

# Oregon State and Local Tax Burdens

*Prepared for Oregon Business and Industry*  
October 2022



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## Executive summary

This study presents detailed estimates of the change in Oregon business tax burdens due to state and local tax changes occurring since January 2019. The analysis measures effective business tax burdens using actual tax collections reported in Oregon and Portland-area local government financial reports for FY19, FY20 and FY21.<sup>1</sup> The analysis includes all taxes initially borne by business, such as property taxes, corporate income taxes, gross receipts taxes, individual income taxes on pass-through business income, insurance taxes, excise taxes, payroll taxes, and license fees.<sup>2</sup>

Key findings of the analysis include:

- ▶ At the state level, business taxes increased by \$1.9 billion between FY19 and FY21. When we include an estimate for the business share of the payroll tax that will fund the Oregon Paid Leave program starting in 2023, business taxes increase to \$2.3 billion or 3.0% of gross state product in FY21. Oregon's state effective business tax rate of 3.0% is the 21<sup>st</sup> highest state tax burden and above the US state average of 2.6%.
- ▶ The statewide local effective business tax rate for Oregon increased from 2.1% of gross state product in FY19 to 2.4% in FY21, for a 15% increase over FY19 levels. This increase in statewide local tax burdens includes tax changes in the Portland area and other increases in business tax collections throughout the state.
- ▶ The state and local tax changes presented in this report substantially increased the tax burden of Portland businesses. Portland businesses are estimated to have experienced a 32% increase in local taxes due to the enacted tax changes at the city, county, and Metro levels. The 32% increase in taxes includes estimates of the fully-phased-in Preschool for All and Supportive Housing Services tax.

Since January 2020, there have been four major state tax changes enacted in Oregon, summarized in Table ES-1. Three of the state tax changes occurring since January 2020 increased business tax burdens while one reduced the individual income tax, and therefore reduced the taxes paid on pass-through business income by business owners.

Table ES-1. Summary of state business tax changes analyzed in this study

State tax change	Short description	Effective date	Business share
Corporate Activity Tax	\$250 + 0.57% of taxable gross receipts	1/1/20	100%
Individual income tax	Reduction in rates for three lower brackets to 4.75%, 6.75%, and 8.75%. Business share is due to taxation of pass-through income	1/1/20	11%
Health Premium Assessment	Extension of tax and rate increase from 1.5% to 2.0%	1/1/20	100%
Paid Leave payroll tax	1% payroll tax split between employers (40%) and employees (60%)	1/1/23	40%

Source: EY summary based on Oregon public documents of enacted tax changes

<sup>1</sup> The analysis is based on actual tax collection information unless full-year receipts are not yet available or the tax has yet to be collected (such as the state payroll tax to fund Oregon's Paid Leave program), in which case estimates are provided.

<sup>2</sup> In most cases, taxes are allocated to businesses and households based on their initial incidence, including the incidence on owners of pass-through businesses on their income. The analysis apportions the tax between households and businesses for certain consumption-based taxes, such as lodging and motor vehicle taxes, even though businesses are legally responsible for remitting the tax.

Local taxes implemented include several City of Portland, Multnomah County, and Metro taxes summarized in Table ES-2:

- ▶ City of Portland tax changes include a gross receipts tax that funds the Portland Clean Energy Community Benefits Fund and two property tax levies that passed on the November 2020 ballot – one that funds the maintenance of Portland’s public parks and another that is a renewal of the current debt millage for Portland Public Schools.
- ▶ Multnomah County tax changes include an increase in the Multnomah County business income tax rate, a personal income tax on high earners to fund preschool programs that passed on the November 2020 ballot and a new property tax levy to construct or renovate existing libraries, which also passed on the November 2020 ballot.
- ▶ Metro tax changes consist of a new tax on both personal income and business income that was approved by voters in May of 2020 to fund supportive housing services.

As shown in Table ES-2 below, the business share for the gross receipts and business income tax changes are 100% based on the statutory liability of the taxes, while the property tax increases are shared between residential and business taxpayers. Business property is estimated to be 39% of the assessed value of property in the tri-county Portland region using tax roll data.

Table ES-2. Summary of Portland area business tax changes analyzed in this study

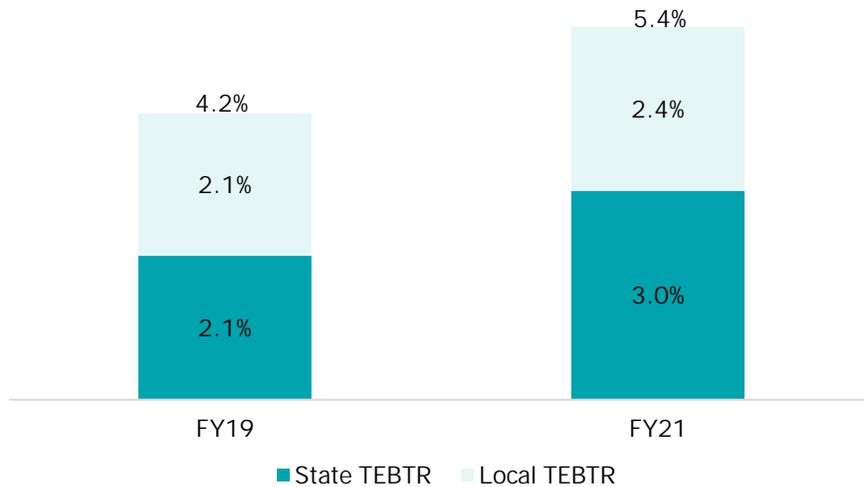
Local business tax change	Short description	Effective date	Business share
Portland gross receipts tax	1% gross receipts tax on large businesses	1/1/19	100%
Portland parks property tax	\$0.80 per \$1,000 of assessed property value	1/1/21	40%
Portland public school property tax	\$2.50 per \$1,000 of assessed property value	1/1/21	40%
Multnomah County business income tax	Increase in business income tax rate from 1.45% to 2.0%	1/1/20	100%
Multnomah County individual income tax	1.5% tax on income above \$125K for single filers and \$200K for joint filers; 3.0% tax on income over \$250K for single filers and \$400K for joint filers	1/1/21	11%
Multnomah County library property tax	\$0.61 per \$1,000 of assessed property value	1/1/21	39%
	1.0% tax on income above \$125K for single filers and \$200K for joint filers	1/1/21	11% of individual income taxes
Metro income tax			100%
	Large businesses pay 1% tax on business profit	1/1/21	business income taxes

Source: EY summary based on financial statements and budget documents for the City of Portland, Multnomah County, and Metro

The approach used in this analysis to measure the business tax burden within a jurisdiction and to compare among jurisdictions (e.g. among states) is to calculate the total effective business tax rate (TEBTR), which is the ratio of business taxes to private-sector gross state product (GSP). This ratio compares the level of business taxes to the level of private-sector economic activity in a state or local jurisdiction. The total state and local TEBTR for Oregon increased from 4.2% in FY19 to 5.4% in FY21,

an increase of 1.2 percentage points, or 28%. This includes the result of tax changes, economic factors, and administrative decisions, such as income tax filing extensions during the beginning of the COVID-19 pandemic. See Figure ES-1 below which shows the total state and local TEBTR for Oregon, as well as separate state and local components.

Figure ES-1. Total state and local TEBTR for Oregon businesses in FY19 (before tax changes) versus FY21 levels (with estimates of tax changes fully phased-in)

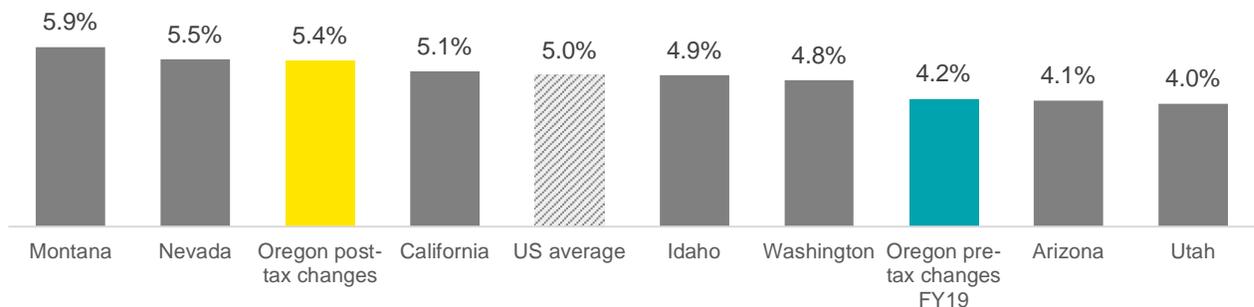


Source: EY analysis

Note: FY21 includes estimates of a full year of the following taxes: Paid Leave program payroll tax, which will begin collecting taxes on January 1, 2023, and local business income and personal income taxes dedicated to the Preschool for All program and Metro supportive housing services, which became effective midway in FY21

The change in Oregon’s business tax competitiveness is shown in Figure ES-2, which compares Oregon’s pre- and post-tax change TEBTR to that of peer states in FY21 and the US average. Since FY19, Oregon’s effective business tax rate increased to 5.4% placing it above the US average of 5.0% and higher than most peer states.

Figure ES-2. State and local TEBTR for Oregon versus peer states in FY21



Source: EY analysis

Note: Oregon pre-tax changes is FY19 TEBTR and Oregon post-tax changes is FY 21 TEBTR (see Figure ES-1 note)

# 1. Oregon business taxes

## 1.1 Overview of business taxes and methodology

The purpose of this study is to assess the impact of recent tax changes at both the state and local level on the tax burden faced by Oregon businesses in the Portland area. Business taxes are generally defined in this study as those that are the legal liability of businesses. Certain taxes on consumer goods such as tobacco, marijuana and alcohol are not considered business taxes because the individual purchasing the good bears the burden, even though the business collects the tax and is in some instances the statutory taxpayer. The tax burden is split between households and businesses for other taxes, such as the motor fuels tax or taxes on transient lodging, because these goods are consumed for both leisure and business purposes. A portion of the individual income tax is included in business taxes because business income from pass-through entities is included in the individual income of business owners. Lastly, Oregon does not have any state or local sales taxes.

The following types of business taxes are included in the analysis:

- ▶ Property taxes paid by businesses on both real and personal property, as well as taxes paid on income from residential rental property are counted as business taxes. County-level data on assessed values by property class are used to estimate the share of property taxes paid by businesses. The business share of property taxes is approximately 46% statewide, and 39% in the tri-county Portland metro area.
- ▶ Excise taxes on goods such as motor fuels or transient lodging are counted as business taxes when consumed for business purposes. National studies on the share of consumption that is attributable to businesses are used to apportion excise tax collections between businesses and households.
- ▶ Corporate income and gross receipts taxes are 100% assigned to business.
- ▶ Taxes on insurance premiums and utility gross receipts are 100% assigned to businesses because they are often levied in lieu of other business entity taxes such as the corporate income tax.
- ▶ Individual income taxes on pass-through business income are counted as business taxes. Business income from sole proprietorships and pass-through entities such as partnerships and s-corporations are reported on the owner's individual income tax return and taxed as personal income. Data from the IRS Statistics of Income indicates that pass-through income comprises approximately 11% of total adjusted gross income in Oregon.
- ▶ Unemployment insurance (UI) taxes paid by employers are included as business taxes.
- ▶ Social insurance program taxes paid by employers, such as short-term disability programs and paid leave are included as business taxes.
- ▶ Business licenses including general business licenses, occupational licenses and commercial motor vehicle licenses are counted as business taxes.
- ▶ Severance taxes on natural resources, such as timber in Oregon, are included as business taxes.

## 1.2 Current state and local tax burden in Oregon (FY21)

Table 1 reports total Oregon state and local tax collections by major tax category in FY 2021, as well as the amount of taxes paid by businesses. Oregon businesses paid almost \$11.6 billion in total state and local taxes in FY 2021, which is nearly two-fifths of all state and local taxes. Although the individual income tax at \$11.3 billion, is Oregon's largest source of revenue, it is only the fourth largest source of business taxes since income from pass-through entities only account for 11% of total adjusted gross

income. Real and personal property taxes are the largest source of business taxes, with businesses paying just under \$3.8 billion, or 46% of total state and local property taxes.

Oregon levies both a traditional corporate income tax and a gross receipts tax on businesses. The \$2.5 billion collected between the two make up the state's third largest source of state and local tax revenue, and the second largest source of business tax revenue. The share of licensing fees paid by businesses, at \$1.8 billion, is the third largest source of state and local tax revenue from businesses.

Table 1. Oregon state and local taxes and estimated business share in FY21  
*Dollars in millions*

Category	FY21 total Oregon state and local taxes	Business share of tax category	FY21 business taxes
Property taxes	\$8,240	46%	\$3,790
Corporate income tax	\$1,331	100%	\$1,331
Corporate activity tax	\$1,179	100%	\$1,179
Individual income tax	\$11,257	11%	\$1,126
Excise taxes (includes healthcare provider taxes)	\$1,534	39%	\$598
Licenses	\$3,172	58%	\$1,840
Unemployment insurance	\$937	100%	\$937
Public utility taxes	\$384	100%	\$384
Insurance premium taxes	\$50	100%	\$50
Severance taxes	\$15	100%	\$15
Other business taxes	\$925	37%	\$342
<b>Total business taxes, FY21</b>	<b>\$29,025</b>	<b>40%</b>	<b>\$11,593</b>

Source: EY analysis using US Census Bureau Annual Survey of State and Local Government Finances

### 1.3 Major tax changes since 2008

Oregon businesses have experienced a number of tax changes since 2008. The major state and local tax changes that have affected Portland area businesses since 2008 are summarized in Figure 1, as well as briefly described below.

#### State tax changes affecting businesses

Many tax changes have occurred since 2008. Of these, the four most recent changes have occurred since 2019 and are reflected in this analysis as a change in Oregon business tax burdens.

- ▶ Measure 66, which Oregon voters passed in January 2010, temporarily created two new tax brackets, with rates of 10.8% and 11.0%, on income above \$125,000 for single filers and \$250,000 for married filing jointly. The two brackets applied to tax years 2009, 2010 and 2011, after which they were merged into one bracket with a rate of 9.9%.
- ▶ Measure 67, which Oregon voters also passed in January 2010, temporarily applied a new top marginal rate of 7.9% on corporate net income above \$250,000 for tax years 2009 and 2010. The rate fell to 7.6% for tax years 2011 and 2012. Beginning in tax year 2013, the top marginal rate of 7.6% only applied to net income above \$10.0 million, with the original rate of 6.6% applying to net income below \$10.0 million.
- ▶ Measure 67 also raised Oregon's corporate minimum tax from \$10, to a minimum of \$150 for c-corporations with Oregon sales less than \$500,000, and a maximum of \$100,000 for corporations with sales greater than \$100.0 million.

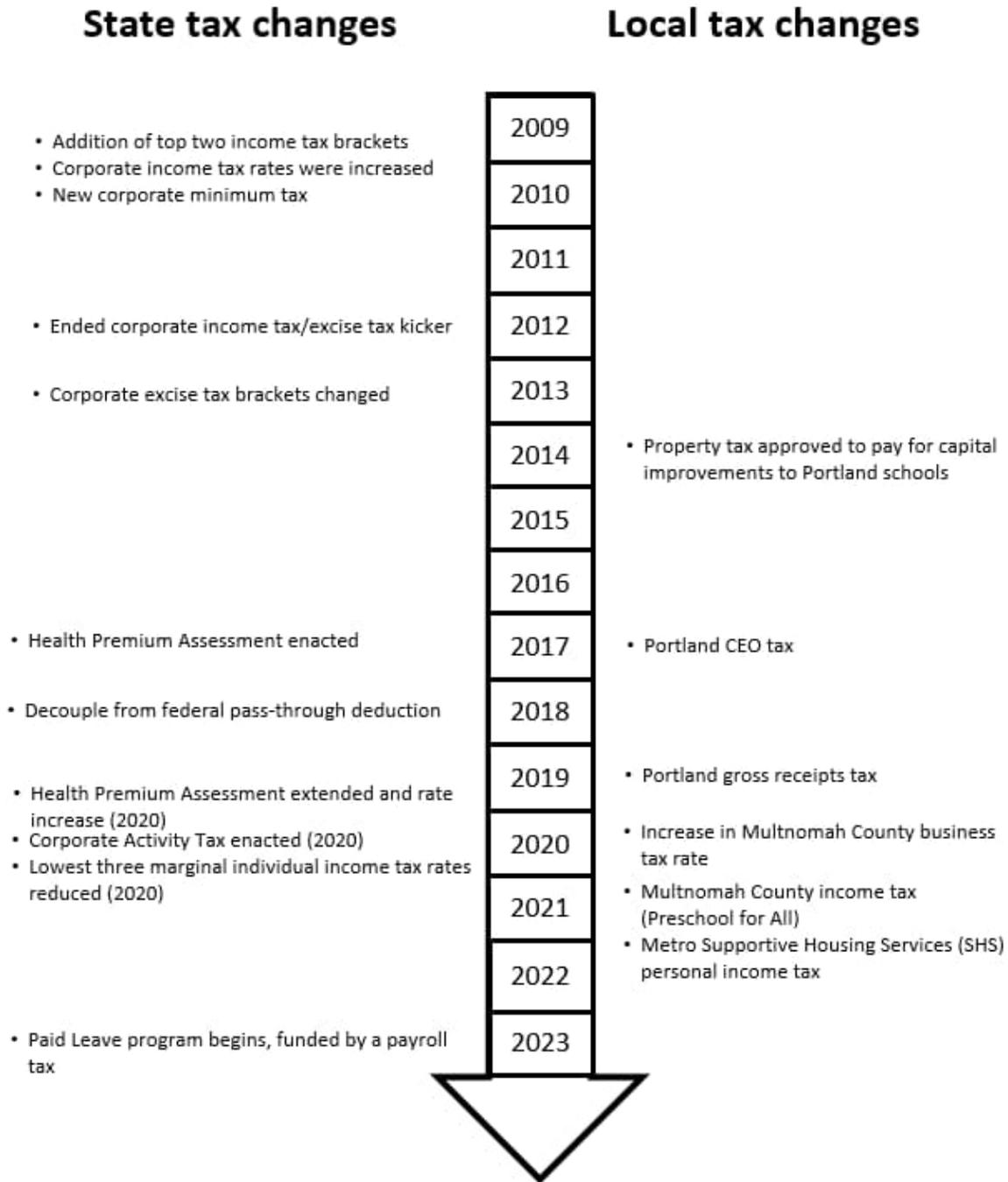
- ▶ Oregon voters passed Measure 85 at the ballot in 2012, which eliminated the corporate income tax kicker, and instead allocated the excess revenue to spending on K-12 education. Under Oregon law, if revenues were at least 2.0% higher than forecast, then excess revenues were returned to Oregon taxpayers in the form of a refund for households and a corporate tax credit for corporations. Measure 85 eliminated the corporate tax credit for corporations.
- ▶ The Oregon Legislature enacted HB 2391 in 2017, which created an assessment on health premiums at the rate of 1.5%.
- ▶ SB 1528, which was signed into law on April 13, 2018, decoupled Oregon from IRC Section 199A, which allowed pass-through business owners to deduct 20% of their qualified income. As a result, Oregon taxpayers have to add back the value of the federal deduction when calculating their Oregon taxable income for tax years beginning on or after January 1, 2018.
- ▶ HB 2010, which was enacted in 2019, increased the rate of the health premium assessment to 2.0% percent effective January 1, 2020, and expanded the assessment to include premiums from stop-loss insurance.
- ▶ HB 3427, which was signed into law on May 16, 2019, established Oregon's Corporate Activity Tax (CAT). The CAT is a gross receipts tax levied on companies for the privilege of doing business in the state of Oregon. Companies are able to exempt the first million in Oregon sales but have to pay a tax of \$250 + 0.57% of taxable Oregon commercial activity in excess of \$1.0 million. Taxpayers are also allowed to subtract 35% of the greater of their cost inputs or labor costs when calculating taxable commercial activity.
- ▶ HB 3427 passed in 2019 also reduced the first three income tax brackets in Oregon's individual income tax schedule. The 5%, 7%, and 9% brackets were reduced by 0.25 percentage points to 4.75%, 6.75%, and 8.75%, respectively.
- ▶ Employers and employees will begin paying into Oregon's Paid Leave program on January 1, 2023 with employees able to start applying for benefits on September 3, 2023. The program is funded with a payroll tax of up to 1% of gross wages with employers responsible for 40% of the tax and employees responsible for the remaining 60%.

#### Portland metro area tax changes affecting businesses

- ▶ Voters approved a debt millage in 2014 of \$2.50 per \$1,000 of assessed value, or 0.25%, to repay bonds issued to fund capital improvements for the Portland Public School District.
- ▶ The Portland City Council adopted the "Pay Ratio Surtax" during its meeting on December 7, 2016. Only publicly traded companies subject to Portland's Business License Tax are subject to the surtax, which is commonly referred to as the "CEO tax" and went into effect on January 1, 2017. The surtax is 10% of a company's Business License Tax liability if the CEO-to-median worker compensation ratio is equal to or exceeds 100:1. The surtax rises to 25% if the ratio equals or exceeds 250:1.
- ▶ Measure 26-201, passed by Portland voters on November 6, 2018, established a 1.0% gross receipts tax on "large retailers" doing business in the city. The tax, which is also known as the "Clean Energy Surcharge" became effective on January 1, 2019. Large retailers are those with total gross income of at least \$1.0 billion and Portland gross income of at least \$500,000.
- ▶ Multnomah County's business income tax rate increased from 1.45% to 2.0% effective January 1, 2020.

- ▶ Multnomah County established the Preschool for All Tax (Multnomah County income tax) effective January 1, 2021. Residents of Multnomah County, as well as nonresidents with income from Multnomah County sources, are subject to a tax of 1.5% on income greater than \$125,000 for single filers and \$200,000 for married filing jointly. The tax rate rises to 3.0% if income is greater than \$250,000 for single filers and \$400,000 for married filing jointly.
- ▶ Measure 26-210, which was approved in May 2020, established the Metro Supportive Housing Services (SHS) tax. The tax consists of a 1% marginal personal tax on taxable income greater than \$125,000 for single filers and \$200,000 for joint filers, as well as a 1% business income tax on net income for businesses with gross receipts in excess of \$5.0 million. The tax went into effect on January 1, 2021.

Figure 1. Major state and Portland area tax changes since 2008



#### 1.4 Response of high-income individuals to high individual income taxes

As a result of the recent local tax changes, Portland area residents now face some of the highest individual income tax rates in the country. Table 2 reports combined state and local individual income tax rates for tax year 2022 for the ten jurisdictions with the highest combined individual income tax rate. The table reports the top state marginal individual income tax rates, as well as the lower bound for that bracket, the local income tax rate, and the combined state and local individual income tax rate.

Portland has the second highest total state and local income tax rate in the country at 14.6937%. The city has the second highest local income tax rate at 4.7937%, behind only the District of Columbia's 10.75% rate, while the state has the fifth highest marginal income tax rate at 9.9%.

California has the highest top marginal income tax rate amongst the ten states, at 13.3%. However, California does not have a local income tax, which is why it ranks below Portland. The same is true for Hawaii, which has the second highest top marginal income tax rate at 11.0%. Although New Jersey's top state marginal income tax rate is nearly a percentage point higher than Oregon's at 10.75%, Newark is the only jurisdiction in the state that has a local income tax, and it has a low rate of 1.0%.

Although Portland has a higher local income tax rate than New York City, New York's top state marginal tax rate of 10.9% is higher than Oregon's, which is why New York City has the highest combined individual income tax rate in the nation. Although Maryland is the only state on the list with a top marginal income tax rate less than 8.0%, many counties levy a local income tax at a rate of 3.2%, which raises the total rate to 8.95%.

Table 2. Ten highest combined state and local individual income tax jurisdictions in the United States

*Top marginal tax rates shown for tax year 2022*

Area	Combined state and local rate	Top State marginal tax rate	Local rate	Bracket for highest state rate (single filer)	Bracket for highest state rate (married filing joint)
New York City, NY	14.776%	10.9%	3.876%	\$25,000,000	\$25,000,000
Portland, OR	14.6937%	9.9%	4.7937%	\$125,000	\$250,000
California	13.3%	13.3%	N/A	\$1,000,000	\$1,250,738
Newark, NJ	11.75%	10.75%	1.0%	\$1,000,000	\$1,000,000
Hawaii	11.0%	11.0%	N/A	\$200,000	\$400,000
District of Columbia	10.75%	0.0%	10.75%	\$1,000,000	\$1,000,000
Iowa*	10.0654%	8.53%	1.5354%	\$75,420	\$75,420
Minnesota	9.85%	9.85%	N/A	\$166,040	\$276,200
Maryland**	8.95%	5.75%	3.2%	\$250,000	\$300,000
Vermont	8.75%	8.75%	N/A	\$206,950	\$251,950

Source: Data on state marginal income tax rates and brackets from Wolters Kluwer CCH. Data on local income tax rates compiled from internal research.

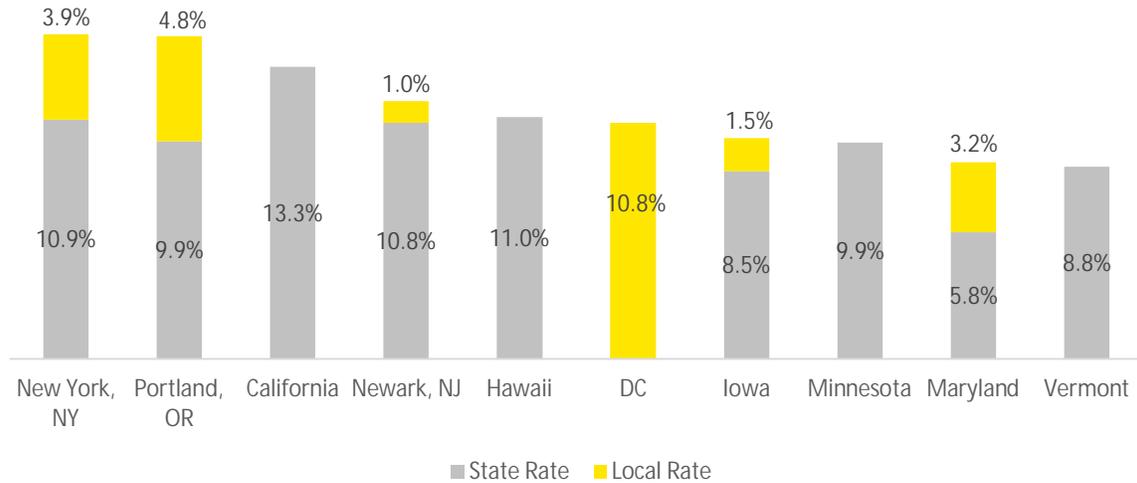
Note: Data is for tax year 2022. The jurisdiction with the highest local income tax rate is shown for each state. N/A means there is no local income tax.

\*Iowa: Sidney and Fremont-Mills School Districts.

\*\*Maryland: City of Baltimore, Baltimore County, Caroline County, Dorchester County, Howard County, Kent County, Montgomery County, Prince George's County, Queen Anne's County, Somerset County, and Wicomico County.

Figure 2 below shows the same information reported in Table 2 above. New York City has the highest combined state and local top marginal income tax rate, followed by Portland, Oregon.

Figure 2. Ten highest combined state and local individual income tax jurisdictions in the United States  
*Top marginal tax rates shown for tax year 2022*



Note: Tax rates rounded to one decimal point.

Source: Data on state marginal income tax rates and brackets from Wolters Kluwer CCH. Data on local income tax rates compiled from internal research.

The “Oregon State and Local Tax Burdens” report dated November 2020, and produced by EY for Oregon Business and Industry, includes a detailed literature review discussing the relationship between state and local taxes, and taxable income. Please refer to that report for the findings of the academic literature.

## 2. State business tax changes

### 2.1 State tax changes included in analysis

The analysis covers four different tax changes at the state level, three of which have been in effect since January 1, 2020. The fourth, which is the Oregon Paid Leave program, will be effective as of January 1, 2023. State tax changes include:

1) Corporate Activity Tax (CAT) is imposed on companies for the privilege of doing business in Oregon. The tax is \$250 + 0.57% of “taxable commercial activity” in Oregon above \$1 million. It has been effective since January 1, 2020, and the study assumes the business share of the tax is 100%.

2) Individual Income Tax rates were reduced to 4.75%, 6.75% and 8.75%. The rate reductions went into effect on January 1, 2020, and the study assumes the business share of the tax is 11% based on data on sole proprietorship and pass-through income from both the Bureau of Economic Analysis and the IRS Statistics of Income.

3) Health Premium Assessment rate was increased from 1.5% to 2.0%, and the sunset date was extended from the end of 2019 to the end of 2026. The rate increase has been effective since January 1, 2020, and the study assumes the business share of the tax is 100%. The tax on insurance premiums is part of the state’s healthcare provider taxes and funds Oregon’s Medicaid program, Oregon Health Plan, and reinsurance program.

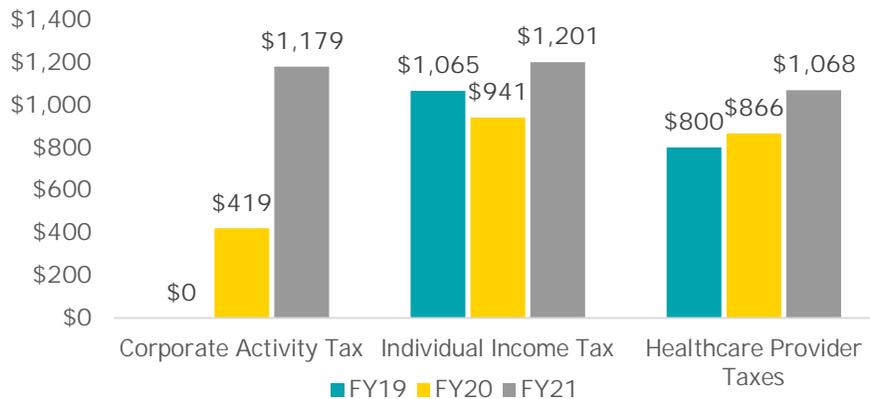
4) Oregon Paid Leave program is funded with a payroll tax of up to 1% of gross wages. The program provides employees with time off from work for eligible purposes such as caring for themselves or loved ones. The payroll tax will be split between employees and employers, with a business share of 40% and an employee share of 60%. The paid leave program will begin collecting taxes on January 1, 2023. The revenue estimate multiplies the 1% rate times the wages and salaries in Oregon in FY 2021 for businesses with 25 employees or more, resulting in a revenue estimate of \$985 million.

### 2.2 State tax burden changes

Figure 3 shows tax collections in FY19 (before tax changes) and FY21 (after tax changes) for the three state-level tax changes that went into effect on January 1, 2020. The Corporate Activity Tax generated nearly \$1.2 billion in revenue in FY21, which was the first full fiscal year of the tax. The individual income tax initially decreased to \$821million or 13% from FY19 to FY 20, before increasing to nearly \$1.1 billion in FY21. Healthcare provider taxes (including Health Premium Assessment) have been steadily increasing since FY19, reaching over \$1.0 billion in FY21 which represents an increase of 34% over two fiscal years.

Table 3 shows business tax collections and the state business tax burden, as a share of gross state product, for FY19, FY20 and FY21. Business taxes, which include an estimate of the paid leave payroll tax, are estimated at \$6.7 billion in FY21, which is an increase of \$2.3 billion or 52% over FY19. The paid leave payroll tax, which will be effective January 1, 2023, is estimated to account for \$394 million of that increase. The corporate income tax and the Corporate Activity Tax, which was not in effect in FY19, account for the majority of the remainder of the increase in total business tax collections. The state business tax burden, as measured as a share of gross state product (GSP), increases from 2.1% in FY19 to 3.0% in FY21.

Figure 3. Tax collections for taxes with recently enacted changes  
Dollars in millions



Source: EY analysis using Oregon FY19, 20, and 21 Annual Comprehensive Financial Report (ACFR)

Table 3. State business tax burdens in Oregon, pre- and post-state tax policy changes  
Dollars in millions

Category	Business share	Business taxes FY19	Business taxes FY20	Business taxes FY21	Percent change FY19-FY21
Individual income taxes	11%	\$1,065	\$941	\$1,201	12.8%
Corporate income taxes	100%	\$911	\$892	\$1,224	34.3%
Corporate activity tax	100%	--	\$419	\$1,179	New tax
Healthcare provider taxes	100%	\$800	\$866	\$1,068	33.5%
Unemployment insurance	100%	\$924	\$942	\$937	1.4%
Motor fuel taxes	35%	\$499	\$475	\$518	3.9%
Paid leave program (estimate)	40%	--	--	\$394	New tax
Employer employee taxes	50%	\$78	\$89	\$89	15.1%
Other taxes	10%	\$54	\$66	\$64	17.5%
Insurance premium taxes	100%	\$81	\$76	\$50	-38.4%
Marijuana taxes	0%	\$0	\$0	\$0	--
Tobacco taxes	0%	\$0	\$0	\$0	--
<b>Total business collections</b>	--	<b>\$4,411</b>	<b>\$4,766</b>	<b>\$6,724</b>	<b>52.5%</b>
<b>Total taxes**</b>	--	<b>\$13,787</b>	<b>\$13,115</b>	<b>\$17,105</b>	<b>24.1%</b>
<b>Share of business taxes</b>	--	<b>32%</b>	<b>36%</b>	<b>39%</b>	<b>--</b>
Gross State Product	--	\$210,559.7	\$213,037.5	\$221,635.4	5.3%
Business taxes as % of GSP	--	2.1%	2.2%	3.0%	44.8%

Note: Gray shading denotes tax categories with a business tax change; \*Paid Leave program is an estimate. All other taxes presented are actual collections. \*\*Total tax for Oregon excludes workers' compensation taxes for comparability with other states.

Source: EY analysis using Oregon Annual Comprehensive Financial Reports (ACFR)

Among eleven other states and regions<sup>3</sup> that have or are going to implement social disability or Paid Family Medical Leave programs, only three states (Massachusetts, New Jersey, and Washington) had collections in FY2021 that were the responsibility of businesses. Several other states either require

<sup>3</sup> This includes the District of Columbia that has a Paid Family and Medical Leave program effective January 2020.

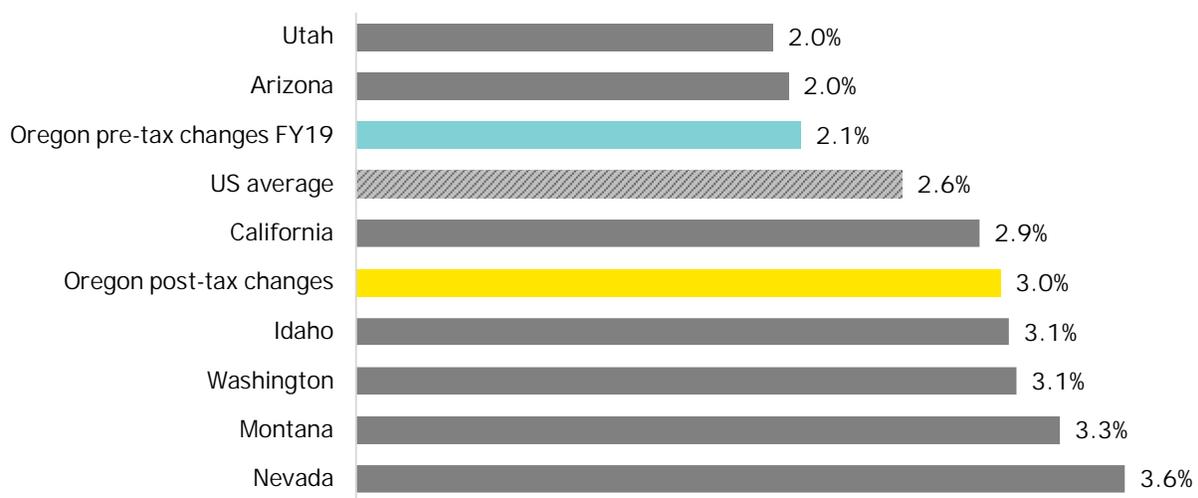
employers to provide these benefits (but aren't collected through a tax), entitle employees to unpaid leave, or are funded through employee payroll taxes that are not the responsibility of employers.

### 2.3 Change in Oregon's state business tax competitiveness

Figure 4 compares Oregon's state effective business tax burden (TEBTR) in FY21 to a set of seven peer states, as well as the national average. The state-level tax changes are estimated to have a significant impact on the tax burden faced by businesses in Oregon. The TEBTR, or the level of business tax collections as a share of gross state product, is estimated to have increased from 2.1% in FY19 to 3.0% in FY21, which included an estimate of the paid leave payroll tax on employers. Oregon's TEBTR was 38<sup>th</sup> highest in the nation and 11% below the U.S. average prior to these tax changes but is now the 21<sup>st</sup> highest and 18% greater than the U.S. average after the tax changes were implemented.

Utah and Arizona had the lowest total effective business tax rates in FY21, at 2.0%. California's effective business tax rate, at 2.9%, was just below Oregon's, while Idaho and Washington were just above, at 3.1%. Montana and Nevada had the highest TEBTRs at 3.3% and 3.6%, respectively.

Figure 4. State total effective business tax rate (TEBTR) comparison for Oregon and peer states, FY21  
(Includes Paid Leave payroll tax estimate)



Note: Oregon pre-tax changes is FY19 TEBTR

Source: EY analysis using Oregon Annual Comprehensive Financial Reports (ACFR) US Census Bureau Annual Survey of State and Local Government Finances

### 3. Portland area business tax changes

This section discusses the impact of the various tax changes that have been implemented since 2019 on business tax collections in the tri-county Portland area (Multnomah, Clackamas, and Washington Counties). Since the Portland area tax changes are levied by several local jurisdictions, this analysis estimates the impact separately for each taxing jurisdiction. In addition, the impact of the combined city, county and Metro taxes on the total tax burden is estimated for a business in Portland.

#### 3.1 City of Portland tax changes

Since 2019, the City of Portland enacted a gross receipts tax on businesses, enacted a new property tax to fund city parks, and renewed an existing property tax to fund debt service payments for public schools.

1) Gross receipts tax for the Portland Clean Energy Community Benefits Fund. The Portland Clean Energy Surcharge (CES), which supports the Clean Energy Community Benefits Fund is a 1% gross receipts tax on certain large retailers. The tax has been effective since January 1, 2019 and generated \$116 million in revenue in FY21.

2) New property tax to fund services for Portland City parks. Effective as of January 1, 2021, Portland voters approved a new property tax of \$0.80 per \$1,000 (0.08%) on assessed value to fund operations at Portland's public parks. This tax will be levied for a period of five years. Assuming a business share of 40%<sup>4</sup>, total property tax collections from businesses were estimated at over \$267 million in FY21, of which the Portland City parks property tax portion added \$65 million.

3) Renewal of property tax millage to support the debt service of Portland Public Schools. Effective as of January 1, 2021 was a school debt bond renewal of nearly \$1.2 billion for Portland Public Schools. The bond renewal will be used for technology improvements, safety and health improvements, renovations for Jefferson High School and finishing the modernization of Benson High School. The renewal continued the current rate (nearly \$2.50 per \$1,000, or 0.25%, of assessed value) for five years.<sup>5</sup> The estimated business share is 40%, which is the same share as the Portland City parks property tax. Renewal of the millage created no net increase. However, in FY21, businesses paid \$18 million more in school property taxes than in FY19.

#### Impact of City of Portland tax changes on business tax burdens

Table 4 shows business tax collections for the City of Portland between FY19 and FY21. Business tax collections grew 40.8% from FY19 to FY21 because of the gross receipts tax (CES) and property taxes. Revenue from Portland's gross receipts tax increased to just over \$116 million in FY21 from \$6.4 million in FY19. However, the \$6.4 million collected in FY19 represented partial year collections since the gross receipts tax was implemented on January 1, 2019, or halfway through the fiscal year. The business share of property taxes increased to \$267 million in FY21, which was 8.5% higher than FY19 levels. FY21 is the only year that included the two property tax changes since they were both effective as of January 1, 2021.

The business share of tax collections was generally lower than FY19 levels for the remaining revenue sources in Table 4 due to the impact of the COVID-19 pandemic. The arts tax and recreational cannabis

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<sup>4</sup> Business share of property taxes was estimated using county-level assessed valuations by property class.

<sup>5</sup> Portland Public Schools, "2020 School Bond Renewal".

tax are paid by consumers and not businesses. Transient lodging taxes were 80.9% lower than FY19 levels, while construction excise taxes were 18.2% lower and gas taxes were 9.5% lower.

Table 4. City of Portland business taxes from FY19 to FY21  
*Dollars in thousands*

Tax type	Business share	Business taxes FY19	Business taxes FY20	Business taxes FY21	Percentage Change FY19-FY21
Gross receipts tax (CES)	100%	\$6,383	\$62,656	\$116,321	1722.5%
Property taxes (city)	40%	\$246,556	\$247,890	\$267,481	8.5%
Other taxes	50%	\$428	\$570	\$431	0.6%
Gas taxes	35%	\$7,448	\$6,552	\$6,742	-9.5%
Construction excise taxes	40%	\$3,048	\$2,796	\$2,492	-18.2%
Transient lodging taxes	30%	\$18,125	\$15,622	\$3,462	-80.9%
Arts taxes	0%	\$0	\$0	\$0	--
Recreational cannabis taxes	0%	\$0	\$0	\$0	--
Total business taxes*	--	\$281,987	\$336,085	\$396,928	40.8%
Total taxes	--	\$739,921	\$786,253	\$852,948	15.3%
Share of business taxes	--	38.1%	43.7%	47.5%	--

Source: City of Portland ACFRs, FY2019-FY2021

\*Total business taxes do not include the City of Portland's business license tax which the City of Portland ACFR groups under license and permit revenue

### 3.2 Multnomah County tax changes

There were three tax changes implemented in Multnomah County since 2020. They include an increase in the county business income tax rate, a new personal income tax to fund universal preschool and a property tax to fund a library bond.

1) Increase in the Multnomah County business income tax rate. Effective January 2020, Multnomah County increased its business income tax rate from 1.45% to 2.0%. The tax base is net income, and the tax is jointly administered with the City of Portland's Business License tax. In FY21, business income taxes in Multnomah County increased to over \$136 million.<sup>6</sup>

2) Preschool for All personal (PFA) income tax. Effective January 2021, Multnomah County began to levy a personal income tax to fund universal preschool (Preschool for All income tax). The tax has two brackets. There is a 1.5% bracket for single filers with income over \$125,000 and joint filers with income over \$200,000, and there is a 3.0% bracket for single filers with income over \$250,000 and joint filers with income over \$400,000. The rates will increase by 0.8% beginning in 2026. The business share of individual income taxes was calculated by multiplying total individual income tax collections by the proprietor, partnership and s corporation share of adjusted gross income. This share was estimated to be 11% in FY21.

3) Property tax for library new construction and renovation projects. Effective as of January 1, 2021, Multnomah County voters approved a new property tax to fund the construction of the new East County Flagship library as well as the renovation and expansion of seven existing libraries in the county.<sup>7</sup> The library millage will cost homeowners an average of \$0.61 per \$1,000 (0.061%) annually during the 8-

<sup>6</sup> Multnomah County, "Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2021".

<sup>7</sup> Please see: <https://multcolib.org/about/planning-library-spaces>.

year period of the bond. The Multnomah library property tax was estimated to have raised approximately \$485,000 in business taxes and \$1.2 million overall in FY21.

Impact of Multnomah County’s tax changes on business tax burdens:

Table 5 reports business tax collections from FY19 to FY21 for Multnomah County. Total business tax collections reached \$327.6 million in FY21, which was an increase of 14.2% over FY19 levels. The two main drivers of growth in business tax collections were the business income tax and property taxes. Business income tax collections grew 39.6% over FY19 levels to \$136.2 million in FY21, which was the first full fiscal year the tax rate increase was in effect. The FY21 value for business income tax collections was adjusted to include an estimate of revenues for a full fiscal year since the Preschool for All income tax did not go into effect until January 1, 2021. The estimate was based on projected collections for FY22 as described in the Multnomah County ACFR. Property tax collections grew 9.1% over FY19 levels to reach \$167.9 million in FY21.

The remaining taxes in Table 5 decreased relative to FY19 levels but were not significant drivers of business tax collections. The motor vehicle rental tax and the transient lodging tax decreased significantly due to disruptions from the COVID-19 pandemic. Overall business taxes in Multnomah County increased at a faster rate (14.2% vs 0.6%) than total taxes when comparing FY21 levels to FY19. As with the City of Portland, this indicates that businesses have borne the majority of the burden of the tax changes.

Table 5. Multnomah County business taxes from FY19 to FY21  
*Dollars in thousands*

Tax type	Business share	Business taxes FY19	Business taxes FY20	Business taxes FY21	Percentage change FY19-FY21
Business Income Taxes	100%	\$99,500	\$104,300	\$136,242	36.9%
Property Taxes	40%	\$153,931	\$160,260	\$167,912	9.1%
Gas Tax	35%	\$2,422	\$2,167	\$2,109	-12.9%
Other Taxes	50%	\$260	\$192	\$175	-32.8%
Motor Vehicle Rental Taxes	31%	\$12,869	\$8,603	\$6,199	-51.8%
Transient Lodging Taxes	30%	\$17,789	\$9,558	\$3,863	-78.3%
Personal Income Taxes*	11%	\$1	\$0	\$10,246	--
Heavy Equipment Rental Tax	100%	--	--	\$835	--
Total business taxes	--	\$286,770	\$285,081	\$327,580	14.2%
Total taxes	--	\$598,828	\$577,395	\$602,507	0.6%
Share of business taxes	--	47.9%	49.4%	54.4%	--

Source: EY analysis of Census data, Multnomah County FY19-FY21 ACFR.

\*Personal Income tax is an estimate of a full year of tax collections using expected revenue amounts in FY22 as reported in the Multnomah County FY21 ACFR.

### 3.3 Metro tax changes

Metro is a regional government serving the Portland metropolitan area and includes major populated portions of Multnomah, Clackamas and Washington counties (over 1.5 million people).<sup>8</sup> The agency is tasked to support the development of infrastructure and growth throughout the region and is funded through a mixture of enterprise activities, property taxes, excise taxes and local, state and federal

<sup>8</sup> Please see: <https://www.oregonmetro.gov/regional-leadership/what-metro>

grants. One initiative that passed in May of 2020 affects business taxes in the tri-county region and is discussed below.

1) Metro Supportive Housing Services (SHS) personal and business income tax. The Supportive Housing Services tax levied by Metro is a combined personal income and business income tax that was approved by voters in May 2020. Individuals will pay a rate of 1% on their marginal income above \$125,000 for single filers and \$200,000 for joint filers. Businesses with gross receipts of more than \$5 million will pay a 1% tax on business profit. The business share is estimated to be approximately 11% for the personal income tax, and 100% for the business income tax. Since neither the personal income tax nor the business income tax for supportive housing programs was in full effect in FY21, the Metro tax revenue estimate of \$180 million for FY22 was used as the full year estimate for FY21 and appropriate business shares were applied.

Impact of Metro tax change on business tax burdens:

Table 6 reports business tax collections from FY19 to FY21 for the Metro area. Business tax collections were 443.0% higher than FY19 levels to reach \$211.1 million in FY21. Almost all of the growth in business tax collections in FY21 was driven by the full fiscal year estimate of revenue from the Supportive Housing Service (SHS) taxes on business and personal income. Metro forecasted the SHS taxes would generate \$180 million in total tax revenue in FY22, of which \$161.7 million was estimated to be generated through the business income tax or the business share of the personal income tax. Since the taxes were not fully phased in during FY21, the FY22 estimate was used to represent the actual tax burden on businesses. In FY21, property taxes for businesses increased to over \$41 million, a 34.4% increase from property tax collections in FY19.

Table 6. Local level business tax collections in the Metro Area from FY19 to FY21  
*Dollars in thousands*

Tax type	Business share	Business taxes FY19	Business taxes FY20	Business taxes FY21	Percentage Change FY19-FY21
Business income tax*	100%	--	--	\$159,470	New tax
Personal income tax*	11%	--	--	\$2,191	New tax
Property taxes	39%	\$30,746	\$44,390	\$41,338	34.4%
Excise taxes	36%	\$6,692	\$6,090	\$6,734	0.6%
Construction excise tax	40%	\$1,433	\$1,451	\$1,328	-7.4%
Cemetery revenue surcharge	0%	\$0	\$0	\$0	--
<b>Total business taxes</b>		<b>\$38,871</b>	<b>\$51,931</b>	<b>\$211,060</b>	<b>443.0%</b>
<b>Total taxes</b>		<b>\$97,998</b>	<b>\$131,064</b>	<b>\$308,599</b>	<b>203.8%</b>
<b>Share of business taxes</b>		<b>39.7%</b>	<b>39.6%</b>	<b>68.4%</b>	<b>--</b>

Source: EY analysis of Census data, Metro FY19-FY21 ACFR.

Personal Income tax and business income tax are estimates of a full year of tax collections using expected revenue amounts in FY22 as reported in the Multnomah County FY21 ACFR.

### 3.4 Collective change on tax burdens for a business in Portland

A business located in Portland is subject to city, county and Metro taxes, which is why total local business tax collections for a Portland business are reported in Table 7 below for FY19 to FY21. Since Metro taxes apply to other jurisdictions in addition to Multnomah County, revenues from the business profits and personal income taxes need to be apportioned to Multnomah County. The Multnomah County share of Metro revenues is estimated to be approximately 44% and is reported in the table below. The property

tax collections listed below are specific to Portland, Multnomah County and Portland Public Schools millages. The total amount of city, county and Metro taxes paid by businesses in Portland is estimated to have grown by 32% from FY19 to FY21, which is 16.9 percentage points higher than the 15.1% growth rate in total tax collections. For taxes that were not fully phased in during FY21, these estimates include projections for FY22 found in the ACFR for the appropriate jurisdiction.

Table 7. Local level business tax collections in the combined City of Portland, Multnomah County, and Metro Area, FY19 to FY21  
*Dollars in thousands*

Tax type	Business share	Business taxes FY19	Business taxes FY20	Business taxes FY21	Percentage Change FY19-FY21
Personal income taxes*	11%	\$0.5	\$0	\$11,219	20,751
Gross receipts tax (CES)	100%	\$6,383	\$62,656	\$116,321	1722.5%
Corporate net income	100%	\$99,500	\$104,300	\$207,022	108.1%
Property taxes (county, city)	40%	\$414,133	\$427,853	\$453,741	9.6%
Property tax schools	40%	\$195,429	\$205,877	\$213,054	9.0%
Excise taxes	36%	\$2,970	\$2,703	\$2,989	0.6%
Gasoline taxes	35%	\$9,870	\$8,719	\$8,850	-10.3%
Other license taxes	50%	\$688	\$762	\$605	-12.0%
Construction excise taxes	40%	\$3,684	\$3,440	\$3,081	-16.4%
Motor vehicle rental taxes	35%	\$12,869	\$8,603	\$6,199	-51.8%
Transient lodging taxes	30%	\$35,914	\$25,180	\$7,324	-79.6%
Heavy Equipment Rental	100%	\$0.0	\$0.0	\$835	--
Cannabis taxes	0%	\$0.0	\$0.0	\$0.0	--
Cemetery revenue surcharge	0%	\$0.0	\$0.0	\$0.0	--
Arts Taxes	0%	\$0.0	\$0.0	\$0.0	--
<b>Total business taxes</b>	--	<b>\$781,439</b>	<b>\$850,092</b>	<b>\$1,031,239</b>	<b>32.0%</b>
<b>Total taxes</b>	--	<b>\$1,383,835</b>	<b>\$1,423,429</b>	<b>\$1,592,425</b>	<b>15.1%</b>
<b>Share of business taxes</b>	--	<b>56.5%</b>	<b>59.7%</b>	<b>64.8%</b>	<b>--</b>

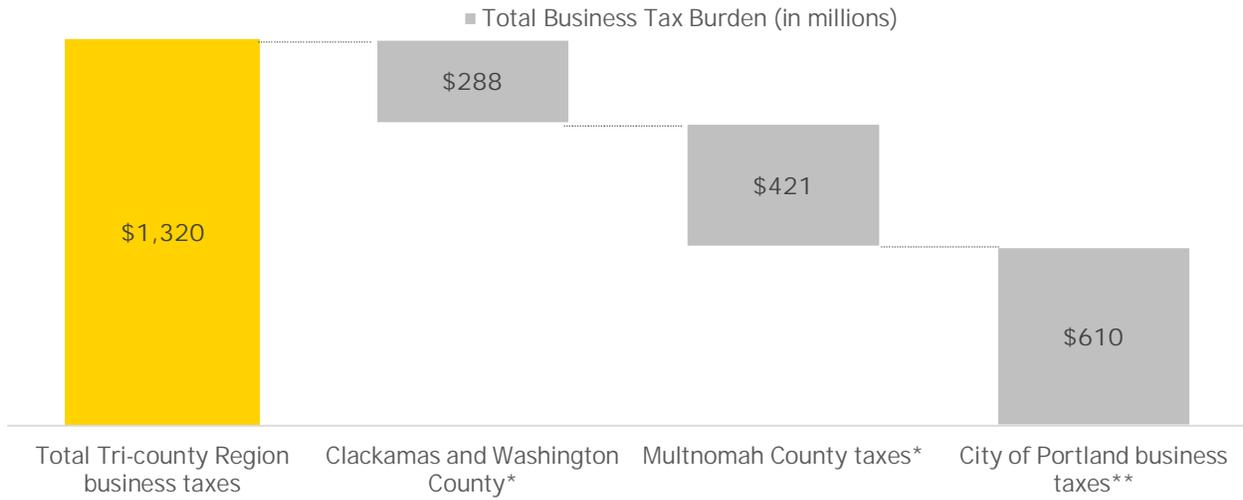
Source: EY analysis of Census data, City of Portland FY19-FY21 ACFR, City of Portland, Oregon Adopted Budget 2021, Multnomah County FY19-FY21 ACFR, Oregon Metro FY19-FY21 ACFR

\*Includes estimates of tax based on FY22 estimates once the tax is fully phased in

### 3.5 Metro area aggregate tax burden

Figure 5 reports total estimated business tax collections for the Portland tri-county region from FY19 to FY21 broken out by taxing jurisdiction (Clackamas County, Multnomah County, Washington County and Metro Area). For simplicity purposes, the Metro's \$211 million in business tax collections are apportioned to the tri-county area based on the population size of each county. The City of Portland and Multnomah County levied approximately \$610 and \$421 million respectively. As a share of total business taxes, the Metro area including Clackamas and Washington is driving 22% of tax revenues or \$288 million in total. The City of Portland and Multnomah County on the other hand collected 78% of business taxes.

Figure 5. FY21 Business taxes in the tri-county Portland area levied by jurisdiction  
Dollars in millions



\*Multnomah, Clackamas, and Washington County business taxes include apportioned Metro area business taxes,  
 \*\* City of Portland business taxes include City of Portland Public Schools property taxes  
 Source: EY analysis.

Figure 6 below reports local TEBTRs in FY21 for each of the eight states in the peer group, including Oregon. The U.S. average is also reported, as well as Oregon’s TEBTR in FY19, which is pre-tax changes. Oregon’s local TEBTR, which is local business tax collections statewide as a percentage of GSP, increased from 2.1% in FY19 to 2.4% in FY21 as a result of the various tax changes discussed in this report. Oregon’s TEBTR of 2.4% was slightly above the U.S. average and higher than the other states in the peer group except for Montana. These estimates include the marginal increase of the fully phased in Multnomah Preschool for All and the Metro Supportive Housing Services taxes.

Figure 6. Comparison of local total effective business tax rates (TEBTR) in FY21, Oregon, regional peer states, and US average



Source: EY analysis

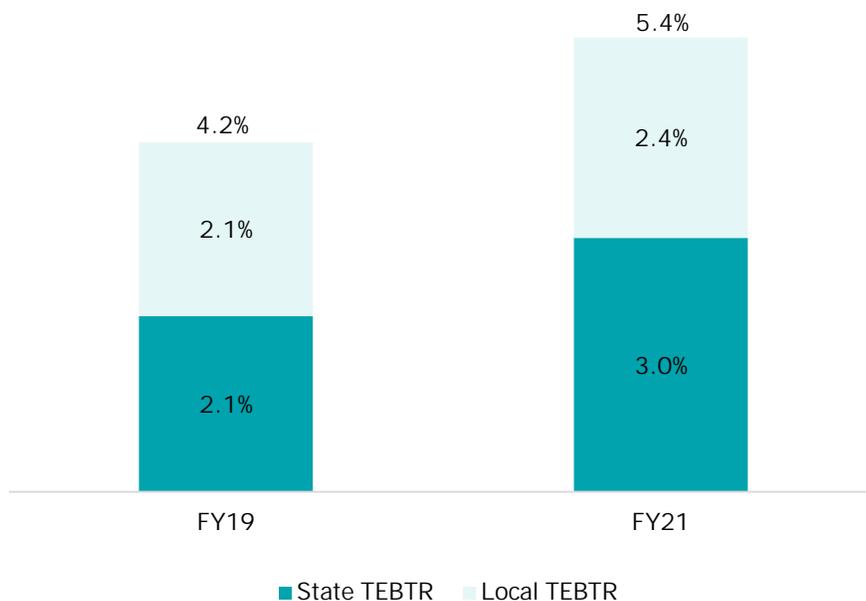
\*Note: Oregon pre-tax changes is TEBTR value in FY19 and Oregon post-tax changes include full year tax estimates.

## 4. Combined state and local tax burden changes

### 4.1 State and local tax change

The impact of the enacted business tax changes on the state and local tax burden in Oregon pre- and post-tax changes is shown in Figure 7 below. The total state and local TEBTR increased from 4.2% in FY19 to 5.4% in FY21. Three-quarters of the 1.2 percentage point increase can be attributed to tax changes at the state level with the state TEBTR rising from 2.1% to 3.0% in FY21, while the balance is due to tax changes at the local level with the local TEBTR rising from 2.1% to 2.4% in FY21.

Figure 7. Total state and local TEBTR for Oregon businesses in FY19 (before tax changes) versus FY21 (after tax changes with Paid Leave estimate)



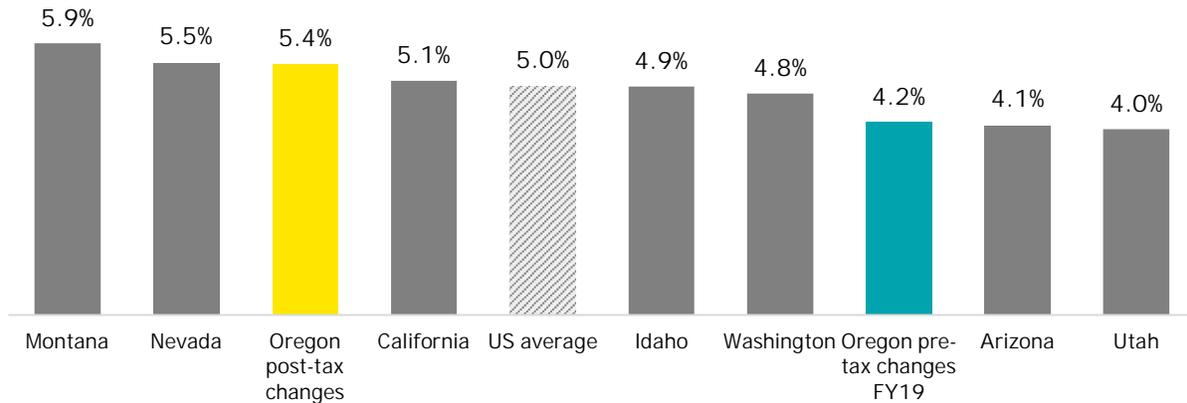
Source: EY analysis

Note: FY21 includes estimates of a full year of the following taxes: Paid Leave program payroll tax, which will begin collecting taxes on January 1, 2023, and local business income and personal income taxes dedicated to the Preschool For All program and Metro supportive housing services, which became effective midway through FY21.

### 4.2 Competitiveness

Figure 8 below measures the change in Oregon's tax competitiveness by comparing its TEBTR pre- and post-tax changes to the TEBTR for each of the peer states in FY21, as well as the U.S. average. If Oregon's TEBTR had remained at 4.2%, which was FY19's pre-tax change value, then it would currently have the third lowest effective business tax rate, above only Arizona at 4.1% and Utah at 4.0%. However, Oregon now has the third highest effective business tax rate, at 5.4%, as a result of the tax changes, below only Montana at 5.9% and Nevada at 5.5%. The average TEBTR for the U.S. in FY21 was 5.0%.

Figure 8. State and local TEBTR for Oregon versus regional peer states in FY21



Source: EY analysis

\*Note: Oregon pre-tax changes is TEBTR value in FY19 and Oregon post-tax changes is TEBTR value in FY21

#### 4.3 Limitations

This analysis has several limitations. First, tax collections data for a full fiscal year is not available for the tax changes that went into effect on January 1, 2021. As a result, the analysis relies upon tax revenue estimates completed by government agencies and other third parties for these taxes. While EY used available data sources to verify that the revenue estimates were reasonable, such as checking property tax calculations using tax rates and assessed valuations, EY did not perform independent tax revenue projections for each tax change. Second, while legal liability was often used to determine the incidence of a tax, this was not the case for a few consumption-based taxes. Business shares were assigned based on available information. For example, transient lodging taxes were apportioned between business and leisure travelers using national industry studies. Third, to estimate the impact of the Metro tax changes on a Portland business, EY apportioned Metro tax collections to the three counties using US Census population estimates at the county level.

#### 4.4 Conclusion

The state and local tax changes presented in this report substantially increase the tax burden of Oregon businesses. The total state and local effective business tax rate (TEBTR) increased from 4.2% in FY19 to 5.4% in FY21. The estimate of 5.4% in FY21 includes estimates of a full year of the Oregon Paid Leave payroll tax, the Metro Supportive Housing Services Tax, and the Multnomah County Preschool for All Tax. At the state level, business taxes increased by \$2.3 billion between FY19 and FY21, which includes an estimate of the future impact of the Paid Leave payroll tax. The state effective business tax rate increased to 3.0% in FY21, making Oregon's state effective tax rate the 21<sup>st</sup> highest nationally and 18% higher than the US average. The statewide local business tax burden in Oregon increased from 2.1% of gross state product to 2.4%, a 15% increase over FY19 levels.

Local taxes in the Portland region also increased significantly due to tax changes enacted by the city of Portland, Multnomah County and Metro. Portland businesses experienced a 32% increase in taxes due to the enacted changes which included the fully-phased-in local taxes.

## Appendix

### Comparison to EY's 2020 Tax burden Study

EY in conjunction with the State Tax Research Institute (STRI) prepared a 2020 study to assess the projected impact of statewide and Portland area tax changes on the tax burdens faced by Oregon businesses. Since many of the business taxes in the study had not been fully implemented at the time, the 2020 report had estimated the incremental impact of tax changes. This section provides a comparison of the projected impact of state and local tax changes in the 2020 study to actual state and local taxes collected in FY21.

Specifically, EY had estimated business taxes as a share of GSP using the 2019 Oregon economy as the baseline for the tax burden estimates. In comparison, this study measured the business tax burden on the basis of the 2021 Oregon economy. As such, total business tax collections between both periods changed not only due to the impact of new business taxes, but also due to fluctuations in other business tax categories that were affected by macroeconomic events. FY21 taxes do not represent the incremental tax collections due to tax changes but rather total tax collections, and therefore differ from the FY19 estimates.

In the 2020 report, state business tax collections were estimated at nearly \$6 billion and a 2.8% TEBTR once tax changes were fully implemented. This estimate put Oregon's state TEBTR at 19<sup>th</sup> highest in the United States. Actual business taxes at FY21 levels increased to over \$6.7 billion with a TEBTR of 3.0%. Due to tax changes to the corporate activity and individual income tax, FY21 collections increase by 10.5% and 12.2% respectively compared to FY19 levels. Even though the corporate income tax did not experience a tax change, business collections increase by over 34% due to the fluctuations in the economy. Since business taxes increased across the United States, Oregon ranks as the 21<sup>st</sup> highest TEBTR in the country in FY21.

Table 8. Comparison of FY19 state business tax estimates in 2020 report to actual collections in FY21  
*Dollars in millions*

Category	Estimated after-tax changes business taxes at FY19 levels (2020 report)	Actual business taxes in FY21 (current report)	Percent change FY FY19-FY21
Corporate activity tax	\$1,067	\$1,179	10.5%
Individual income tax on business income	\$964	\$1,082	12.2%
Corporate income tax	\$911	\$1,223	34.3%
Remaining tax categories	\$3,055	\$3,240	6.0%
<b>Total business collections (with Paid Leave estimates)</b>	<b>\$5,997</b>	<b>\$6,724</b>	<b>12.3%</b>
<b>Gross state product</b>	<b>\$214,816</b>	<b>\$221,635</b>	<b>3.2%</b>
<b>Business taxes as % of GSP</b>	<b>2.8%</b>	<b>3.0%</b>	<b>7.1%</b>

\* Total tax for Oregon excludes workers' compensation taxes for comparability with other states.

The grey shading denotes tax categories that included a tax change.

Source: EY analysis using Oregon Annual Comprehensive Financial Reports (ACFR)

At the local level, projected local business tax collections for FY19 were estimated at just under \$4.2 billion and a 2.0% TEBTR once tax changes were implemented. This estimate had put local TEBTR in

Oregon lower than the US average, but higher than certain Western states such as Washington and Idaho. At FY21 levels, local business tax collections increased to \$5.3 billion. This estimate is 26.6% greater than the FY19 estimate and increases the local TEBTR to 2.4%. The estimate is also slightly greater than the US average as shown in Figure 6. The FY19 local government data in the 2020 report were estimates and actual collections were higher than initial projections. Economic conditions also increased business tax collections in FY21 and account for the higher local TEBTR of 2.4%.

Table 9. Statewide local business tax burdens in Oregon FY19 and FY21 with tax policy changes  
*Dollars in millions*

Category	Estimated after-tax changes business taxes at FY19 levels (2020 report)	Actual business taxes in FY21 (current report)	Percent change FY FY19-FY21
Total business collections	\$4,193	\$5,308	26.6%
Gross state product	\$214,816	\$221,635	3.2%
<b>Business taxes as % of GSP</b>	<b>2.0%</b>	<b>2.4%</b>	<b>20.0%</b>

Source: EY analysis using US Census Bureau Annual Survey of State and Local Government Finances for FY19 and FY21.

Table 10 provides additional comparison between FY19 estimates for the City of Portland property tax, gross receipts tax and the Multnomah County corporate income tax. Since the FY19 City of Portland gross receipts tax was estimated for half a fiscal year in our prior report, FY21 collections are divided in half to make a more accurate comparison. The City of Portland property tax and Multnomah County corporate income tax represent the full year of tax collection estimates. Overall, the predicted local tax collections listed in the table for FY19 lie within close range for the City of Portland property tax and the Multnomah County corporate income tax.

Table 10. Select local business tax burdens in Portland and Multnomah County FY19 and FY21 with tax policy changes  
*Dollars in thousands*

Category	Estimated after-tax changes business taxes at FY19 levels (2020 report)	Actual business taxes in FY21 (current report)	Percent change FY FY19-FY21
City of Portland property tax	\$265,482	\$267,481	0.8%
City of Portland gross receipts tax*	\$50,000	\$58,160	16.3%
Multnomah County business income tax	\$137,000	\$136,242	-0.6%
<b>Select business tax collections</b>	<b>\$452,482</b>	<b>\$461,883</b>	<b>2.1%</b>

\* Estimates for the City of Portland gross receipts tax reflect collections for half a fiscal year

Source: EY analysis using City of Portland and Multnomah County Annual Comprehensive Financial Reports (ACFR)

## Supporting information

The table below shows the key assumptions for the business shares applied to Portland Area tax collections. These parameters reflect expectations at the date of this report.

Table 11. Business shares used in Portland-area tax analysis

Taxes across the tri-county area	Jurisdiction	Business Share FY21
Arts Tax	City of Portland	0%
Cannabis tax	City of Portland	0%
Cemetery revenue surcharge	Metro Area	0%
Construction excise tax	City of Portland	40%
Corporate net income	City of Portland, Metro Area and Multnomah County	100%
Excise tax	Metro Area	36%
Gasoline tax	City of Portland, Multnomah, and Washington County	35%
Heavy Equipment Rental Tax	Multnomah County	100%
Motor vehicle license tax	Multnomah County	31%
Motor vehicle rental tax	Multnomah County	35%
Other license tax	City of Portland, Multnomah, and Washington County	50%
Personal income tax	Metro Area	11%
Property tax: Clackamas County	Clackamas County	38%
Property tax: Metro Area	Metro Area	39%
Property tax: Multnomah County	Multnomah County	40%
Property tax: Washington County	Washington County	38%
Real property transfer taxes	Washington County	0%
Transient lodging tax	City of Portland, Clackamas, Multnomah, and Washington County	30%

Source: EY research and analysis using US Census Bureau Annual Survey of State and Local Government Finances