Revenue

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Revenue Updates

The much-anticipated Revenue Forecast by the Office of Economic Analysis was presented on Wednesday, Feb 24 in House Revenue. It was once again better than the December forecast and the two forecasts before that! So good in fact, that both the personal income tax kicker and the corporate tax kicker which funds the student success program, will both be activated. A possible credit totaling $571 on filings would need to be applied to 2022 tax returns, unless there is big spending before June 30 that reduces revenues to below the 2% threshold cap.

Let's start with where our revenue was at the close of session last June in 2019. We had $24.4 billion total after transfers from the Rainy Day Fund and other fund transfers, including the Lottery Fund. The projected ending balance is up $1.2 billion from the 2019 Close-of-Session estimate.
Since the 2019 close of session:

- Personal income tax revenue is up $397 million (2.2%)
- Corporate tax revenue is up $420 million (35.2%)
- General Fund gross revenue is up $990 million (4.7%)
- Net GF and Lottery resources are up $1.2 billion (5.0%)

The big jump in corporate revenue is surprising (35%!) but much of this comes from taxes on the federally-boosted unemployment insurance (UI) revenue.Next biennium without the stimulus of the forgivable payroll protection loans and the UI extra payments, this income will be way down.
For the current biennium ending in June, there will be an additional $743 million in General fund revenue for budgets and expenditures, but the Lottery fund is -$100 million (down this biennium, but will bounce back up when gaming establishments are fully open). So the total revenue is up $677 million for 2019-21. Much less revenue is expected for the 2021-2023 biennium, but the full recovery to pre-Covid economic conditions is anticipated in 2023, a much faster recovery than previous economic recessions due to a strong underlying economy.

The Corporate Activities Tax (CAT) on businesses that have over one million dollars in Oregon sales is 20% below forecast estimates, which affects K-12 funding, but an anticipated kicker could bring that student success fund back up.

Economic disparity was not reflected in the data charts in this forecast, however. Hardest hit are the service and hospitality sectors, many of which employed and are owned by people of color that experienced business closings, some which will never reopen, although new restaurants and other personal services should open up again with pent-up demand from Covid restrictions. Vaccines may not be distributed to everyone for quite a while, so that part of the forecast seems to be quite optimistic. Manufacturing was also not mentioned this time around. Economists thought post -wildfire rebuilding would be a stimulus to the economy rather than show a detriment as one would expect.

Although there were lots of small retail business closures, liquor licenses continue to be renewed--only down by 5% and lottery licenses are only down 6%. Take-out drinks and food service can explain the reason for the less than expected decline.

Rural Oregon service businesses are doing better than urban areas because so many people are avoiding downtown areas and are working from home.

This March forecast includes the anticipation of a large influx of federal dollars for Covid and wildfire response, although much less than the original CARES Act stimulus package, that all states who must balance their states' budgets hope to see very soon.