov/ODF/STATE_FORESTS/FRP/docs/

AVERAGE TIMBER PRICES

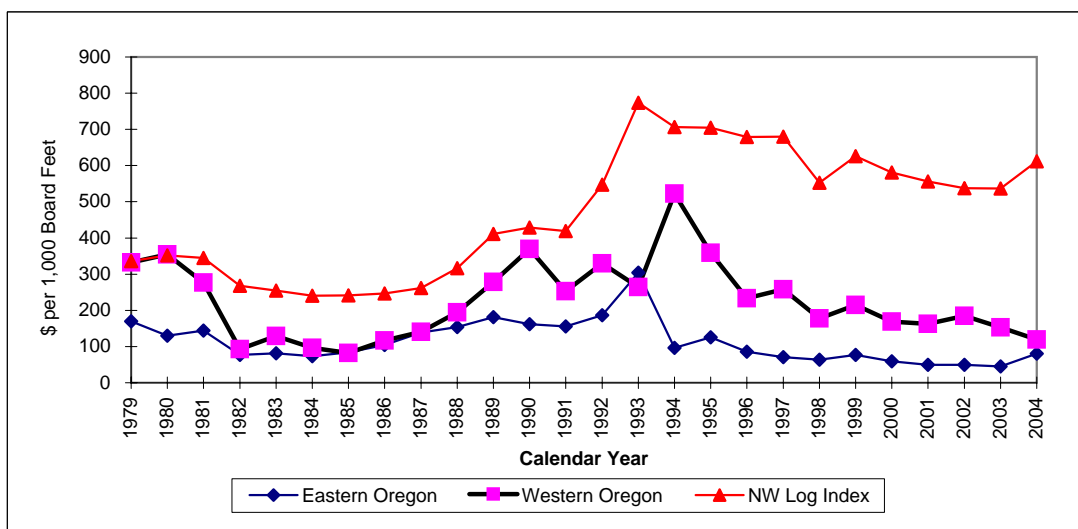
Per Thousand Board Feet

Calendar Year	U.S. Forest Service Stumpage Prices				NW Log Value Index (#2 Saw)	
	Eastern Oregon		Western Oregon		Price	% Change
	Price	% Change	Price	% Change		
1978	\$ 171.00		\$ 211.00		n.a.	
1979	169.60	-0.8%	332.10	57.4%	336.00	
1980	130.20	-23.2%	354.60	6.8%	352.00	4.8%
1981	144.50	11.0%	276.40	-22.1%	345.00	-2.0%
1982	77.30	-46.5%	92.40	-66.6%	267.50	-22.5%
1983	81.70	5.7%	129.30	39.9%	254.50	-4.9%
1984	73.60	-9.9%	96.70	-25.2%	240.50	-5.5%
1985	83.70	13.7%	81.90	-15.3%	241.50	0.4%
1986	104.40	24.7%	116.50	42.2%	246.50	2.1%
1987	138.50	32.7%	140.80	20.9%	261.50	6.1%
1988	153.51	10.8%	194.75	38.3%	316.50	21.0%
1989	181.05	17.9%	278.36	42.9%	411.50	30.0%
1990	161.81	-10.6%	369.31	32.7%	429.00	4.3%
1991	155.98	-3.6%	253.12	-31.5%	419.00	-2.3%
1992	186.59	19.6%	329.79	30.3%	547.50	30.7%
1993	304.15	63.0%	263.94	-20.0%	774.00	41.4%
1994	96.36	-68.3%	522.47	98.0%	706.25	-8.8%
1995	125.22	30.0%	358.84	-31.3%	705.00	-0.2%
1996	85.90	-31.4%	233.82	-34.8%	678.75	-3.7%
1997	70.47	-18.0%	258.10	10.4%	680.00	0.2%
1998	63.61	-9.7%	177.90	-31.1%	552.50	-18.8%
1999	77.27	21.5%	215.02	20.9%	626.25	13.3%
2000	59.58	-22.9%	168.55	-21.6%	581.25	-7.2%
2001	49.87	-16.3%	162.26	-3.7%	556.25	-4.3%
2002	49.49	-0.8%	184.74	13.9%	537.50	-3.4%
2003	45.13	-8.8%	152.82	-17.3%	536.25	-0.2%
2004	80.27	77.9%	119.14	-22.0%	611.50	14.0%

Source: USFS, Production, Prices, Employment, and Trade in Northwest Forest Industries.

Oregon DOF, Log Prices, Region 1, Douglas Fir, #2 sawlogs.

AVERAGE TIMBER PRICES



EXCISE TAXES AND OLCC REVENUES

Taxes on Cigarettes and Other Tobacco Products

Excise taxes are imposed on distribution of all tobacco products in Oregon. Taxes are levied on each cigarette and as a percent of wholesale price of other tobacco products, but limited to 50¢ per cigar. With the passage of Measure 20 (in 2002), the permanent tax rate on cigarettes is \$1.18 and the other tobacco products tax rate is 65% of wholesale price. A temporary tax of 10¢ on cigarettes, dedicated to the Oregon Health Plan was passed in the 1993 Session. It continued in 1995, 1997, 1999, 2001, and 2003 until the defeat of Measure 30 in 2004. Of Cigarette tax, 22 cents is distributed to the General Fund (18.64%), the Health Plan gets 85.7 cents (72.66%), 3.4 cents went to the tobacco cessation programs (2.9%), and 2.3 cents (1.93%) each to cities, counties, and to ODOT for senior and disabled transit. Distributions within cities and counties are based on population. The Other Tobacco Products tax is distributed to the General Fund (53.85%), the Health Plan (41.54%), and tobacco cessation programs (4.62%). Additional tobacco revenue is received under the Master Settlement Agreement. Through June 30, 2005, Oregon has received \$501.2 million in payments from cigarette manufacturers and expects to receive slightly above \$200 million for the 2005-07 biennium. The 2003 Session (SB 856) managed to pledge much of this revenue for \$450 million in bond proceeds for grants to schools in 2002-03 offsetting the decreases in school funding for that period. Other bonds were also pledged against the expected revenues, leaving small future revenue unobligated amounts.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAXES

Fiscal Year	Tax Rate (per pack)	Cigarettes		Other Tobacco	
		Millions	Change	Millions	Change
1992-93	28.0¢	78.2	-2.5%	8.0	9.6%
1993-94	32.8¢	96.0	22.8%	8.7	8.8%
1994-95	38.0¢	107.2	11.7%	9.9	13.8%
1995-96	38.0¢	109.2	1.9%	10.8	9.1%
1996-97	50.1¢	141.7	29.8%	12.8	18.5%
1997-98	68.0¢	199.5	40.8%	19.5	52.3%
1998-99	68.0¢	172.0	-13.8%	19.8	1.5%
1999-00	68.0¢	161.8	-5.9%	20.2	2.0%
2000-01	68.0¢	156.7	-3.2%	20.8	3.0%
2001-02	68.0¢	155.0	-2.6%	20.1	-2.4%
2002-03	103.0¢	222.0	43.2%	20.9	4.4%
2003-04	123.0¢	240.1	8.2%	25.3	20.8%
2004-05	118.0¢	217.8	-9.3%	26.0	2.7%

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

DISTRIBUTION OF TOBACCO TAXES

Fiscal Year	General Fund	Health Plan	TURA	Special Transit	Local Govt.
1994-95	72.0	28.2		5.6	11.3
1995-96	74.0	29.0		5.7	11.5
1996-97	102.3	31.8	\$3.5	5.7	11.3
1997-98	74.3	117.1	9.7	5.9	11.9
1998-99	66.4	101.7	8.5	5.0	10.1
1999-00	63.4	99.0	8.3	4.9	9.8
2000-01	63.0	93.0	7.8	4.6	9.1
2001-02	60.9	92.7	7.8	4.6	9.1
2002-03	57.0	160.9	9.6	4.4	9.3
2003-04	53.9	189.3	7.6	4.3	8.9
2004-05	53.9	189.3	7.6	4.3	8.9

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

Oregon Liquor Control Commission Revenue

Taxes are imposed on beer and wine manufactured or distributed in Oregon. The current rates are \$2.60 per 31 gallon barrel of beer (8.4¢ per gallon), 67¢ per gallon of wine with 14% or less alcohol, and 77¢ per gallon of wine with 14% to 21% alcohol. Two cents of the wine tax goes to the Wine Board, 50% of the remaining beer and wine taxes go to Mental Health and Drug Abuse Prevention, and the balance goes into the OLCC Account. Beverages with 21% or more alcohol are exclusively imported and distributed by the state of Oregon. Currently OLCC sets retail prices, on average, at 101% above cost, shipping, and federal taxes. The net revenue from these operations goes into the OLCC account. Available revenue is distributed 56% to state General Fund, 10% to counties by population, 20% to cities by population, and 14% to cities by formula.

OLCC REVENUE (millions)

Fiscal Year	Beer & Wine Tax	Net Liquor Sales	Net Liquor Revenue
1991-92	\$10.7	\$83.3	\$61.6
1992-93	11.0	85.2	62.2
1993-94	10.6	89.7	65.2
1994-95	10.6	90.1	65.9
1995-96	11.2	93.4	67.7
1996-97	11.8	97.1	70.9
1997-98	12.0	102.4	73.8
1998-99	12.1	107.8	76.5
1999-00	12.4	116.1	84.8
2000-01	12.5	121.7	85.8
2001-02	12.7	127.8	93.0
2002-03	13.3	134.4	97.13
2003-04	13.7	145.1	107.3
2004-05	14.0	155.0	111.05

Source: Oregon Liquor Control Commission

OLCC REVENUE DISTRIBUTIONS (millions)

Fiscal Year	Wine Board	Mental Health	General Fund	Counties	Cities
1991-92	0.1	5.2	36.3	6.5	22.0
1992-93	0.2	5.4	38.0	6.8	23.1
1993-94	0.1	5.2	40.6	7.1	24.1
1994-95	0.1	5.2	41.3	7.4	25.1
1995-96	0.2	5.5	37.3	6.7	22.7
1996-97	0.2	5.8	48.9	8.7	29.7
1997-98	0.2	6.0	45.3	8.1	27.5
1998-99	0.2	5.9	45.7	8.2	27.7
1999-00	0.2	6.0	51.4	9.2	31.2
2000-01	0.2	6.2	52.5	9.4	31.9
2001-02	0.2	6.3	54.8	9.8	33.2
2002-03	0.2	6.6	60.1	10.2	34.7
2003-04	0.2	6.7	62.8	11.2	38.2
2004-05	0.2	6.9	65.6	11.6	39.6

Source: Oregon Liquor Control Commission.

STATE EXCISE TAX RATES AS OF JANUARY 1, 2006
Ranked by Sum of Excise and Sales Tax Rates (Dollars)

Rank	Malt Liquor (Beer) per Gallon			Table Wine (14% alcohol) per Gallon			Cigarettes per Pack		
	State	Excise	Sales	State	Excise	Sales	State	Excise	Sales
1	Hawaii	0.930	0.320	Florida	2.25	2.10	Rhode Island	246.0	0.28
2	South Carolina	0.770	0.400	Tennessee	1.21	2.45	New Jersey	240.0	0.24
3	Alaska	1.070	0.000	Iowa	1.75	1.75	Washington	202.5	0.26
4	Mississippi	0.430	0.560	New Mexico	1.70	1.75	Michigan	200.0	0.24
5	Florida	0.480	0.480	Virginia	1.51	1.75	Maine	200.0	0.20
6	North Carolina	0.530	0.360	Washington	0.87	2.28	Montana	170.0	0.00
7	Alabama	0.530	0.320	Alabama	1.70	1.40	Alaska	160.0	0.00
8	New Mexico	0.410	0.400	West Virginia	1.00	2.10	Connecticut	151.0	0.24
9	Georgia	0.480	0.320	Rhode Island	0.60	2.45	Massachusetts	151.0	0.20
10	Utah	0.410	0.380	Nevada	0.70	2.28	New York	150.0	0.16
11	Washington	0.261	0.520	Illinois	0.73	2.19	Hawaii	140.0	0.16
12	California	0.200	0.580	Georgia	1.51	1.40	Pennsylvania	135.0	0.24
13	Oklahoma	0.400	0.360	Nebraska	0.95	1.93	Ohio	125.0	0.22
14	Maine	0.350	0.400	Arkansas	0.75	2.10	Vermont	119.0	0.24
15	Nebraska	0.310	0.440	Arizona	0.84	1.96	Arizona	118.0	0.22
16	Arkansas	0.230	0.480	Mississippi	0.35	2.45	Oregon	118.0	0.00
17	Tennessee	0.140	0.560	New Jersey	0.70	2.10	Oklahoma	103.0	0.18
18	Texas	0.190	0.500	Hawaii	1.38	1.40	Dist. of Columbia	100.0	0.23
19	Illinois	0.185	0.500	California	0.20	2.54	Maryland	100.0	0.20
20	Michigan	0.200	0.480	Connecticut	0.60	2.10	Illinois	98.0	0.25
21	Nevada	0.160	0.520	South Carolina	0.90	1.75	New Mexico	91.0	0.20
22	Connecticut	0.190	0.480	Vermont	0.55	2.10	California	87.0	0.29
23	Minnesota	0.150	0.520	Michigan	0.51	2.10	Colorado	84.0	0.12
24	Rhode Island	0.100	0.560	Minnesota	0.30	2.28	Nevada	80.0	0.26
25	Virginia	0.260	0.400	Indiana	0.47	2.10	New Hampshire	80.0	0.00
26	West Virginia	0.180	0.480	Alaska	2.50	0.00	Kansas	79.0	0.21
27	Louisiana	0.320	0.320	Texas	0.20	2.19	Wisconsin	77.0	0.20
28	Dist. of Columbia	0.160	0.460	North Carolina	0.79	1.58	Utah	69.5	0.19
29	Ohio	0.180	0.440	Maine	0.60	1.75	Nebraska	64.0	0.22
30	Arizona	0.160	0.448	South Dakota	0.93	1.40	Wyoming	60.0	0.16
31	Kansas	0.180	0.424	Dist. of Columbia	0.30	2.01	Arkansas	59.0	0.24
32	New Jersey	0.120	0.480	Oklahoma	0.72	1.58	Idaho	57.0	0.20
33	South Dakota	0.280	0.320	North Dakota	0.50	1.75	Indiana	55.5	0.24
34	Indiana	0.115	0.480	Ohio	0.30	1.93	West Virginia	55.0	0.24
35	Iowa	0.190	0.400	Idaho	0.45	1.75	Delaware	55.0	0.00
36	North Dakota	0.160	0.400	Maryland	0.40	1.75	South Dakota	53.0	0.16
37	Pennsylvania	0.080	0.480	Pennsylvania	0.00	2.10	Minnesota	48.0	0.26
38	Idaho	0.150	0.400	Wisconsin	0.25	1.75	North Dakota	44.0	0.20
39	Maryland	0.090	0.400	Missouri	0.30	1.48	Alabama	42.5	0.16
40	Wisconsin	0.060	0.400	Utah	0.00	1.66	Texas	41.0	0.25
41	New York	0.110	0.320	New York	0.19	1.40	Georgia	37.0	0.16
42	Missouri	0.060	0.338	Louisiana	0.11	1.40	Iowa	36.0	0.20
43	Wyoming	0.020	0.320	Wyoming	0.00	1.40	Louisiana	36.0	0.16
44	Colorado	0.080	0.232	Colorado	0.32	1.02	Florida	33.9	0.24
45	New Hampshire	0.300	0.000	Montana	1.06	0.00	Kentucky	30.0	0.24
46	Vermont	0.265	0.000	Delaware	0.97	0.00	Virginia	30.0	0.20
47	Montana	0.140	0.000	Oregon	0.67	0.00	North Carolina	30.0	0.18
48	Massachusetts	0.110	0.000	Massachusetts	0.55	0.00	Tennessee	20.0	0.28
49	Delaware	0.090	0.000	Kentucky	0.50	0.00	Mississippi	18.0	0.28
50	Kentucky	0.080	0.000	Kansas	0.30	0.00	Missouri	17.0	0.17
51	Oregon	0.080	0.000	New Hampshire	0.00	0.00	South Carolina	7.0	0.20

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

Sales tax rates assume \$8 per gallon for beer, \$35 a gallon for wine, and \$4 per pack for cigarettes.

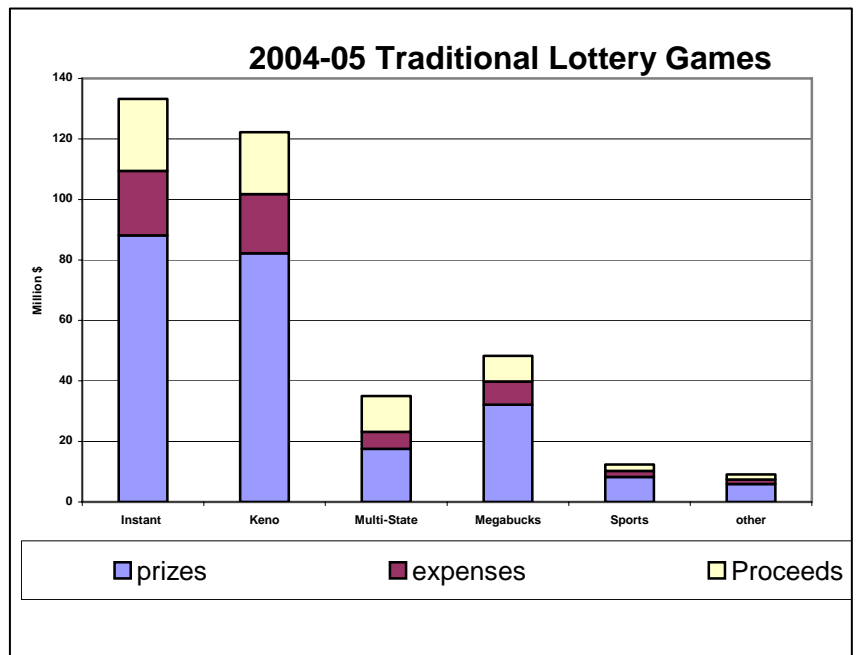
LOTTERY

History

The Oregon State Lottery and a five member Oregon State Lottery Commission were created by initiative petition in 1984. Commission members are appointed by the governor and charged to produce the maximum amount of net revenue to benefit the public purpose. The lottery currently offers 8 traditional games through 2,600 retailers, which are open to persons age 18 or older. Video lottery (poker and line games) is played on almost 10,000 machines in more than 2,000 licensed premises, which are available to persons age 21 or older. The Constitution limits administrative expense to 16% of lottery revenue and requires that at least 50% of revenue be returned in the form of prizes. The Constitution, originally, dedicated the net lottery proceeds to the public purposes of creating jobs and furthering economic development. This was expanded by Measure 21 (May 1995) to include financing public education, by Measure 66 (Nov 1998) to include restoring and protecting Oregon's parks, beaches, watersheds, and critical fish and wildlife habitats. Measure 21 also gave lottery bonds first claim on lottery proceeds and dedicated 15% of net proceeds to the Education Endowment Fund. Measure 66 dedicated 15% of net proceeds to the Parks and Natural Resources Fund with 50% dedicated to parks and recreational areas and 50% dedicated to fish and wildlife habitats. Measure 19 (Sept. 2002) converted the Education Endowment Fund to an Education Stability Fund, transferred \$150 million of the principal to the State School Fund, and increased the lottery dedication to 18%. If the balance in the Stabilization Fund reaches 5% of General Fund revenue, the lottery dedication is reduced to 15% and deposited in a new school capital matching Subaccount. The 2005 legislature repealed lottery games on sporting events (HB 3466). The same bill also dedicated 1.0% of lottery proceeds to fund sports programs at Oregon universities.

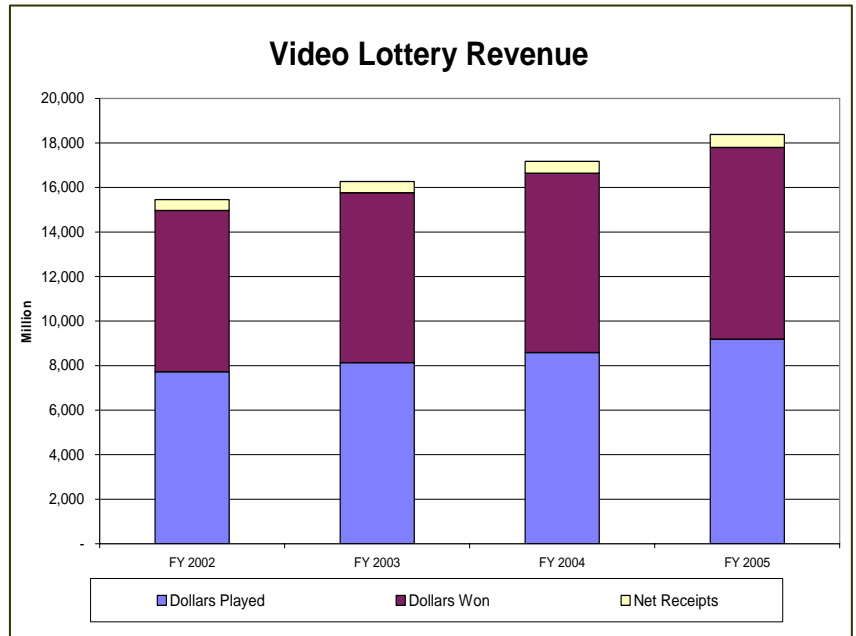
Traditional Games

The chart at right shows prizes, expense and net proceeds for the 2004-05 traditional games. The "other" group includes Breakopen, Daily 4/Win for Life and Pick 4. The initial game in 1985 was Instant (Scratch-it), which was followed by a number of games, some of which have been discontinued or modified. The 1989 Legislature initiated Sports Action as a separate lottery game. Proceeds of this game are transferred to the State Board of Higher Education for intercollegiate athletics. However, the 2005 legislature repealed sports games starting in July 2007, and replaced that funding with a 1% of net proceeds. This funding amounts to about \$5.5 million a year to university athletic programs.



Video Lottery

The 1989 Legislature authorized video lottery but the Governor suspended implementation. The 1991 Legislature reauthorized the commission to offer video lottery but otherwise prohibited such games. Video poker began in 1992. The Commission may contract with persons, which have Oregon Liquor Control Commission licenses to install up to 6 (5 before 2004) video terminals (10 at race meets) on supervised premises which are restricted to persons age 21 and over. Video lottery revenue is the sum of the dollars put into lottery terminals and the value of games won. Prizes are the sum of the value games won plus amounts returned to the players. Statutes dedicate 2.5% of video net



receipts (revenue less prizes) to counties for economic development and, beginning July 1, 2001, net proceeds of not less than 1% to the Problem Gambling Addiction Fund, and 1% (up to \$1.55 million annually) to the County Fair Account. HB 2148 amends the dedication to counties for the 2003-05 biennium to "the amount allocated, but not to exceed 2.5% of net receipts. Beginning July 2005, the lottery started offering Line games in addition to video poker.

LOTTERY REVENUE								
Fiscal Year	Traditional Games				Video Games			
	Gross Revenue	Prizes	Expense	Net Revenue	Gross Revenue	Prizes	Expense	Net Revenue
1990-91	147.3	79.5	24.3	43.6	-	-	-	-
1991-92	244.1	140.8	37.9	65.5	217.3	192.5	17.5	7.4
1992-93	258.6	154.5	40.8	63.3	1,548.4	1,376.0	84.7	87.7
1993-94	288.4	171.6	45.8	71.0	2,211.8	1,964.8	107.6	139.4
1994-95	340.9	208.2	54.7	78.1	2,983.2	2,652.1	137.9	193.2
1995-96	344.2	213.7	53.9	76.6	3,285.1	2,929.5	149.8	205.9
1996-97	333.1	207.6	52.6	72.8	3,636.7	3,243.5	168.7	224.5
1997-98	310.4	195.1	50.6	64.8	4,245.2	3,837.8	179.0	228.5
1998-99	325.9	206.0	49.0	70.9	5,660.1	5,257.5	172.0	230.5
1999-00	323.7	210.5	56.6	56.6	6,566.3	6,129.8	183.4	253.2
2000-01	323.3	211.9	56.8	54.5	7,293.4	6,831.0	194.7	267.7
2001-02	336.8	223.5	57.4	55.9	7,725.0	7,244.8	199.8	280.4
2002-03	354.8	235.5	60.1	59.2	8,133.3	7,634.6	201.8	297.0
2003-04	362.3	234.9	59.5	67.9	8,587.6	8,056.6	209.4	321.6
2004-05	360.2	234.2	58.6	67.4	9,189.0	8,609.3	206.1	373.6

Lottery Revenues

Lottery revenues include non-game revenues (not shown in the table) such as interest earnings, penalties, and allowances for bad debts in addition to game revenues. The table shows the history of traditional and video lottery game revenues since 1990-91. Lottery revenue grew rapidly through 1994-95 with the introduction of video lottery games. During this period, traditional games also grew reaching peak revenue of \$78.1 million in 1994-95. At this time, net revenue from traditional games comprise about 16% of revenue, while video lottery adds 84%. Since 1994-95 traditional games have averaged about \$65 million a year, they appeared to be declining until they started growing again in 2001-02. Video lottery, on the other hand, has grown 6.5% per year on average since 1994-95. Line games are expected to raise revenues by an additional 12%.

Lottery Transfers

Fiscal year lottery revenues cannot be mapped into lottery transfers because there is a one-quarter lag in transfers from the previous quarter's revenues. There are also revenues such as unclaimed prizes and administrative savings, which are not considered in determining net lottery revenue. Transfers may also differ from revenues because of amounts moved into or out of various contingency reserves.

The table below shows the amounts transferred during the last four biennia. Debt service on lottery revenue bonds has first claim on lottery revenue transferred to the Economic Development Fund. Thereafter the exact pecking order is not clear, but the Constitutional dedications for the Education Stability Fund and the Parks and Natural Resources Fund probably follow. Then the statutory dedications to county economic development, to the Board of Education, to the Gambling Addiction Fund, and to the County Fair Account; with any balance available for legislative allocation. Amounts available for legislative allocation do not include beginning balances, reversions, or interest earned on the Economic Development Fund. The table shows the distribution of lottery transfers through 2003-05 and the amounts forecast for the 2005-07 Biennium. The allocation of \$2.5 million to County Fairs is not shown separately, but is reflected in the amount available for counties. With the introduction of line games, Lottery proceeds are expected to reach a billion dollars a biennium.

Allocation of Lottery Transfers

Biennium	Revenue Bonds	Education Stability	Parks & Recreation	Counties	College Athletics	Gambling Addiction	Leg. Approp.
1985-87							59.6
1987-89							106.6
1989-91							92.5
1991-93	**			7.7	3.3		176.7
1993-95	20.0			19.0	4.6		403.3
1995-97	20.0			18.4	5.3		532.8
1997-99	21.7	91.2		20.1	3.9		471.1
1999-01	26.8	87.1	87.1	22.2	4.8	5.8	362.0
2001-03	71.3	110.7	110.7	24.3	5.2	6.2	409.7
2003-05	119.4	140.5	117.1	28.0	4.0	6.5	378.0
2005-07*	136.7	173.5	144.6.8	36.9	5.6	7.1	440.9

*Revenue Forecast, December 2004, Department of Administrative Services

RECENT TAX VOTES

Year	Tax Change	Election	Proposed by	Outcome	Yes	No
1973	McCall Plan	May 1	Leg. referral	Failed	253,682	358,210
1974	New school tax bases	Primary	Leg. referral	Failed	166,363	371,897
	Higher income taxes for schools	Primary	Leg. referral	Failed	136,851	410,733
	Use Highway Fund for mass transit	Primary	Leg. referral	Failed	190,899	369,038
	Include revenue sharing in tax base	General	Leg. referral	Failed	322,023	329,858
1976	Allow local vehicle tax for transit	Primary	Leg. referral	Failed	170,331	531,219
	1¢ gas tax & 26% truck tax increase	General	Pet. referral	Failed	465,143	505,124
1977	School "safety net"	May 17	Leg. referral	Failed	112,570	252,061
1978	2¢ gas tax increase	Primary	Leg. referral	Failed	190,301	365,170
	1.5% property tax limit	General	Initiative	Failed	424,029	453,741
	50% home property tax relief	General	Leg. referral	Failed	383,532	467,765
	Vehicle registration fee increase	General	Pet. referral	Failed	208,722	673,802
1980	Continue 30% home property relief	Primary	Leg. referral	Passed	636,565	64,979
	Limits use of Highway Fund	Primary	Leg. referral	Passed	451,695	257,230
	1% property tax limit	General	Initiative	Failed	412,781	722,089
	2¢ gas tax increase	General	Leg. referral	Failed	320,613	823,025
	Dedicates oil taxes to schools	General	Leg. referral	Passed	604,188	494,657
1982	3¢ gas tax increase	Primary	Leg. referral	Failed	308,574	323,268
	1.5% property tax limit	General	Initiative	Failed	504,836	515,626
	Increase tax base for new const.	General	Leg. referral	Failed	219,034	768,150
1984	Vehicle registration fee increase	Primary	Leg. referral	Failed	234,060	487,457
	1.5% property tax limit	General	Initiative	Failed	599,424	616,252
	Establish state lottery	General	Initiative	Passed	794,441	412,341
	Lottery statute	General	Initiative	Passed	786,933	399,231
1985	5% sales tax	Sept. 17	Leg. referral	Failed	189,733	664,365
1986	Prohibit tax on social security	Primary	Leg. referral	Passed	534,476	118,766
	Adjust tax bases for merger	Primary	Leg. referral	Passed	333,277	230,866
	5% sales tax	General	Initiative	Failed	234,804	816,369
	1.5% property tax limit	General	Initiative	Failed	449,548	584,396
	Homestead exemption	General	Initiative	Failed	381,727	639,034
	Increase income taxes	General	Initiative	Failed	299,551	720,034
1987	School "safety net"	May 19	Leg. referral	Passed	223,417	178,839
1988	1¢ cig. & beer tax for sports	General	Initiative	Failed	449,797	759,360
1989	New school tax bases	May 16	Leg. referral	Failed	183,818	263,283
1990	Change Oregon school finances	Primary	Leg. referral	Advisory	462,090	140,747
	Funded school taxes on homes	Primary	Leg. referral	Advisory	177,964	408,842
	4% sales tax for schools	Primary	Leg. referral	Advisory	128,642	449,725
	5% sales tax for schools	Primary	Leg. referral	Advisory	202,367	385,820
	Combines tax bases: school mergers	Primary	Leg. referral	Advisory	222,611	374,466
	Taxes public pensions	General	Leg. referral	Passed	680,463	354,288
	1.5% property tax limit (M5)	General	Leg. referral	Failed	406,372	617,586
	Tax credit for private education	General	Initiative	Passed	574,833	522,022
		General	Initiative	Failed	351,977	741,863
1992	Gas tax for highway police	Primary	Leg. referral	Failed	244,173	451,715
	Gas tax for parks	General	Leg. referral	Failed	399,259	1,039,322
	Split-roll property tax limit	General	Initiative	Failed	362,621	1,077,206
1993	5% Sales Tax for Education	Nov 9	Leg. referral	Failed	240,991	721,930

RECENT TAX VOTES

Year	Tax Change	Election	Proposed by	Outcome	Yes	No
1994	Gas tax to prevent contamination	Primary	Leg. referral	Failed	158,029	446,665
	Vote on tax or fee increases	General	Initiative	Failed	543,302	671,025
	Minimum funding for schools (Kids First)	General	Initiative	Failed	438,018	760,853
	2% Equal Tax	General	Initiative	Failed	284,195	898,416
1995	Lottery revenue for education	May 16	Leg. referral	Passed	671,027	99,728
1996	3/5 vote to raise revenue	Primary	Leg. referral	Passed	349,918	289,930
	State pays for local mandates	General	Leg. referral	Passed	731,127	566,168
	Tobacco taxes for Health Plan	General	Initiative	Passed	759,048	598,543
	Counts non-voters as "no" votes	General	Initiative	Failed	158,555	1,180,148
	Cut and Cap property tax limit (M47)	General	Initiative	Passed	704,554	642,613
1997	Replace cut and cap (M50)	May 20	Leg. referral	Passed	429,943	341,781
1998	Authorize Lottery-backed school bonds (M54)	General	Leg. referral	Passed	569,982	474,727
	Dedicate 15% of Lottery to parks & salmon (M66)	General	Initiative	Passed	742,038	362,247
1999	Vehicle cost responsibility (M76)	Special	Leg. referral	Passed	372,613	314,351
2000	Transportation funding (M82)	Primary	Leg. referral	Failed	109,741	767,329
	Highway fund for State Police (M80)	Primary	Leg. referral	Failed	310,640	559,941
	Kicker Refunds in Constitution (M86)	General	Leg. referral	Passed	898,793	550,304
	Increases federal tax subtraction to \$5,000 (M88)	General	Leg. referral	Passed	739,270	724,097
	Full deduction for federal taxes (M91)	General	Initiative	Failed	661,342	814,885
	Voter approval for taxes and fees (M93)	General	Initiative	Failed	581,186	865,091
	Funding of school equity goals (M1)	General	Initiative	Passed	940,223	477,461
	Property value reduced by regulation (M7)	General	Initiative	Passed	Court Ruled Unconstitutional	
	State growth limit (M8)	General	Initiative	Failed	608,090	789,699
2002	Establishes Ed. Stability Fund and Transfers \$220 million (M13)	May 21	Leg. referral	Failed	376,605	411,923
	General Obligation Bond Financing for OHSU Research (M11)	May 21	Leg. referral	Passed	589,869	190,226
	Establishes Ed. Stability Fund and Transfers \$150 million (M19)	Sept. 17	Leg. referral	Passed	496,815	306,440
	Increases Cigarette Tax (M20)	Sept. 17	Leg. referral	Passed	522,613	289,119
	General Obligation Bond Financing for Ed. Buildings (M15)	General	Leg. referral	Passed	624,789	505,797
	General Obligation Bond Financing for Emergency Buildings (M16)	General	Leg. referral	Passed	622,914	501,210
	Allows Different Permanent Property Tax Rates Within Tax Zones (M18)	General	Leg. referral	Failed	420,135	662,084
	Tax Funded Universal Health Care (M23)	General	Initiative	Failed	254,280	936,753
2003	Personal Income Tax Rate Increase (Top Tax Rate to 9.5%) (M 28)	Jan. 28	Leg. referral	Failed	545,846	676,312
	Authorizes General Obligation Debt for Savings on Pension Liabilities (M29)	Sept. 16	Leg. referral	Passed	360,209	291,778
			Legislation (HB 2152) referred by initiative			
2004	Temporary Personal Income Tax Surcharge, Corporate Tax Increase & Other tax changes (M30)	Feb. 3	petition	Failed	481,315	691,462
	Property value reduced by regulation (M37)	Nov. 2	Initiative	Passed	1,054,589	685,079

OTHER REPORTS AVAILABLE

This section lists some other reports prepared by the Legislative Revenue Office that you may find useful. The research report number follows each title in parentheses. The second part of each number indicates the year the report was written.

GENERAL

SUMMARY OF LEGISLATIVE SESSIONS AND COMMITTEE REPORTS

- "Revenue Measures Passed by the 2005 Legislative Session" (Report #2-05)
- "Oregon's Tax System" (Brief #2-04)
- "Ballot Measure 30 Referendum on Legislative Revenue Plan" (Report #6-03)
- "Revenue Measures Passed by the 2003 Legislative Session" (Report #4-03)
- "Review of Special Session 5 Revenue Actions: Ballot Measure 28" (Report #10-02)
- "2002 Special Session III Revenue Package" (Brief #8-02)
- "2002 Special Session II Revenue Package" (Brief #7-02)
- "February 8-10 Special Session Revenue Package" (Brief #4-02)
- "Interim Senate Revenue Options Committee Report" (Report #1-02)
- "Revenue Measures Passed by the 2001 Legislative Session" (Report #4-01)
- "Revenue Measures Passed by the 1999 Legislative Session" (Report #3-99)
- "Revenue Measures Passed by the 1997 Legislative Session" (Report #5-97)

ALL TAXES

- "2005 Oregon Public Finance: Basic Facts" (Report #1-05)
- "2004 Oregon Public Finance: Basic Facts" (Report #1-04)
- "2003 Oregon Public Finance: Basic Facts" (Report #1-03)
- "Oregon Tax Incidence Model (OTIM)" (Report #2-01)
- "Oregon's 2% Surplus Kicker: 2001 Update" (Brief #5-01)
- "Oregon Public Finance: Basic Facts" (Report #1-01)
- "Measure 93: Taxpayer Protection Initiative" (Report #9-00)
- "Measure 8: State Spending Limit" (Report #8-00)
- "Basic Tax Packet 1999" (Report #1-99)
- "Oregon's Tax Shift" (Report #4-98)
- "Oregon's 2% Surplus Kicker" (Report #3-98)
- "Oregon Tax Reform: Some Basic Numbers" (Report #1-98)
- "Oregon's State Spending Limit and 2% Surplus Kicker" (Report #1-96)
- "Oregon Tax Expenditures" (Report #6-94)
- "How High are Oregon Taxes?" (Report #3-94)
- "The Effect of Measure 20, 2% Equal Tax" (Report #2-94)

PROPERTY TAX

- "Oregon's Senior Population Growth and Property Tax Relief Programs" (Report #7-01)
- "The Urban Renewal Program Under the Past and Current Property Tax Systems" (Report #1-00)
- "The New Direction of the Oregon Property Tax System Under Measure 50" (Report #9-99)
- "The Effect of Measure 47 and Measure 50 on Taxpayers and Taxing Districts" (Report #3-97)
- "The Effect of Measure 47, Cuts and Caps Property Taxes" (Report #3-96)
- "The Effect of Measure 5, Requires Vote on Taxes and Charges" (Report #5-94)
- "Impact of Measure 7: Split-Roll Property Tax Limit" (Report #1-92)
- "Implementation of Measure 5: HB 2550 - Final" (Report #5-91)
- "Impact of Measure 5: 1.5% Property Tax Limit" (Report #3-90)

INCOME TAX

"Impact of 1997 Legislation – Earned Income and Working Family Child Care Tax Credits in Oregon" (Report #6-04)
"Changes in Oregon's Additional Medical Deduction for Seniors Incorporated in the 2003 Revenue Package" (Report #5-03)
"The Graduated Personal Income Tax Assessment: Frequently Asked Questions" (Brief #3-03)
"Ballot Measure 23, Health Care Finance Plan" (Brief #3-01)
"Oregon Income Tax Reconnect and "The Job Creation and Worker Assistance Act of 2002" (Brief #3-02 updated)
"Oregon Income Tax Reconnect" (Brief #3-02)
"Revenue Impact of H.R. 1836: The Economic Growth and Tax Relief Reconciliation Act of 2001" (Brief #3-01)
"Initiative Petition 10: Full Deductibility for Federal Income Taxes" (Measure 91) (Report #4-00)
"Status of Pension Taxation" (Report #5-98)
"Status of the PERS Taxation Issue" (Report #2-97)
"Recommendations of the Joint Task Force on Retirement Income Equity" (Report #2-91)
"Taxes on Corporate Income" (Report #4-90)
"Taxation of Retirement Income" (Report #2-90)

SCHOOL FINANCE

"2005 School Finance Legislation, Funding and Distribution" (Report #3-05)
"The Education Stability Fund" (Report #5-04)
"School Local Option Property Tax Legislation & Utilization" (Report #4-04)
"K-12 and ESD School Finance State School Fund Distribution" (Report #3-04)
"Revenue Options, School Funding and Accountability Task Force Report" (Report #2-03)
"Education Stability Fund" (Brief #6-02)
"Impact of Changing the School Payment Schedule" (Brief #2-02)
"K-12 and ESD School Finance, State School Fund Distribution" (Report #8-01)
"2001 School Finance Legislation Funding and Distribution" (Report #3-01)
"Federal Forest Revenue for Schools" (Brief #11-00)
"Local School Revenue Estimate" (Brief #5-00)
"School Local Property Tax Option, 1999 Legislation" (Report #5-99)
"1999 State School Finance Legislation, Funding and Distribution" (Report #4-99)
"K-12 School Finance: State School Fund Distribution" (Report #2-99)
"1997 School Finance Legislation: Funding and Distribution" (Report #2-98)
"Senate Finance Committee: Report on School Finance" (Report #5-96)
"The Current State and School Finance Revenue Picture" (Report #2-96)
"The State School Fund: Funding and Distribution for 1995-97" (Report #3-95)
"The State School Fund: Oregon's New School Finance" (Report #2-95)
"The Effect of Measure 15, The 'KID's First' Initiative" (Report #4-94)
"The Current State & School Revenue Picture" (Report #1-94)
"Report of the School Finance Formula Subcommittee" (Report #2-92)
"Impact of Measure 11: Education Tax Credits" (Report #5-90)

TRANSPORTATION TAXES

"Measure 82: Frequently Asked Questions" (Brief #3-00)
"Measure 82: Referendum on the Effect of Transportation Funding" (Report #2-00)
"Summary of Work on Heavy Vehicle Taxes" (Report #1-97)
"Oregon Cost Responsibility: Studies Compared to Other States" (Report #4-96)
"Oregon Highway Revenue: An Introduction" (Report #4-95)

TIMBER TAXES

"Federal Forest Revenue for Schools" (Report #11-00)
"Revenues From Timber in Oregon" (Report #7-00)
"History of Timber Taxation" (Report #6-00)
"Report of the Subcommittee on Timber Taxation" (Report #2-93)
"Revenue From Timber in Oregon" (Report #9-91)
"History of Timber Taxes" (Report #8-91)

MISCELLANEOUS

"Master Settlement Agreement (Financial Provisions)" (Brief #9-02)
"Oregon's Inheritance Tax" (Brief #9-01)
"Taxation of Pensions in Oregon: 2001 Update" (Brief #6-01)
"Oregon's Workers' Compensation Insurance Market" (Report #10-00)
"Impact of Measure 1, Sales Tax for Schools" (Report #3-93)