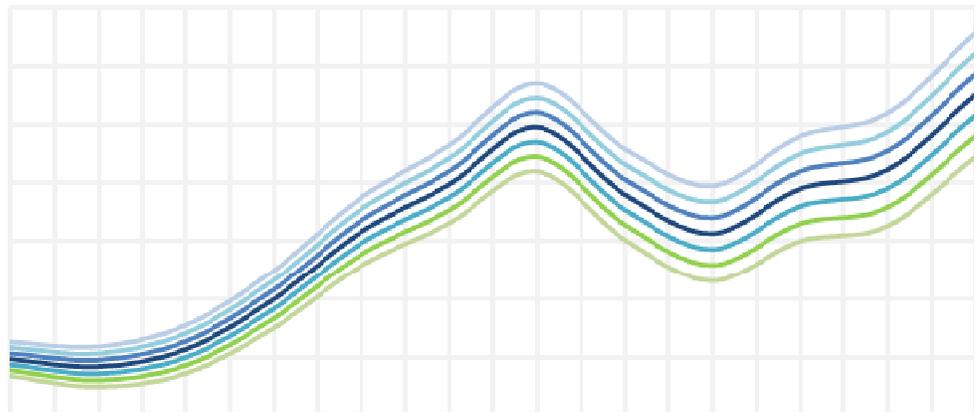


# Oregon Personal Income Tax Statistics

## Characteristics of Filers



**2014 Edition  
Tax Year 2012**



150-101-406 (Rev. 3-14)

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# **Oregon Personal Income Tax Statistics**

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**2014 Edition  
Tax Year 2012**

**Prepared by  
Research Section  
Oregon Department of Revenue  
Salem OR 97301-2555**

150-101-406 (Rev. 3-14)

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The personal income tax, Oregon's largest source of revenue, is expected to account for 87 percent of the General Fund for the 2013-15 biennium. Because it is the state's primary revenue source for discretionary spending, information about this tax program is valuable to businesses, government officials, policymakers, and taxpayers, as well as the general public.

The purpose of this publication is to provide a foundation for understanding the characteristics of Oregon personal income tax filers and to present statistical summaries of information about the personal income tax system. This edition of *Oregon Personal Income Tax Statistics* provides detailed statistics for tax year 2012 as well as historical tables and graphs.

The information is based on 2012 income tax returns received by the Oregon Department of Revenue in the 2013 calendar year. Actual tax receipts may vary from this report because some filers failed to pay their full tax liability or paid after 2013. The report does not include information from audits, amended tax returns, or returns received after 2013.

The *Introduction* highlights key statistics such as the number of filers, total income, and total tax liability for 2011 and 2012. It also outlines the structure of the report and explains how personal income tax is currently calculated, including a diagram outlining its main components. The next section provides a historical summary of returns and the following components: income and tax, adjustments, additions, subtractions, deductions, credits, payments and refunds.

Finally, the appendices provide a history of the 2 percent surplus refund (kicker), a description of how the data is compiled for this report, and a glossary of terms.

More detailed tables, a historical summary of significant federal and Oregon tax law changes, and background information are available on the Oregon Department of Revenue website at: [www.oregon.gov/DOR/STATS/Pages/statistics.aspx](http://www.oregon.gov/DOR/STATS/Pages/statistics.aspx)

## Highlights

### Oregon Personal Income Tax Selected Statistics - 2011 and 2012

	Full-Year Resident			Part-Year and Nonresident			All Returns		
	2011	2012	% Change	2011	2012	% Change	2011	2012	% Change
Number of Returns	1,599,964	1,612,445	0.8%	224,824	233,812	4.0%	1,824,788	1,846,257	1.2%
Oregon AGI* (\$ millions)	\$84,904.9	\$92,703.6	9.2%	\$6,059.3	\$6,918.0	14.2%	\$90,964.2	\$99,621.6	9.5%
Taxable Income* (\$ millions)	\$63,697.3	\$70,782.3	11.1%	\$5,245.8	\$6,022.0	14.8%	\$68,943.1	\$76,804.3	11.4%
Tax Liability* (\$ millions)	\$4,749.4	\$5,288.4	11.3%	\$378.4	\$434.7	14.9%	\$5,127.8	\$5,723.0	11.6%
Average Oregon AGI (\$)	\$53,067	\$57,493	8.3%	\$26,951	\$29,588	9.8%	\$49,849	\$53,959	8.2%
Average Tax Liability (\$)	\$2,968	\$3,280	10.5%	\$1,683	\$1,859	10.4%	\$2,810	\$3,100	10.3%
Effective Tax Rate**	5.6%	5.7%	2.0%	6.2%	6.3%	0.6%	5.6%	5.7%	1.9%

\* See glossary of terms in Appendix C

\*\* Tax liability divided by adjusted gross income

- For tax year 2012, the Oregon Department of Revenue received 1.85 million personal income tax returns, a 1.2 percent increase from tax year 2011.
- The total adjusted gross income (AGI) of 2012 Oregon filers grew to nearly \$100 billion, up 9.5 percent from \$91 billion in 2011.
- The average AGI for all filers was \$53,959 in 2012, up 8.2 percent from \$49,849 in 2011.

- The 2012 total tax liability for all filers was \$5.7 billion, up 11.6 percent from \$5.1 billion in 2011.
- The average tax liability for all filers was \$3,100 in 2012, up 10.3 percent from \$2,810 in 2011.
- The number of taxpayers choosing to file their return electronically in 2012 grew 4.0 percent to 1.50 million. Electronic returns represented 81 percent of all returns in 2012 compared to 79 percent in 2011.

## Structure of this Report

The federal and Oregon tax returns are organized into distinct sections, each focusing on a specific component of the income tax system. This report follows that structure and discusses each component separately. The flowchart on page 4 outlines the calculation of income taxes. The main body of this report, *2012 Characteristics of Filers and Historical Trends*, starting on page 7, provides summaries and historical trends for the following components:

- **Returns** – The number of returns, type of returns, filing status, electronic returns, age of taxpayers, and historical trends are described.
- **Income and Tax** – The types of income listed on the federal form include wages, interest, and capital gains. The total is net income. Tax refers to the tax liability reported on Oregon tax forms.
- **Adjustments** – These elements on the federal form are deductions (often referred to as “above-the-line deductions”) that all filers are allowed to take, including those who claim the standard deduction. They reduce the amount of income that is taxed. Examples include IRA contributions, moving expenses, and student loan interest. Gross income reduced by adjustments is federal adjusted gross income (AGI).
- **Additions** – These elements represent income not taxed by the federal government but taxed by Oregon and federal deductions to AGI that are not allowed for Oregon. They are added to AGI on the Oregon form. Examples include interest on government bonds from other states and long-term care insurance premiums (if claiming a federal deduction and an Oregon credit for those premiums).
- **Subtractions** – These elements represent income taxed by the federal government but not taxed by Oregon and Oregon deductions to AGI that are not allowed federally. They are subtracted from AGI on the Oregon form. Examples include qualifying federal pension income and interest from US bonds.
- **Deductions** – Taxpayers may reduce the amount of income that is taxed by the total of their itemized deductions or the standard deduction, whichever is greater. Oregon allows the same itemized deductions as the federal government with two exceptions: (1) Oregon does not allow a deduction for Oregon income tax or sales tax; and (2) Oregon does allow a deduction of certain medical expenses for elderly taxpayers. Examples of itemized deductions include property taxes paid, charitable gifts, and mortgage interest.

- **Credits** – These elements reduce tax liability on a dollar-for-dollar basis. If total nonrefundable credits exceed gross tax liability (tax before credits), then part of the nonrefundable credits remain unused. Some nonrefundable credits are eligible to be carried over to subsequent years. Refundable credits, on the other hand, are treated the same as payments by the taxpayer. The credits are first used to reduce tax, but if the tax is completely offset, any unused credits are refunded to the taxpayer. The two most common refundable credits are the Oregon earned income credit and the working family child care credit.
- **Payments and Refunds** – Oregon tax withheld, estimated payments, payments included with the return, refunds reported on the return and refund-of-credit payments are described.

Each of the components is discussed in a historical context. Key figures from tax year 2012 are compared to historical numbers to show trends and changes over time. When previous year data is shown, the actual dollar amounts as reported in that particular year are presented and are not adjusted for inflation. Also included is historical data about filers moving to and from Oregon and tax information by county. County maps with selected tax information are provided.

*Appendix A* provides a discussion of the surplus refund (kicker) and historical data for 1979 through 2013. *Appendix B* provides additional detail and discussion about return data, statistical reporting, and the components of income for the current report. *Appendix C* provides a glossary of common terms used in this report and addresses of websites for additional information.

Most exhibits and tables in this publication are devoted to full-year resident returns as all of the reported federal taxable income is also taxed by Oregon, with the exception of Oregon additions and subtractions. In addition, full-year resident returns represent approximately 87 percent of all returns filed and 92 percent of tax liability. Therefore, full-year resident returns constitute the most stable base for statistical inference. Part-year resident and nonresident returns may include significant income and deductions that are not related to economic activity in Oregon, and only part of the income is subject to Oregon taxation.

There are three terms to keep in mind when using this report:

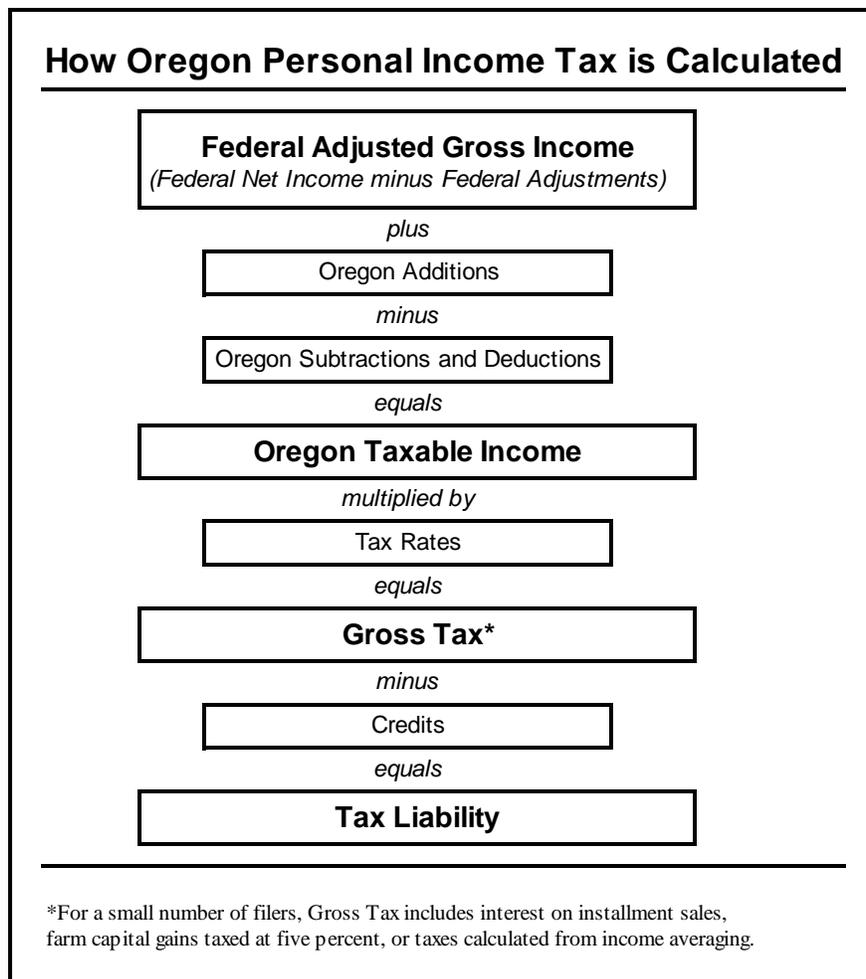
- **Return** is an Oregon personal income tax return. This may refer to the physical or electronic return or to the data information making up the return.
- **Filer** refers to an individual who files a personal income tax return. A return is associated with only one filer. For joint returns, the person listed first on the tax return is the filer.
- **Taxpayer** is an individual or individuals represented by a return. In the case of joint returns, there are two taxpayers represented: the filer and the spouse/registered domestic partner. Dependents listed on taxpayers' returns are not considered taxpayers, but the taxpayer may receive certain tax benefits, such as a personal exemption credit for each dependent. However, if a dependent files their own Oregon personal income tax return, this filer is considered a taxpayer, but cannot receive a personal exemption credit.

## Personal Income Tax Calculation

The starting point for calculating Oregon's personal income tax is income taxable at the federal level. Using the same definition of income helps simplify the Oregon tax return, reducing the number of calculations taxpayers need to make. The connection to the federal definition of taxable income also makes the tax easier for the state of Oregon to administer.

Oregon's personal income tax has been connected to federal taxable income since 1969, but in different ways over time. The connection usually had exceptions, which varied over the years. From 1981 to 1997, the legislature regularly acted to tie Oregon taxable income to the federal definition as of a specific date. In 1997, the legislature began a 'rolling reconnect' where Oregon's definition of taxable income would automatically change with federal changes. The legislature suspended this 'rolling reconnect' for tax years 2003 through 2005 and re-established it for tax years 2006 through 2008. The 2009 legislature suspended the 'rolling reconnect' and tied Oregon's definition of taxable income to the federal definition as of May 1, 2009 for tax years 2009 and 2010, except for a connection date of December 31, 2008 for discharge of indebtedness (IRC section 108), bonus depreciation (IRC section 168(k)), and expensing of assets (IRC section 179). The Legislature suspended the 'rolling reconnect' because they anticipated passage of the federal American Recovery and Reinvestment Tax Act of 2009 and did not want to automatically connect to all of its tax provisions. The 2010 legislature updated the general connection date to December 31, 2009 (the December 31, 2008 connection date remained in place for IRC sections 108, 168(k), and 179). The 'rolling reconnect' was re-established for tax years 2011 and forward.

Even though Oregon is tied to the federal definition of taxable income, which includes the itemized deductions allowed federally, the starting point for the Oregon personal income tax calculation on the tax return is the federal adjusted gross income (AGI). The itemized deductions are subtracted at a later point in the calculation. The following diagram shows the full-year resident tax calculation.



**Federal income includes:**

- Salaries and wages
- Interest
- Dividends
- State income tax refunds (if deductions were itemized in the prior year)
- Alimony received
- Business income/loss
- Farm income/loss
- Capital gains/losses
- Rental income
- Royalties
- Partnership income/loss
- Estate and trust income/loss
- S corporation income/loss
- Unemployment compensation
- Social Security income federally taxed
- Retirement plan distributions

**Federal adjustments include:**

- IRA, SIMPLE, and SEP contributions
- Self-employment health insurance
- Forfeited interest
- Moving expenses
- Alimony paid
- Self-employment tax
- Student loan interest
- Tuition and fees
- Educator expenses
- Qualified business expenses
- Health savings account contributions

**Oregon additions include:**

- Interest on bonds from other states
- Federal deduction for long-term care insurance premiums
- Federal income tax refunds from an amended or audited return
- Federal deduction of unused business credits
- Lump-sum payment from a qualified retirement plan
- Federal deductions not allowed by Oregon

**Oregon subtractions include:**

- Oregon income tax refunds
- Social Security income
- Federal income tax (up to \$6,100 for 2012)
- Federal pension income
- U.S. bond interest
- Military active duty pay
- Scholarship awards used for housing expenses

**Deductions (standard or itemized):**

- **Standard deductions for 2012:**
  - \$4,055 if joint filer,
  - \$3,265 if head of household filer,
  - \$2,025 if single filer,
  - \$2,025 if married/RDP filing separately (exception if spouse/RDP itemized),
  - One of the listed four amounts plus an additional \$1,000 for each taxpayer at least age 65 or blind. The additional amount is \$1,200 for single and head-of-household filers and double for taxpayers who are both.
  - Exceptions for taxpayers who are nonresident aliens or dependents.
- **Itemized deductions include:**
  - Medical and dental expenses
  - Property taxes
  - Home mortgage interest
  - Investment interest expenses
  - Charitable gifts
  - Casualty or theft losses
  - Special Oregon medical deduction

**Tax credits include:**

- Personal exemption of \$60 to \$183 for 2012, depending on adjusted gross income
- Earned income (refundable)
- Working family child care (refundable)
- Child and dependent care
- Political contribution
- Elderly or permanently disabled
- Retirement income
- Income tax paid to other states

## Tax Rates

The applicable tax rates and brackets are in the table below. The rates are applied to Oregon taxable income. Income for returns with filing status of single or married filing separately is subject to lower brackets. Income for returns with other filing statuses is subject to higher brackets. The tax rates for the three lowest brackets (5 percent, 7 percent and 9 percent) have been in place since 1987 and the brackets have been indexed for inflation since 1993, currently using the U.S. City Average Consumer Price Index (CPI) as the gauge of inflation. The 2009 legislature created two additional income brackets, which were in effect for tax years 2009-2011 after Oregon voters approved the tax increase in January 2010 (Measure 66). The tax rates for those additional brackets were 10.8 percent for filers with taxable income from \$125,001-\$250,000 (single) and \$250,001-\$500,000 (joint); and 11 percent for filers with taxable income above 250,000 (single) and \$500,000 (joint). For 2012 and forward, the top rate bracket was eliminated and the tax rate for the next bracket was reduced to 9.9 percent.

### 2012 Tax Rates

#### For persons filing single or married/RDP filing separately

If taxable income is:	then tax is:
Not over \$3,150.....	5% of taxable income
Over \$3,150 but not over \$7,950.....	\$158 plus 7% of excess over \$3,150
Over \$7,950 but not over \$125,000.....	\$494 plus 9% of excess over \$7,950
Over \$125,000 but not over \$250,000....	\$11,028 plus 9.9% of excess over \$125,000

#### For persons married/RDP filing jointly, head of household, or qualifying widow(er) with dependent child

If taxable income is:	then tax is:
Not over \$6,300.....	5% of taxable income
Over \$6,300 but not over \$15,900.....	\$315 plus 7% of excess over \$6,300
Over \$15,900 but not over \$250,000.....	\$987 plus 9% of excess over \$15,900
Over \$250,000 but not over \$500,000...	\$22,056 plus 9.9% of excess over \$250,000

For part-year residents, tax rates are applied to federal income (the sum of Oregon and non-Oregon income). The resulting tax is apportioned to Oregon based on the ratio of Oregon income to federal income. For nonresidents, federal tax and standard or itemized deductions are prorated based on the ratio of Oregon income to federal income and the tax rates are applied to income from Oregon sources.

Some Oregon credits, such as the exemption credit, child and dependent care credit, and credit for the elderly or the disabled, are prorated for part-year residents and nonresidents.

A history of Oregon tax rates and brackets is available on the Oregon Department of Revenue website at: [www.oregon.gov/DOR/STATS/Pages/statistics.aspx](http://www.oregon.gov/DOR/STATS/Pages/statistics.aspx) For additional information on adjustments, deductions, subtractions, and credits, refer to:

The State of Oregon 2013–15 *Tax Expenditure Report*. This publication is available on the web at: [www.oregon.gov/dor/STATS/Pages/tax-expenditure-report-2013-2015.aspx](http://www.oregon.gov/dor/STATS/Pages/tax-expenditure-report-2013-2015.aspx)

The Oregon Department of Revenue's *Publication 17½, Oregon Individual Income Tax Guide*, 2012 edition. This publication is available on the web at: [www.oregon.gov/dor/PERTAX/Pages/pubs.aspx](http://www.oregon.gov/dor/PERTAX/Pages/pubs.aspx)

Visit the department's webpage for additional personal income tax information and tax forms at: [www.oregon.gov/dor/PERTAX/Pages/formspit.aspx](http://www.oregon.gov/dor/PERTAX/Pages/formspit.aspx).

Section 1

# 2012 Characteristics of Filers and Historical Trends

## Returns

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In this section, *2012 Characteristics of Filers and Historical Trends*, data for the 2012 tax year is summarized and compared to data from previous years. When previous year data is shown, the actual dollar amounts as reported in that particular year are presented and are not adjusted based on new data. The number and types of returns filed are discussed first, followed by income and tax trends. Summaries of adjustments, additions, subtractions, deductions, credits, payments and refunds are followed by information on part-year resident filers and county-level data.

## Returns

Exhibit 1 shows the number of 2012 returns by filing status and form type. Full-year residents are required to use Form 40 (beginning in 2011, the shortened form 40S was no longer in use), part-year residents (PY) are to use Form 40P, and nonresidents (NR) are to use Form 40N. Of the 1.85 million returns filed for tax year 2012, more than 87 percent of filers were full-year residents using Oregon's Form 40.

**Exhibit 1 - Income Tax Returns by Filing Status and Form Type**  
**All Returns - 2012**

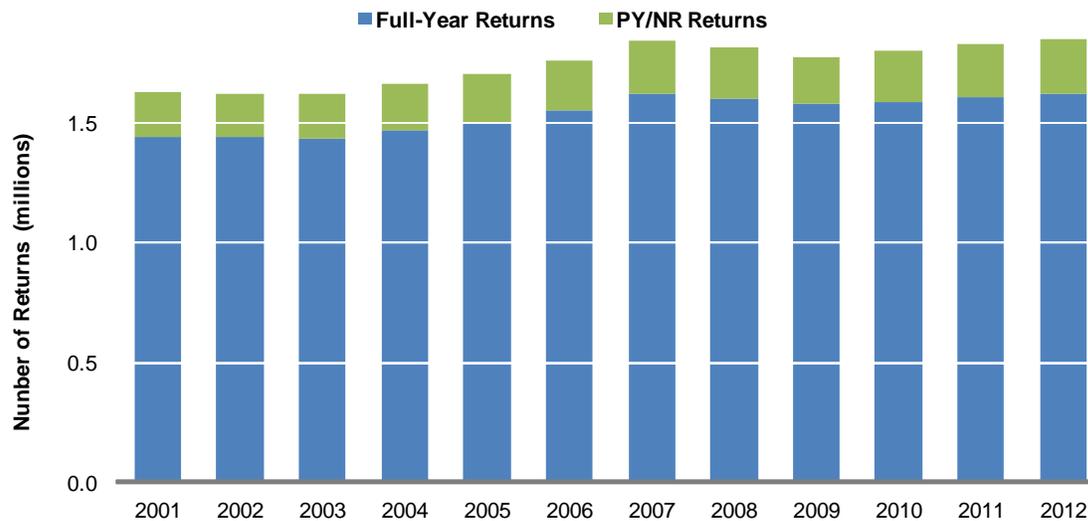
Filing Status	Full-Year Resident Form 40	Part-Year (PY) Form 40P	Nonresident (NR) Form 40N	Total
Single	733,031	41,831	57,300	<b>832,162</b>
Married Filing Jointly	675,074	23,461	88,820	<b>787,355</b>
RDP* Filing Jointly	1,653	53	54	<b>1,760</b>
Married Filing Separately	25,748	1,672	2,925	<b>30,345</b>
RDP* Filing Separately	789	22	17	<b>828</b>
Head-of-Household	175,287	5,153	12,427	<b>192,867</b>
Qualifying Widow(er)	863	21	56	<b>940</b>
<b>Total</b>	<b>1,612,445</b>	<b>72,213</b>	<b>161,599</b>	<b>1,846,257</b>

\* Registered domestic partners

**Returns–Historical Trends**

Exhibit 2 shows the trend in returns filed since 2001 for full-year resident returns, part-year resident/nonresident returns (PY/NR) and all returns. The number of returns filed generally increases each year following the continual growth in Oregon’s population. However, the number of returns filed tends to fluctuate a small amount depending on the economic conditions. In times of a recession, the number of returns filed decreases slightly, as some people who filed the previous year may not have had enough income to require them to file in the current year. This trend was seen in the economic downturns of 2001 to 2003 and 2008 to 2009. The number of returns increased slightly in 2012, continuing the increasing trend since 2010 in part due to improving economic conditions.

**Exhibit 2 - Income Tax Returns - Historical  
Full Year Resident and PY/NR Returns - 2001 to 2012**



Tax Year	Oregon Population		Full-Year Returns		PY/NR Returns		All Returns	
	Number	% Change	Number	% Change	Number	% Change	Number	% Change
2001	3,430,530	1.1%	1,434,864	0.8%	189,129	0.8%	1,623,813	2.8%
2002	3,471,700	1.2%	1,432,971	-0.1%	183,729	-2.9%	1,616,700	-0.4%
2003	3,504,700	1.0%	1,430,750	-0.2%	181,035	-1.5%	1,611,785	-0.3%
2004	3,541,500	1.1%	1,461,735	2.2%	191,468	5.8%	1,653,203	2.6%
2005	3,582,600	1.2%	1,495,091	2.3%	202,075	5.5%	1,697,166	2.7%
2006	3,631,440	1.4%	1,546,097	3.4%	209,471	3.7%	1,755,568	3.4%
2007	3,690,500	1.6%	1,617,135	4.6%	217,960	4.1%	1,835,095	4.5%
2008	3,745,455	1.5%	1,593,363	-1.5%	212,480	-2.5%	1,805,843	-1.6%
2009	3,791,075	1.2%	1,571,302	-1.4%	197,095	-7.2%	1,768,397	-2.1%
2010	3,823,465	0.9%	1,581,272	0.6%	210,408	6.8%	1,791,680	1.3%
2011	3,837,300	0.4%	1,599,964	1.2%	224,824	6.9%	1,824,788	1.8%
2012	3,883,735	1.2%	1,612,445	0.8%	233,812	4.0%	1,846,257	1.2%

### Electronic Returns

Oregon started offering electronic filing with a limited pilot project in 1993. The growth in electronic returns over time is dramatic. This growth can be attributed to a number of factors. Between 1994 and 1997, only professional tax preparers could file electronic returns and the number of electronic filers tripled from roughly 35,000 to just over 113,000. In 1998, individuals who prepared their own returns were allowed to file electronically for the first time, and growth was 45 percent. In 1999, nonresident and part-year resident filers were allowed to file electronically, and growth again increased. Strong growth in electronic filing for 2004 was likely prompted by the IRS introduction of ‘e-services,’ a web incentive service for tax preparers. In 2010, the strong growth in electronic filing was most likely due to the new requirement by the IRS that professional tax preparers who prepare 100 or more returns, file federal returns electronically. In 2011, the requirement for electronic filing was tightened and now applies to preparers who prepare 10 or more returns. In addition, beginning in 2011 any filer could submit their Oregon personal income tax return online through Oregon Free Fillable Forms. Exhibit 3 illustrates the growth in electronic filing from 2001 to 2012.

**Exhibit 3 - Electronically Filed Income Tax Returns**  
Full-Year Resident and PY/NR Returns - 2001 to 2012



Tax Year	Full-Year Returns		PY/NR Returns		All Returns	
	Number	% Change	Number	% Change	Number	% Change
2001	382,973	24.7%	31,153	32.4%	414,126	25.2%
2002	457,403	19.4%	37,062	19.0%	494,465	19.4%
2003	514,299	12.4%	44,652	20.5%	558,951	13.0%
2004	678,001	31.8%	70,329	57.5%	748,330	33.9%
2005	771,866	13.8%	88,683	26.1%	860,549	15.0%
2006	876,064	13.5%	105,422	18.9%	981,486	14.1%
2007	970,743	10.8%	125,139	18.7%	1,095,882	11.7%
2008	1,008,409	3.9%	129,348	3.4%	1,137,757	3.8%
2009	1,046,156	3.7%	130,097	0.6%	1,176,253	3.4%
2010	1,182,915	13.1%	156,854	20.6%	1,339,769	13.9%
2011	1,264,053	6.9%	176,793	12.7%	1,440,846	7.5%
2012	1,308,194	3.5%	189,665	7.3%	1,497,859	4.0%

In 2001, Oregon first offered 2-D barcode filing where tax return information is scanned from a barcode submitted on a paper form. The 2-D filing method is a hybrid of paper and electronic filing. Similar to paper forms, 2-D forms must be mailed to the Department of Revenue. Once received, 2-D returns are scanned into an electronic format without requiring manual data entry. Only full-year resident forms were available for 2-D filing until 2007 when nonresident and part-year resident forms were added. In the first year, only 2 percent of returns were filed using 2-D. In tax year 2006, software companies creating Oregon tax returns were required to have the 2-D barcode. The mandate increased 2-D filed returns from 12 to 21 percent and it stayed relatively constant until 2009. Since the large growth of electronically filed returns in 2010, both paper and 2D filed returns have continued to decrease.

**Exhibit 4 - Electronic, 2-D and Paper Returns**  
All Returns - 2001 to 2012

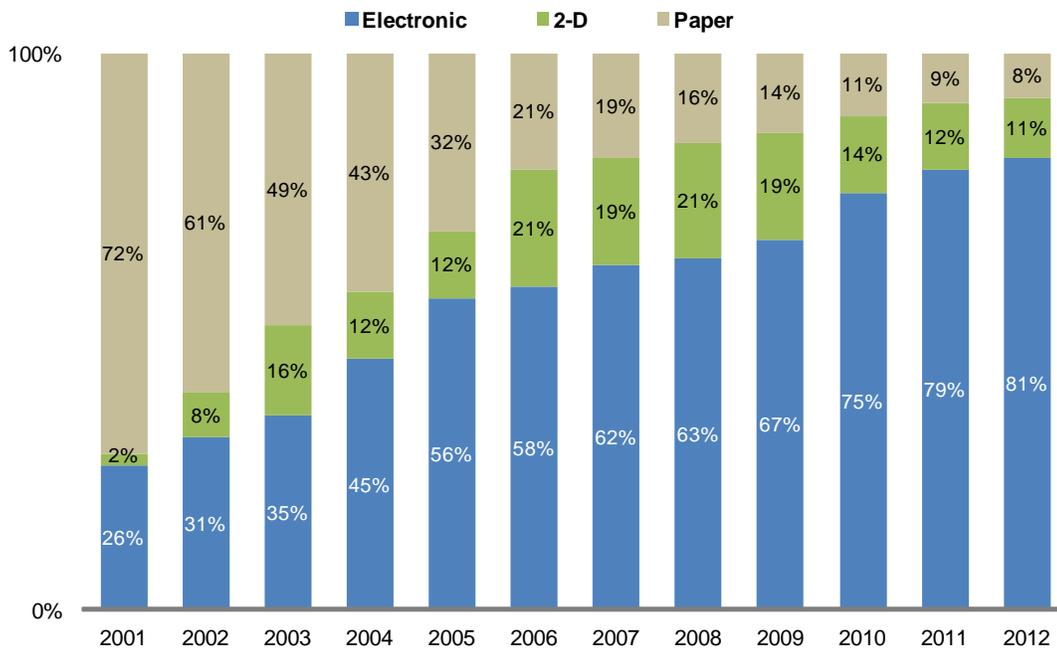
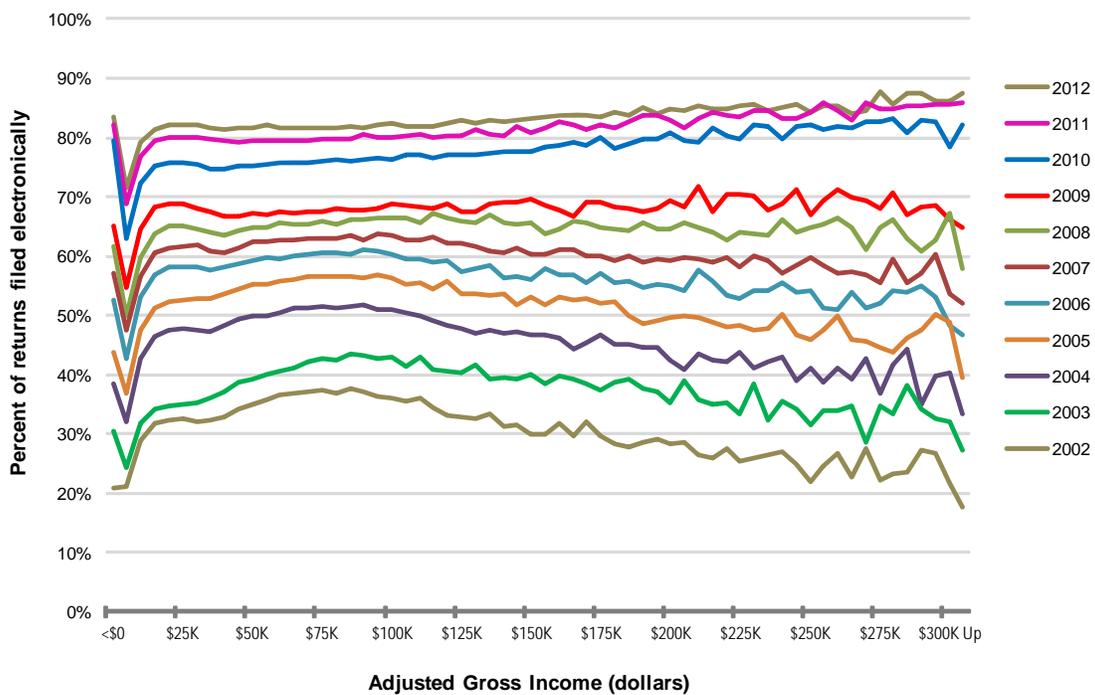


Exhibit 5 shows the percent of full-year resident electronic filers by income level for 2002 to 2012. The exhibit shows that the large increase in the percentage of electronic filers seen in 2010 occurred over all income levels. However, a proportionally higher increase is seen for very high income levels beginning at an adjusted gross income (AGI) of around \$150,000. This is most likely due to more high income tax returns prepared by professional preparers, and the new requirement by the IRS that professional tax preparers, who prepared 100 or more returns in 2010 (10 or more returns for 2011), file federal returns electronically. The increase in electronic filers for those returns that report a net income loss (<\$0 on the chart) is due to those returns being prepared by professional tax preparers more often, as those returns are generally complicated. This compares to returns that report minimal positive income that are often simple returns, and can be easily filed by paper, as seen by the dip at very low positive incomes.

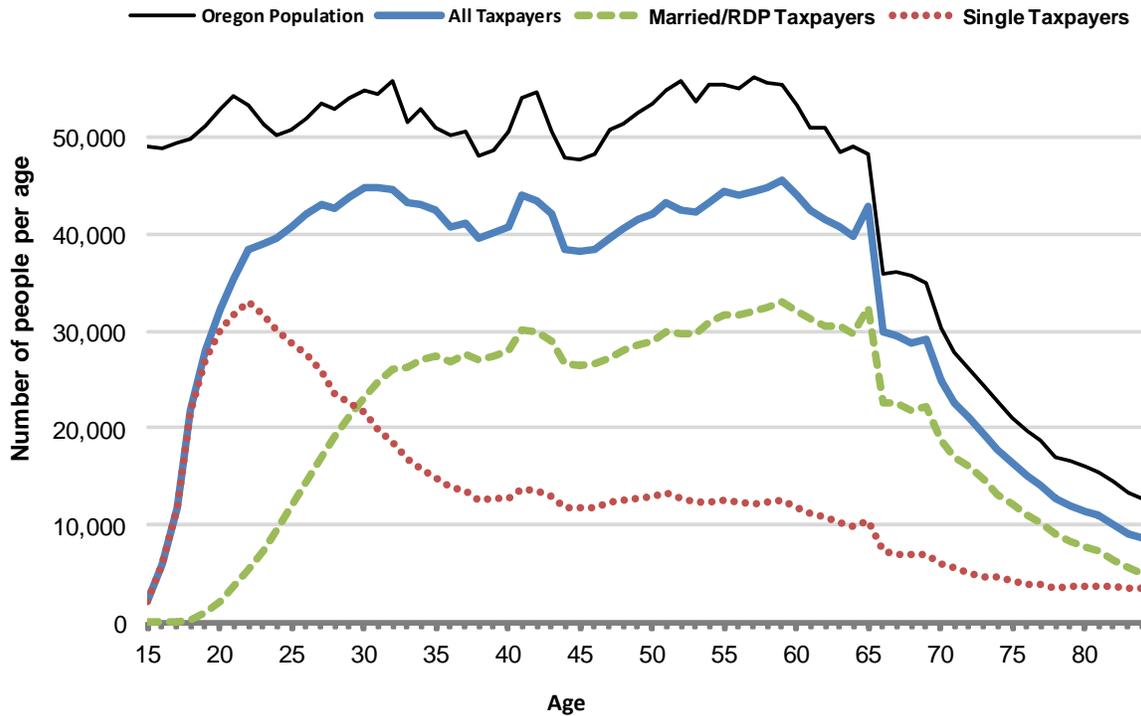
**Exhibit 5 - Percent of Returns Filed Electronically by Adjusted Gross Income  
All Returns - 2002 to 2012**



**Age of Taxpayers**

Exhibit 6 shows information on all returns filed by Oregon residents (full-year and part-year) by age of the taxpayer represented (includes both the primary and spouse for joint returns). The data is further subdivided to show returns filed by single and married/RDP taxpayers separately. In addition, the Oregon population is shown. It is noted the population data cannot be compared directly to the tax return data, as the population data represents the best estimated of the population on July 1, 2012, while tax return data represents all tax year 2012 Oregon resident returns submitted during calendar year 2013. However, similarities can be seen between the population and tax return data. The number of taxpayers represented by the tax returns will be less than the overall population, as there are many people that do not have enough income that will require them to file.

**Exhibit 6 - Taxpayers by Age  
Resident (Full and Part-Year) Returns - 2012**



*Notes: The chart represents 2.38 million resident (full and part-year) taxpayers. Age is not known for less than 1 percent of taxpayers, so they are not represented. Oregon population age data from the Oregon Office of Economic Analysis.*

Section 2

## 2012 Characteristics of Filers and Historical Trends

Income and Tax

Full-year residents accounted for 87 percent of the tax returns, 93 percent of Oregon AGI and 92 percent of the tax liability in 2012. Exhibit 7 is a summary of the number of returns, adjusted gross income (AGI), and Oregon tax liability by residency status.

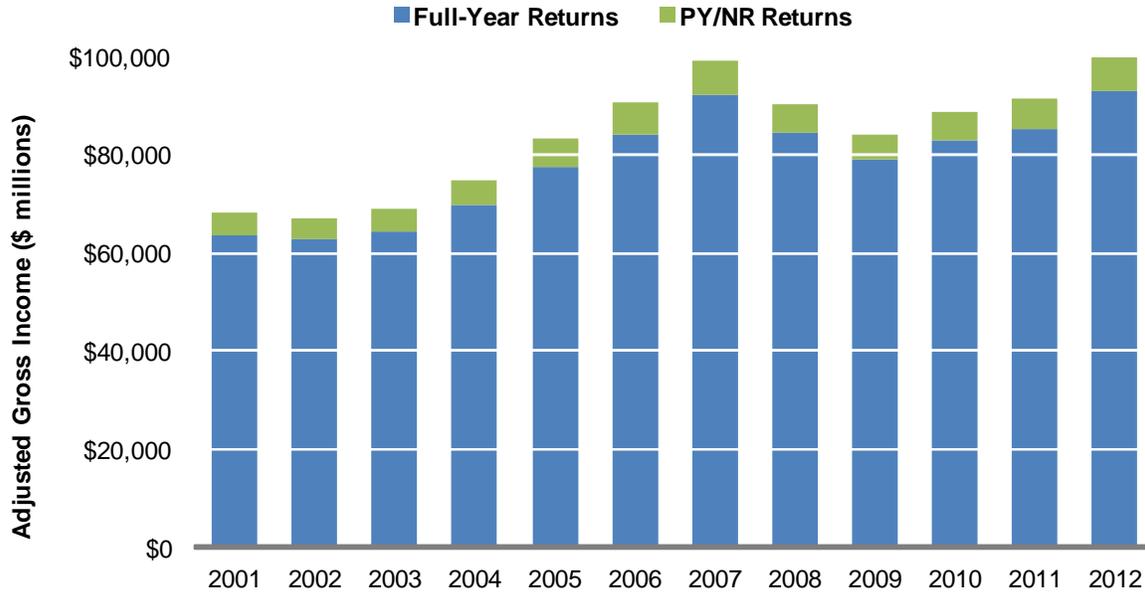
**Exhibit 7 - Returns, Adjusted Gross Income, and Tax by Residence Type**  
All Returns - 2012

Return Type	Returns		Adjusted Gross Income		Tax Liability	
	Number	Share	\$ (millions)	Share	\$ (millions)	Share
Full-Year (40)	1,612,445	87.3%	\$92,703.6	93.1%	\$5,288.4	92.4%
Nonresident (40N)	161,599	8.8%	\$4,965.4	5.0%	\$311.9	5.4%
Part-Year (40P)	72,213	3.9%	\$1,952.6	2.0%	\$122.8	2.1%
<b>Total</b>	<b>1,846,257</b>	<b>100%</b>	<b>\$99,621.6</b>	<b>100%</b>	<b>\$5,723.0</b>	<b>100%</b>

### Oregon Adjusted Gross Income—Historical Trends

Adjusted gross income (AGI) consists of income subject to federal tax minus federal adjustments. For full-year returns, Oregon AGI equals federal AGI. For part-year residents, Oregon AGI is derived from all income, while the taxpayer was a resident of Oregon. For nonresidents, Oregon AGI is derived from income sourced in Oregon. Exhibit 8 (on the following page) shows the trend in Oregon AGI since 2001 for full-year resident returns, part-year resident/nonresident returns (PY/NR) and all returns. Oregon AGI grows in most years due to Oregon's increasing taxpayer population and inflation. The exception occurs in periods of economic downturns, such as in 2008 and 2009. The total Oregon AGI increased by 9.5 percent in 2012 from the previous year to \$99.6 billion, reflecting improving economic conditions. In addition, it is believed a portion of this increase was due to some taxpayers that were able to realize certain types of income, such as capital gains, at the end of 2012, rather than wait for 2013 to take advantage of lower federal tax rates in 2012.

**Exhibit 8 - Total Adjusted Gross Income - Historical  
Full-Year Resident and PY/NR Returns - 2001 to 2012**

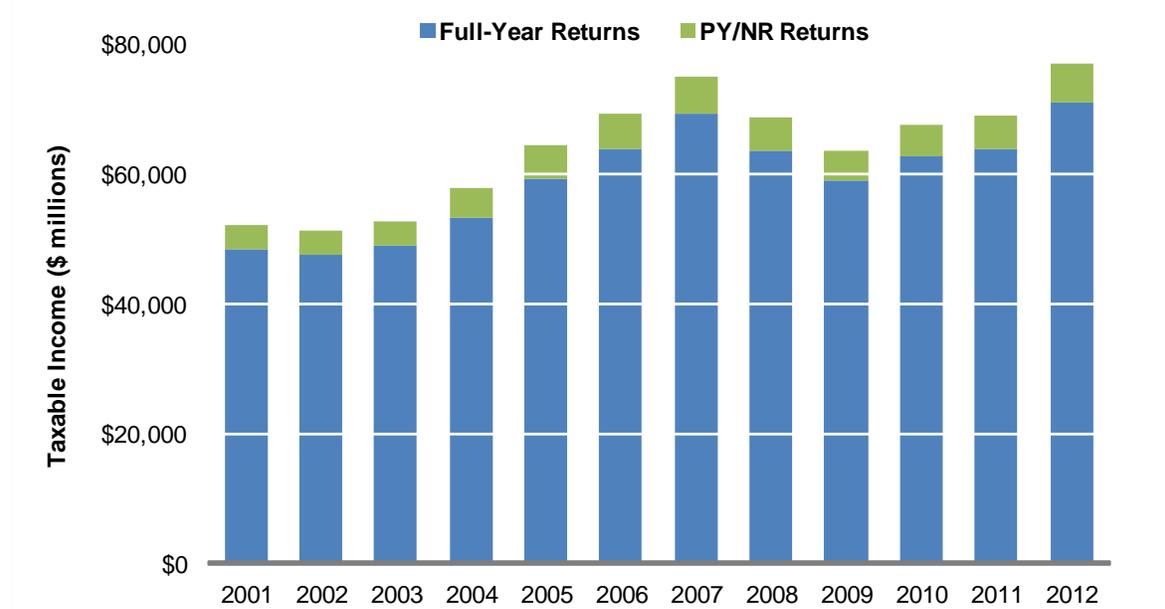


Tax Year	Full-Year Returns		PY/NR Returns		All Returns	
	AGI (\$ millions)	Percent Change	AGI (\$ millions)	Percent Change	AGI (\$ millions)	Percent Change
2001	\$63,351.0	-4.4%	\$4,455.0	-6.5%	\$67,806.0	-4.5%
2002	\$62,361.0	-1.6%	\$4,263.0	-4.3%	\$66,624.0	-1.7%
2003	\$63,958.2	2.6%	\$4,506.1	5.7%	\$68,464.3	2.8%
2004	\$69,414.7	8.5%	\$5,162.4	14.6%	\$74,577.0	8.9%
2005	\$77,247.8	11.3%	\$5,810.0	12.5%	\$83,057.7	11.4%
2006	\$83,830.7	8.5%	\$6,382.7	9.9%	\$90,213.4	8.6%
2007	\$91,795.1	9.5%	\$6,950.9	8.9%	\$98,746.0	9.5%
2008	\$84,059.4	-8.4%	\$6,004.8	-13.6%	\$90,064.2	-8.8%
2009	\$78,717.4	-6.4%	\$4,962.9	-17.4%	\$83,680.4	-7.1%
2010	\$82,655.9	5.0%	\$5,602.7	12.9%	\$88,258.6	5.5%
2011	\$84,904.9	2.7%	\$6,059.3	8.1%	\$90,964.2	3.1%
2012	\$92,703.6	9.2%	\$6,918.0	14.2%	\$99,621.6	9.5%

**Taxable Income—Historical Trends**

Taxable income is equal to Oregon adjusted gross income plus additions, minus subtractions, minus allowable deductions and set to zero if it is negative. It is the amount of income subject to Oregon tax. Exhibit 9 shows the trend in Oregon taxable income since 2001 for full-year resident returns, the total of part-year resident/nonresident returns (PY/NR) and all returns. The yearly trends in the total taxable income closely track total Oregon AGI.

**Exhibit 9 - Total Taxable Income - Historical  
Full-Year Resident and PY/NR Returns - 2001 to 2012**

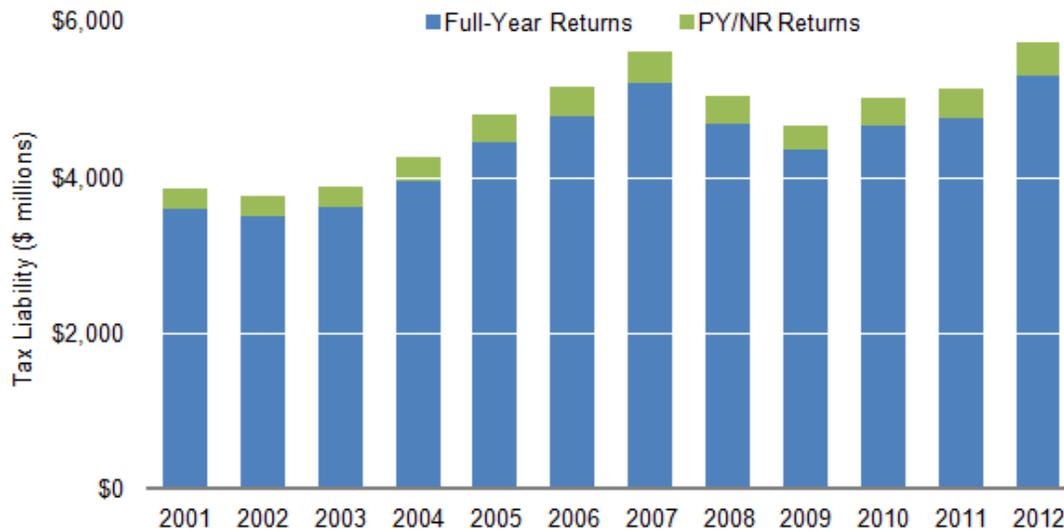


Tax Year	Full-Year Returns		PY/NR Returns		All Returns	
	Taxable Income (\$ millions)	Percent Change	Taxable Income (\$ millions)	Percent Change	Taxable Income (\$ millions)	Percent Change
2001	\$48,274.0	-6.7%	\$3,827.0	-6.8%	\$52,101.0	-6.7%
2002	\$47,423.0	-1.8%	\$3,698.0	-3.4%	\$51,121.0	-1.9%
2003	\$48,693.0	2.7%	\$3,937.0	6.5%	\$52,630.0	3.0%
2004	\$53,181.0	9.2%	\$4,473.0	13.6%	\$57,654.0	9.5%
2005	\$59,232.0	11.4%	\$4,980.0	11.3%	\$64,211.0	11.4%
2006	\$63,648.0	7.5%	\$5,450.0	9.4%	\$69,098.0	7.6%
2007	\$69,035.0	8.5%	\$5,856.0	7.4%	\$74,892.0	8.4%
2008	\$63,312.0	-8.3%	\$5,108.0	-12.8%	\$68,420.0	-8.6%
2009	\$58,828.0	-7.1%	\$4,510.0	-11.7%	\$63,338.0	-7.4%
2010	\$62,439.5	6.1%	\$4,917.1	9.0%	\$67,356.7	6.3%
2011	\$63,697.3	2.0%	\$5,245.8	6.7%	\$68,943.1	2.4%
2012	\$70,782.3	11.1%	\$6,022.0	14.8%	\$76,804.3	11.4%

**Tax Liability—Historical Trends**

Tax liability is the amount of tax owed by a taxpayer. It is equal to the total tax reduced by non-refundable credits and further reduced by any portion of refundable credits up to the amount of remaining tax. If refundable credits exceed the amount of remaining tax, then the taxpayer has no tax liability and receives a refund for the balance. In 2012, tax liability totaled \$5.7 billion, an 11.6 percent increase from the previous year. Exhibit 10 shows the trend in total tax liability since 2001 for full-year resident returns, part-year resident/nonresident returns (PY/NR) and all returns. The yearly trends in the total tax liability closely track total Oregon AGI.

**Exhibit 10 - Total Personal Income Tax Liability - Historical Full-Year Resident and PY/NR Returns - 2001 to 2012**



Tax Year	Full-Year Returns		PY/NR Returns		All Returns	
	Tax (\$ millions)	Percent Change	Tax (\$ millions)	Percent Change	Tax (\$ millions)	Percent Change
2001	\$3,567.0	-8.6%	\$269.0	-8.3%	\$3,836.0	-8.6%
2002	\$3,484.0	-2.3%	\$257.0	-4.5%	\$3,741.0	-2.5%
2003	\$3,588.2	3.0%	\$269.4	4.8%	\$3,857.6	3.1%
2004	\$3,939.4	9.8%	\$305.8	13.5%	\$4,245.2	10.0%
2005	\$4,437.5	12.6%	\$348.4	13.9%	\$4,785.8	12.7%
2006	\$4,775.0	7.6%	\$375.9	7.9%	\$5,151.0	7.6%
2007	\$5,184.8	8.6%	\$414.8	10.3%	\$5,599.6	8.7%
2008	\$4,658.9	-10.1%	\$357.6	-13.8%	\$5,016.5	-10.4%
2009	\$4,337.7	-6.9%	\$318.5	-10.9%	\$4,656.2	-7.2%
2010	\$4,646.2	7.1%	\$353.2	10.9%	\$4,999.4	7.4%
2011	\$4,749.4	2.2%	\$378.4	7.1%	\$5,127.8	2.6%
2012	\$5,288.4	11.3%	\$434.7	14.9%	\$5,723.0	11.6%

**Effective Tax Rates**

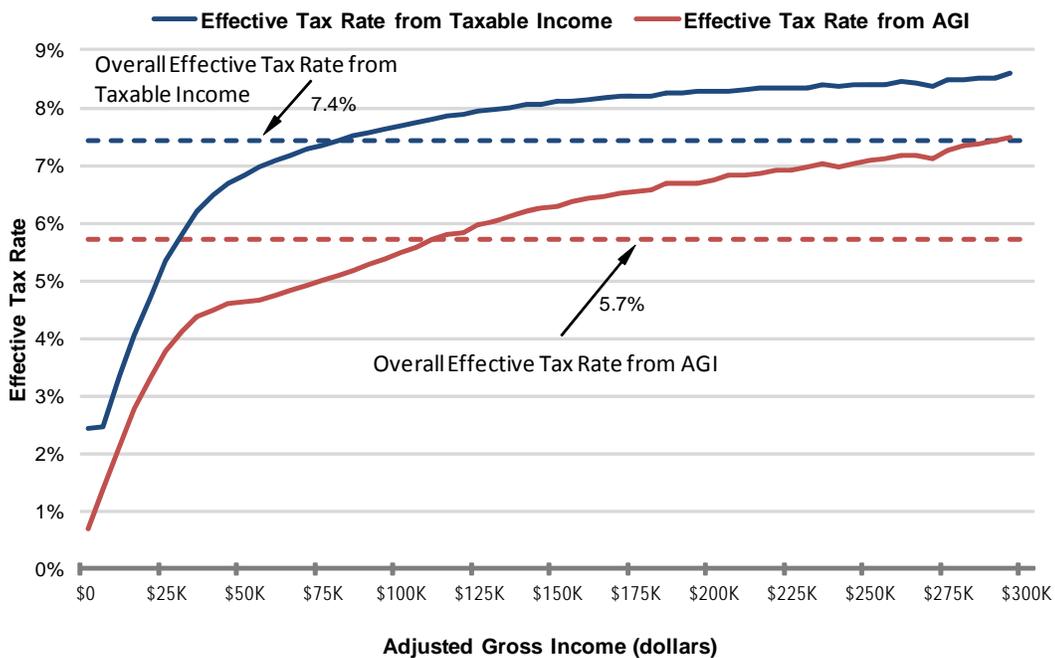
Exhibit 11 shows tax as a percent of AGI, and tax as a percent of taxable income for full-year resident filers in 2012, as compared to the filer’s level of adjusted gross income.

Tax as a percent of AGI (bottom curve) provides the tax rate necessary to apply to AGI to raise the same amount of revenue as current tax law. It essentially averages all deductions and credits used across all filers. The effective tax rate is influenced significantly by subtractions and deductions (standard and itemized), which lower it. The effective tax rate is greater for higher income taxpayers because the magnitude of additions and subtractions is relatively less, while at the same time a greater share of their income is taxed at 9 percent (or 9.9 percent if the taxpayer has income in that bracket). The rate climbs quickly from zero to about 4.5 percent for filers with income of roughly \$40,000. After this point, the rate continues to increase gradually.

The top curve shows the tax as a percent of taxable income. It has the same general shape as the bottom curve, just shifted up on the percent axis because it is only reduced by tax credits. The rate increases quickly to about 7 percent, and then gradually approaches 9.9 percent, beyond the limits of this chart. The effective rate cannot reach 9.9 percent, because even the highest income taxpayers have some income taxed at the 5, 7, and 9 and percent rates.

An overall effective tax rate is the required rate necessary to raise the same amount of revenue as current tax law, if the tax rate was a flat percentage applied to AGI or taxable income. An overall effective tax rate derived from AGI of 5.7 percent, and an overall effective tax rate derived from taxable income of 7.4 percent are shown in Exhibit 11 for reference.

**Exhibit 11 - Effective Tax Rates Derived from AGI and Taxable Income**  
**Full-Year Resident Returns - 2012**



**Distribution of Returns, Income, and Tax by AGI Level**

Exhibit 12 shows total Oregon AGI and total of tax liability by AGI quintile for 2011 and 2012. A quintile represents a subset of a database that contains 20 percent of all records; it is determined by arranging the records from the lowest income to the highest income and then dividing the database into five equally sized subsets. The fifth quintile is subdivided into the first 15 percent of this quintile, the next four percent and top one percent.

In 2012, the top one percent of full-year filers accounted for 22.1 percent of the total tax liability.

**Exhibit 12 - Income and Tax Liability by AGI Quintiles**  
**Full-Year Resident Returns - 2011 and 2012**

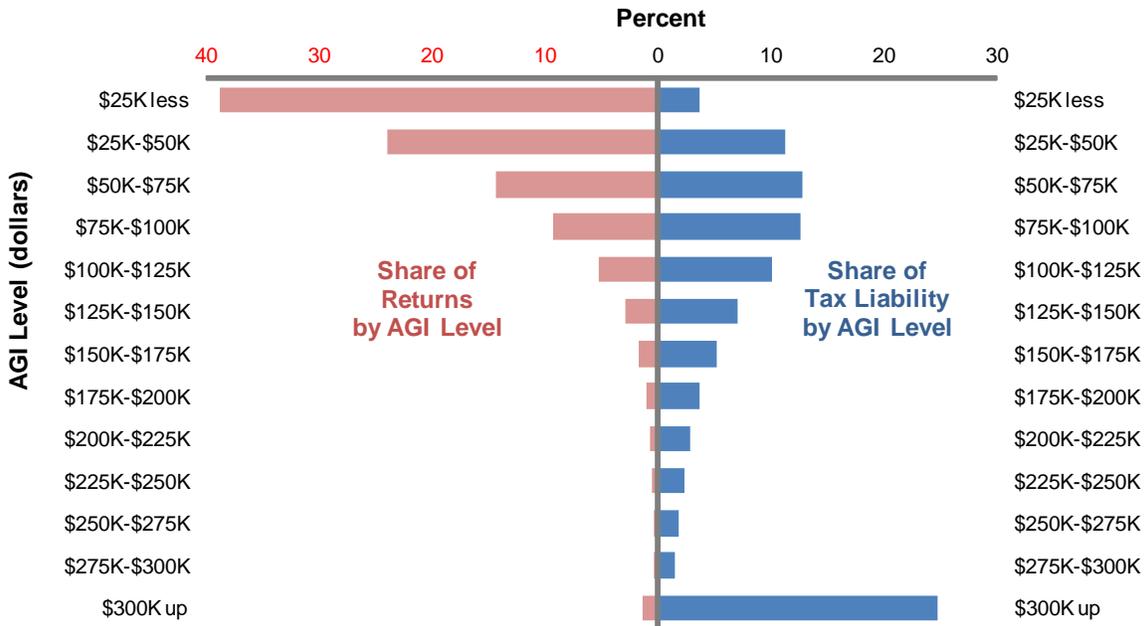
Quintile	Approximate AGI Range in 2012 (dollars)	Total AGI (\$ millions)		Total Tax Liability (\$ millions)		% Total Tax Liability	
		2011	2012	2011	2012	2011	2012
Lowest 20%	Below \$12.5K	\$38.9	\$177.2	\$26.6	\$29.0	0.6%	0.5%
Second 20%	\$12.5K-\$26K	\$5,873.9	\$6,113.8	\$171.4	\$183.8	3.6%	3.5%
Middle 20%	\$26K-\$46K	\$10,916.8	\$11,383.9	\$455.4	\$483.8	9.6%	9.1%
Fourth 20%	\$46K-\$82K	\$19,237.1	\$20,114.4	\$908.6	\$964.1	19.1%	18.2%
Next 15%	\$82K-\$159K	\$25,102.3	\$26,405.3	\$1,398.2	\$1,496.4	29.4%	28.3%
Next 4%	\$159K-\$352K	\$12,783.4	\$13,940.6	\$862.0	\$963.3	18.1%	18.2%
Top 1%	above \$352K	\$10,952.5	\$14,568.5	\$927.2	\$1,167.9	19.5%	22.1%
<b>Total</b>		<b>\$84,904.9</b>	<b>\$92,703.6</b>	<b>\$4,749.4</b>	<b>\$5,288.4</b>	<b>100.0%</b>	<b>100.0%</b>

Notes: Each quintile contains one-fifth of the total number of full-year resident returns, which is approximately 320,000.  
The AGI breakpoints between the quintiles were slightly less for tax year 2011.

Exhibit 13 (on the following page) shows the percentage of full-year resident returns (left chart) and the percentage of total tax liability (right chart) by AGI levels for 2012.

Nearly 63 percent of filers reported AGI less than \$50,000 in 2012. This group contributed less than 15 percent of the total tax liability. Filers with AGI above \$300,000 represent only 1.4 percent of total returns, but contributed nearly 25 percent of total tax liability in 2012.

**Exhibit 13 - Returns and Tax Liability by AGI Level**  
**Full-Year Resident Returns - 2012**



AGI Level (dollars)	Returns		Tax Liability	
	Number	Share	\$ (millions)	Share
Below \$25,000	624,426	38.7%	\$193.9	3.7%
\$25,000 - \$50,000	385,096	23.9%	\$595.9	11.3%
\$50,000 - \$75,000	231,948	14.4%	\$680.4	12.9%
\$75,000 - \$100,000	149,104	9.2%	\$667.4	12.6%
\$100,000 - \$125,000	85,101	5.3%	\$536.8	10.2%
\$125,000 - \$150,000	45,056	2.8%	\$374.4	7.1%
\$150,000 - \$175,000	26,591	1.6%	\$274.7	5.2%
\$175,000 - \$200,000	16,051	1.0%	\$198.7	3.8%
\$200,000 - \$225,000	10,527	0.7%	\$152.1	2.9%
\$225,000 - \$250,000	7,469	0.5%	\$123.4	2.3%
\$250,000 - \$275,000	5,323	0.3%	\$99.4	1.9%
\$275,000 - \$300,000	3,941	0.2%	\$83.3	1.6%
Above \$300,000	21,812	1.4%	\$1,308.0	24.7%
<b>Total</b>	<b>1,612,445</b>	<b>100.0%</b>	<b>\$5,288.4</b>	<b>100.0%</b>

### Distribution of Returns and Tax by Oregon Tax Brackets

Exhibit 14 shows the number of filers in each tax bracket and the total tax liability by those filers in each tax bracket. A portion of the income of a taxpayer who falls in a tax bracket with a rate of 7 percent or above is taxed at the lower rate(s). Note that there were over 135,000 returns with no taxable income. There are several reasons why taxpayers file returns that report no taxable income for Oregon. The taxpayer may have had negative income, such as business losses offset other positive income and the taxpayer had withholding or made estimated payments and was due a refund, and/or the taxpayer claimed refundable credits such as the Oregon earned income credit and/or the working family credit. Also, if a taxpayer is required to file federally, they are required to file for Oregon, even if they have no taxable income.

**Exhibit 14 - Returns and Tax by Oregon Tax Brackets**  
**Full-Year Resident Returns - 2012**

Taxable Income: Single or Married/RDP Filing Separately (all others double the amount)	Tax Bracket	Returns		Tax Liability	
		Number	Share	(millions)	Share
\$0	No Taxable Income	135,582	8.4%	\$0.0	0%
\$1- \$3,050	5%	121,540	7.5%	\$2.1	0.04%
\$3,051-\$7,650	7%	211,874	13.1%	\$31.9	0.6%
\$7,650-\$125,000	9%	1,112,330	69.0%	\$3,786.2	71.6%
\$125,001-\$250,000	9.9%	31,119	1.9%	\$1,468.1	27.8%
<b>Total</b>		<b>1,612,445</b>	<b>100.0%</b>	<b>\$5,288.4</b>	<b>100.0%</b>

### Types of Income

Exhibit 15 (on the following page) shows the types of income from the federal tax forms for 2011 and 2012 with the corresponding number of returns that claimed that type of income, average, and the total amount of that type of income for full-year resident filers. Note for several types of income (capital gain, other gain, business income, rents/partnerships/S corps, and farm income), it is possible for an individual return to report loss, represented by a negative number. As shown in Exhibit 15, wages are the dominant source of income, representing \$62.5 billion of the \$94.4 billion of total gross income, or 66 percent of the total in 2012. Nearly all types of income showed an increase (or a decline the case of unemployment compensation) in 2012 from 2011 due to the continually improving economic conditions. One lingering effect from the recent economic recession is the continued decline in interest income.

**Exhibit 15 - Types of Income****Full-Year Resident Returns - 2011 and 2012**

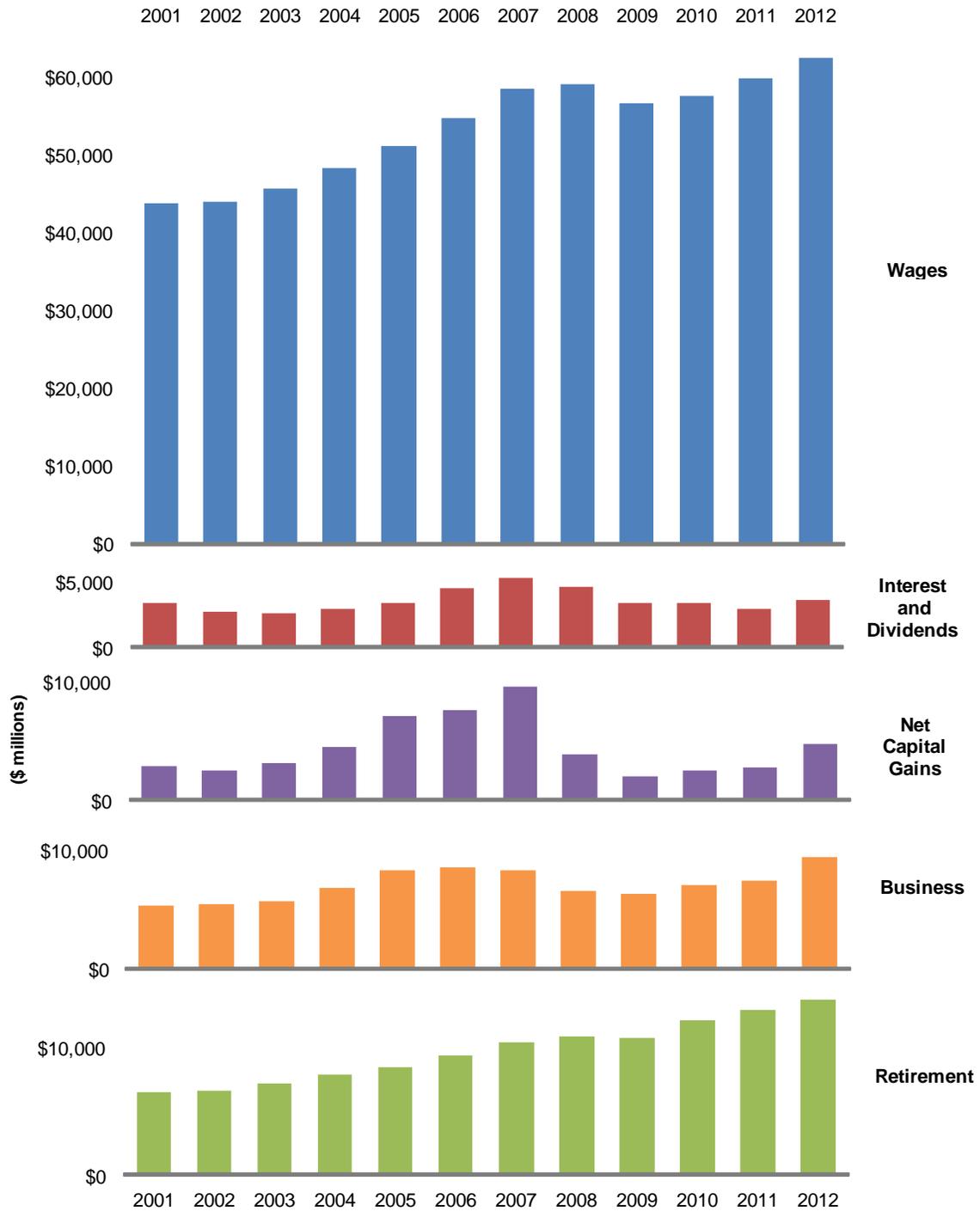
Income Type	Number of Returns		Average (\$)		Total (\$ millions)		% Change
	2011	2012	2011	2012	2011	2012	
Wages, Salaries, Tips	1,274,986	1,290,502	\$46,853	\$48,404	\$59,736.3	\$62,465.9	4.6%
Interest	596,014	549,228	\$2,018	\$2,089	\$1,202.8	\$1,147.6	-4.6%
Dividends	333,904	338,662	\$5,354	\$7,239	\$1,787.7	\$2,451.4	37.1%
Capital Gain (loss)	294,810	302,455	\$9,621	\$16,116	\$2,836.4	\$4,874.2	71.8%
Other Gain (loss)	29,635	30,623	-\$4,136	-\$3,797	-\$122.6	-\$116.3	5.1%
Business income (loss)	242,433	242,262	\$12,199	\$13,460	\$2,957.5	\$3,260.7	10.3%
Rent, Part., S Corp (income or loss)	221,921	227,827	\$19,932	\$27,124	\$4,423.3	\$6,179.6	39.7%
IRA distributions	182,666	186,816	\$15,663	\$16,134	\$2,861.2	\$3,014.2	5.3%
Pensions	318,808	325,949	\$22,995	\$23,708	\$7,331.0	\$7,727.6	5.4%
Social security benefits	225,709	238,216	\$11,969	\$12,647	\$2,701.4	\$3,012.7	11.5%
Unemployment compensation	213,572	177,858	\$6,634	\$5,951	\$1,416.9	\$1,058.5	-25.3%
Farm income (loss)	31,260	30,915	-\$6,508	-\$5,809	-\$203.4	-\$179.6	11.7%
State tax refunds	405,237	410,120	\$1,124	\$1,206	\$455.6	\$494.6	8.6%
Alimony	8,224	8,373	\$16,163	\$17,021	\$132.9	\$142.5	7.2%
Other income (loss)	130,999	134,890	-\$8,345	-\$8,700	-\$1,093.2	-\$1,173.6	-7.3%
<b>Total</b>					<b>\$86,423.8</b>	<b>\$94,360.1</b>	<b>9.2%</b>

**Categories of Income—Historical**

This section discusses the income reported on federal forms historically for similar income types grouped into categories. Exhibit 16 (on the following page) shows these income categories for tax years 2001 through 2012 for full-year resident filers. The interest and dividend income category is comprised of passive types of investments. The category net capital gains includes capital gains and other gains income. In addition to business income, the business category includes rent, partnerships and S corporation income. The retirement category includes pension income, Social Security income, and IRA distributions. The remaining miscellaneous types of income, including unemployment, farm, state tax refunds, alimony and other income account for a less than \$0.4 billion (or less than a half a percent) of the total gross income in 2012 and are not included in this exhibit.

Wage income, investment income, capital gains and business income, in general, follow the trends of economic conditions, with capital gains being the most sensitive. Because of the volatility of capital gain income, its share of gross income changes greatly. In 2012, capital gains accounted for 5.0 percent of the total gross income, but that amount has varied since 2002 from a low of 2.5 percent in 2009 to a high of 10.3 percent in 2007. Retirement income shows a fairly steady increase. Retirement income's share of total income has slowly increased from 10.1 percent in 2001 to 14.6 percent in 2012.

**Exhibit 16 - Categories of Income - Historical Full-Year Resident Returns - 2001 to 2012**



Section 3

## 2012 Characteristics of Filers and Historical Trends

### Adjustments

Adjustments are deductions that all filers may take if they qualify, regardless of whether they itemize deductions. They are found on federal Forms 1040 and 1040A and are subtracted from net income when computing federal AGI. Because Oregon ties to federal taxable income, most of these adjustments are allowed for Oregon with a few exceptions. For example, the domestic production activities adjustment allowed on federal returns is not permitted for Oregon.

#### Types of Adjustments

Exhibit 17 shows the types of federal adjustments to net income claimed on full-year returns in 2011 and 2012 with their corresponding number claimed, average and total amount for full-year resident filers.

**Exhibit 17 - Federal Adjustments**  
**Full-Year Resident Returns - 2011 and 2012**

Adjustment	Number of Returns		Average (\$)		Total (\$ millions)		% Change
	2011	2012	2011	2012	2011	2012	
Self-Emp Health Insurance	65,119	66,835	\$5,810	\$5,963	\$378.4	\$398.5	5.3%
Self-Employment Tax	187,589	191,110	\$1,473	\$1,561	\$276.4	\$298.3	7.9%
SEP, SIMPLE	11,713	12,138	\$18,031	\$19,098	\$211.2	\$231.8	9.8%
IRA Contributions	37,737	38,535	\$4,330	\$4,412	\$163.4	\$170.0	4.1%
Alimony Paid	10,103	10,273	\$14,315	\$15,132	\$144.6	\$155.4	7.5%
Student Loan Interest	137,815	146,711	\$948	\$966	\$130.7	\$141.7	8.5%
Domestic Production	9,104	9,890	\$10,708	\$13,873	\$97.5	\$137.2	40.7%
Tuition and Fees	25,724	27,394	\$2,131	\$2,168	\$54.8	\$59.4	8.4%
Health Savings Accounts	11,571	12,112	\$2,935	\$3,033	\$34.0	\$36.7	8.1%
Moving Expenses	6,562	6,902	\$1,858	\$1,873	\$12.2	\$12.9	6.0%
Educator Expenses	34,918	33,050	\$240	\$241	\$8.4	\$8.0	-4.8%
Employee Business Expenses	1,557	1,522	\$2,747	\$2,601	\$4.3	\$4.0	-7.4%
Penalty on Early Withdrawal	8,791	7,049	\$255	\$226	\$2.2	\$1.6	-28.8%
Other/Unknown	1,184	1,240	\$808	\$780	\$1.0	\$1.0	1.1%
<b>Total</b>					<b>\$1,519.0</b>	<b>\$1,656.6</b>	<b>9.1%</b>

The three adjustments associated with self-employment (self-employment tax, self-employment health insurance, and tax deferred SEP and SIMPLE plans) together account for about 56 percent of total dollar amount of adjustments claimed.

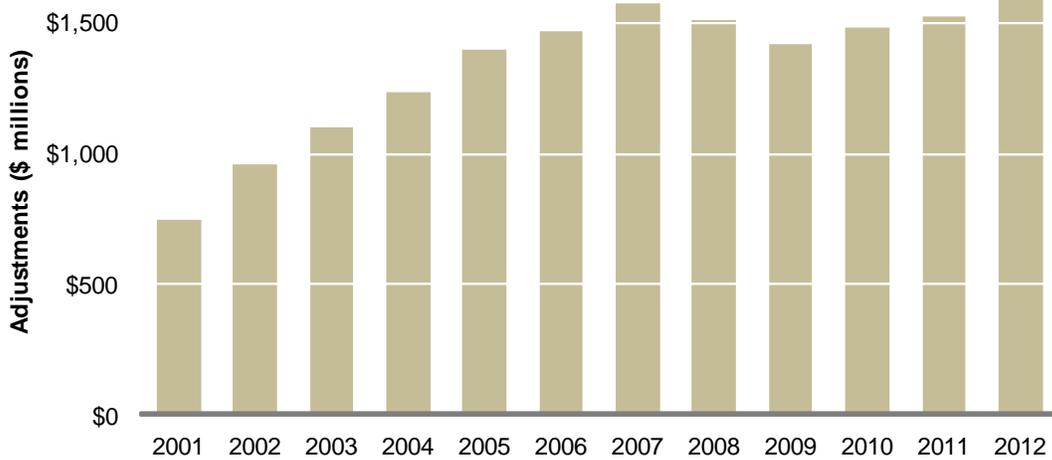
The most frequently claimed deduction was for federal self-employment taxes. Taxpayers who are self-employed are required to pay their own Social Security and Medicare taxes. These payments, called self-employment taxes, are the taxes that are shared between an employer and employee for those who are not self-employed. The deduction allows self-employed taxpayers to subtract half of these taxes (the employer portion) from their gross income. Oregonians deducted \$298.3 million of self-employment taxes for tax year 2012.

For full-year returns, the total adjustments in 2012 increased by 9.1 percent from the total adjustments in 2011.

**Adjustments–Historical**

Exhibit 18 shows the trend in total federal adjustments since 2001 for full-year resident returns. The yearly trend in the total federal adjustments closely tracks the total Oregon AGI. Since 2003, the percentage of the total federal adjustments compared to the Oregon AGI has remained fairly constant, around 1.7to 1.8 percent.

**Exhibit 18 - Total Federal Adjustments - Historical  
Full-Year Resident Returns - 2001 to 2012**



## 2012 Characteristics of Filers and Historical Trends

### Additions and Subtractions

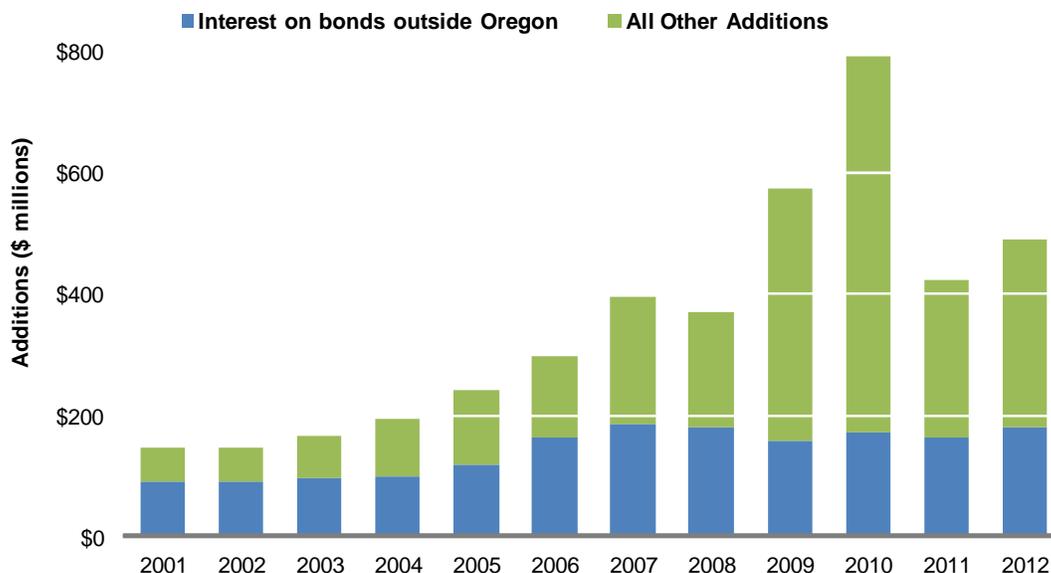
Additions represent income not taxed by the federal government but taxed by Oregon and federal deductions to AGI that are not allowed for Oregon. Subtractions represent income taxed by the federal government but not taxed by Oregon and Oregon deductions to AGI that are not allowed federally.

#### Additions

Exhibit 19 shows that additions over the decade have more than tripled from \$145 million in 2001 to \$489 million in 2012. In 2009 and 2010, total additions increased significantly due to the Oregon disconnection from the IRS rules for depreciating and expensing business property. Taxpayers who claimed the 50 percent bonus depreciation, the \$8,000 additional depreciation, or used the higher expensing amounts allowed under Section 179 on their federal income tax return were not allowed to take these deductions for Oregon and were required to add them back to federal AGI. This new addition accounted for approximately \$230 million of the total additions in 2009 and for approximately \$350 million in 2010. Excluding 2009 and 2010, the largest addition is from income on interest and dividends on state and local government bonds outside Oregon.

Although total additions are small relative to gross income or subtractions, they are high for some returns. Some taxpayers pay a significant amount of Oregon income tax due solely to Oregon additions. Without the additions, they would have little or no tax liability.

**Exhibit 19 - Oregon Additions - Historical  
Full-Year Resident Returns - 2001 to 2012**



**Subtractions**

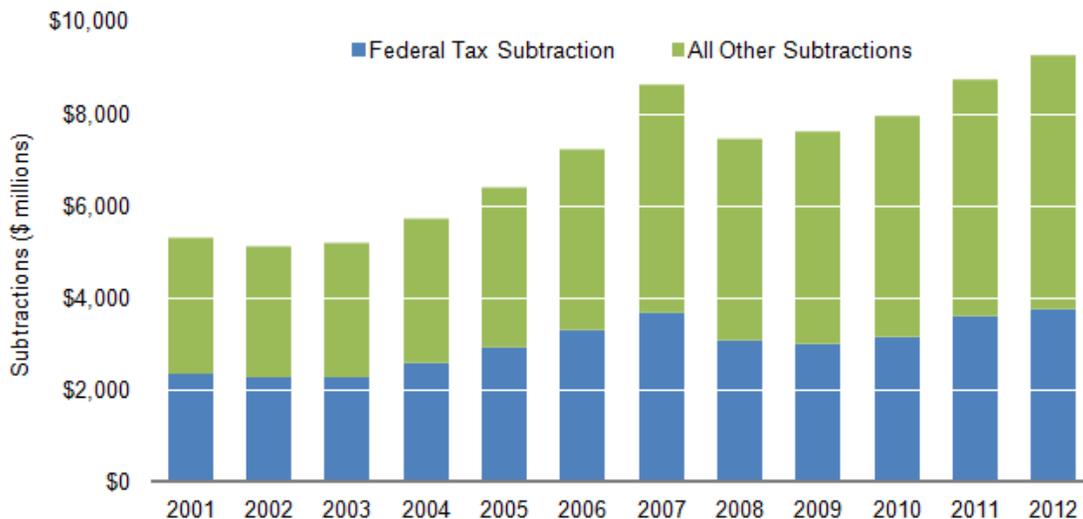
For each major subtraction, Exhibit 20 shows the number claimed, average and total amount of the subtraction claimed in 2011 and 2012.

**Exhibit 20 - Oregon Subtractions  
Full-Year Resident Returns - 2011 and 2012**

Subtraction	Number of Returns		Average (\$)		Total (\$ millions)		% Change
	2011	2012	2011	2012	2011	2012	
Federal Tax	1,044,747	1,061,263	\$3,426	\$3,530	\$3,579.3	\$3,746.5	4.7%
Social Security	225,346	237,849	\$11,981	\$12,659	\$2,699.9	\$3,011.0	11.5%
Federal Pension	42,443	42,171	\$23,410	\$23,251	\$993.6	\$980.5	-1.3%
Income Tax Refunds	395,129	399,138	\$1,107	\$1,185	\$437.5	\$473.1	8.2%
U.S. Bonds	50,689	49,112	\$1,715	\$1,654	\$86.9	\$81.2	-6.5%
Other subtractions	226,658	217,241	\$4,091	\$4,438	\$927.2	\$964.2	4.0%
<b>Total</b>					<b>\$8,724.4</b>	<b>\$9,256.6</b>	<b>6.1%</b>

Exhibit 21 shows Oregon total subtractions generally increasing since 2001. Because the federal income tax subtraction historically represents nearly half of all subtractions, it is shown separately in the exhibit. There was an increase in total subtractions in 2012 of 6.1 percent. The federal tax subtraction increased 4.7 percent from 2011 to 2012, even though the maximum subtraction allowed only increased 2.5 percent from \$5,950 to \$6,100. The additional increase in the federal tax subtraction is mainly due to 1.6 percent more filers being eligible to use this subtraction.

**Exhibit 21 - Oregon Subtractions - Historical  
Full-Year Resident Returns - 2001 to 2012**



Section 5

## 2012 Characteristics of Filers and Historical Trends

### Deductions

In general, taxpayers who itemize their federal deductions also itemize their Oregon deductions. The most significant of these deductions are home mortgage interest, local income and property taxes, charitable contributions, and qualified medical expenses.

When taxpayers itemize deductions, Oregon allows the same deductions as allowed federally with two exceptions. First, Oregon does not allow a deduction for Oregon state income taxes. Second, Oregon allows a special medical deduction for taxpayers age 62 or older. This deduction is the amount of medical and dental expenses that could not be deducted on federal Schedule A.

While most filers use the same deduction type on both the federal and Oregon returns, some taxpayers will itemize deductions only for the federal return or only for the Oregon return, but not both. The exception can occur if a significant share of the federal itemized amount is due to Oregon state income taxes. In this case, some filers find that their Oregon standard deduction is greater than the total of their other itemized deductions. Alternatively, since the Oregon standard deduction (\$2,025 single filer, \$4,055 joint filer in 2012) is much lower than the federal standard deduction (\$5,950 single filer, \$11,900 joint filer in 2012), some filers itemized their deductions for Oregon only, especially those claiming the special medical deduction.

In 2012, 50.7 percent of filers itemized their deductions, accounting for about 86 percent of the nearly \$16 billion in total deductions. The remaining filers claimed their allowed standard deduction.

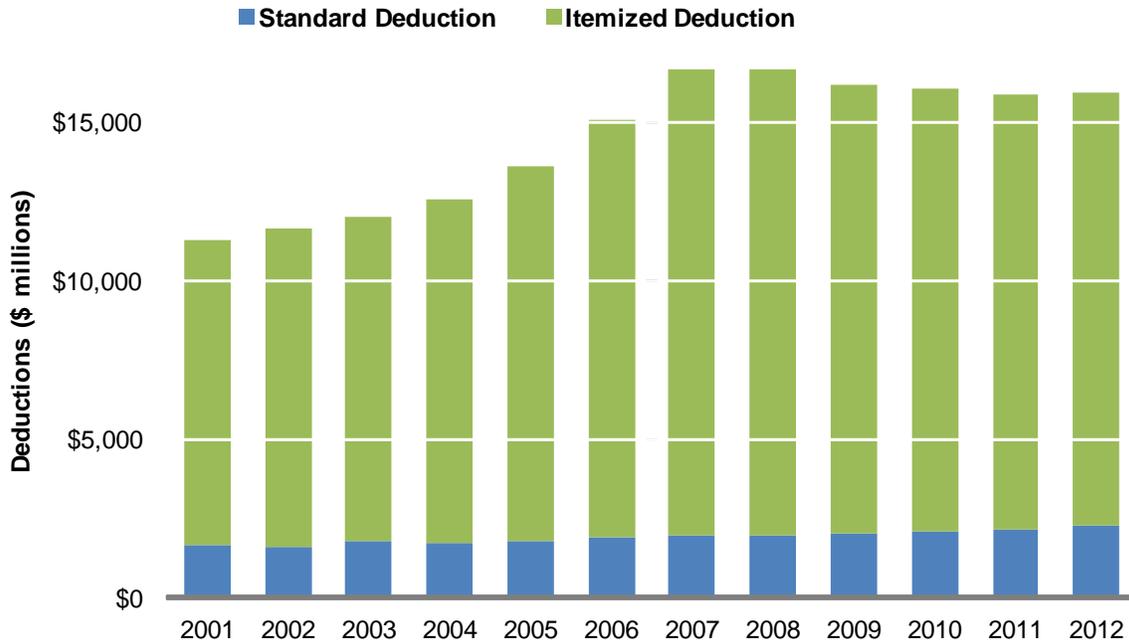
Exhibit 22 shows the number, average and total amount of the deductions claimed in 2011 and 2012.

Exhibit 22 - Oregon Deductions							
Full-Year Resident Returns - 2011 and 2012							
Deduction	Number of Returns		Average (\$)		Total (\$ millions)		% Change
	2011	2012	2011	2012	2011	2012	
Standard	799,868	817,730	\$2,703	\$2,765	\$2,162.0	\$2,261.3	4.6%
<i>Itemized</i>							
Total federal	800,064	796,362	\$21,379	\$21,719	\$17,104.9	\$17,296.6	1.1%
State income tax	721,711	717,989	\$6,023	\$6,444	\$4,347.0	\$4,626.8	6.4%
Net federal*	799,280	793,844	\$15,943	\$15,947	\$12,742.6	\$12,659.7	-0.7%
Special Medical	253,849	263,698	\$3,499	\$3,650	\$888.1	\$962.6	8.4%
<i>Total itemized</i>	<i>807,549</i>	<i>800,096</i>	<i>\$16,879</i>	<i>\$17,026</i>	<i>\$13,630.7</i>	<i>\$13,622.4</i>	<i>-0.1%</i>
<b>Total</b>	<b>1,607,417</b>	<b>1,617,826</b>	<b>\$9,825</b>	<b>\$9,818</b>	<b>\$15,792.7</b>	<b>\$15,883.7</b>	<b>0.6%</b>

\*Federal itemized deductions reduced by state income tax deduction.

Exhibit 23 shows the total amount filers claimed as either a standard deduction or itemized deductions on their Oregon returns. Previous to 2004, less than half of filers itemized their deduction for Oregon. Since 2001, the percentage of filers who itemize has hovered close to 50 percent.

**Exhibit 23 - Oregon Deductions - Historical Full-Year Resident Returns - 2001 to 2012**



Tax Year	Standard Deduction		Itemized Deduction		Total Deductions (\$ millions)
	Total (\$ millions)	Share of Filers	Total (\$ millions)	Share of Filers	
2001	\$1,691.5	51.5%	\$9,549.2	48.5%	\$11,240.7
2002	\$1,630.7	50.3%	\$9,950.3	49.7%	\$11,580.9
2003	\$1,793.4	50.4%	\$10,146.9	49.6%	\$11,940.3
2004	\$1,694.9	49.2%	\$10,791.4	50.8%	\$12,486.4
2005	\$1,770.0	49.0%	\$11,796.7	51.0%	\$13,566.7
2006	\$1,899.5	49.3%	\$13,121.9	50.7%	\$15,021.4
2007	\$1,965.5	49.3%	\$14,640.3	50.7%	\$16,605.8
2008	\$1,986.6	49.2%	\$14,604.4	50.8%	\$16,590.9
2009	\$2,034.3	48.6%	\$14,069.3	51.4%	\$16,103.6
2010	\$2,066.6	48.9%	\$13,952.2	51.1%	\$16,018.8
2011	\$2,162.0	50.0%	\$13,630.7	50.0%	\$15,792.7
2012	\$2,261.3	50.7%	\$13,622.4	49.3%	\$15,883.7

Section 6  
2012 Characteristics of Filers and Historical Trends  
Credits

A tax credit reduces tax liability on a dollar-for-dollar basis. Most credits are not refundable, which means they can only be used to reduce tax liability to zero. If a filer has more nonrefundable credits than tax liability, the excess credits are not used unless they can be carried forward to the next tax year. If the taxpayer has refundable credits exceeding the tax liability (after subtracting nonrefundable credits), the taxpayer receives a payment for the excess portion of the refundable credit.

### Credits Claimed, Credits Used

Exhibit 24 shows the credits claimed and actually used to reduce tax liability by full-year return filers in 2012 categorized by nonrefundable and refundable credits. Generally, the higher the percent used of a particular credit means that the taxpayers claiming that credit had greater tax liabilities as compared to the value of the credit. All nonrefundable credits with a total amount claimed of at least \$0.5 million are shown. Credits with a total amount claimed of less than \$0.5 million, such as the elderly and disabled credit, are included in the 'other' category.

**Exhibit 24 -Oregon Credits Claimed and Used  
Full-Year Resident Returns - 2012**

	Number of Claims	Average (\$)		Total (\$ millions)		Percent Used
		Amount Claimed	Amount Used	Amount Claimed	Amount Used	
<i>Nonrefundable Credits</i>						
Personal Exemption	1,532,826	\$384	\$341	\$588.4	\$523.4	89.0%
Business Energy*	2,205	\$21,792	\$17,924	\$48.1	\$39.5	82.3%
Income Taxes Paid to Another State	16,962	\$2,630	\$2,615	\$44.6	\$44.4	99.4%
Child and Dependent Care*	40,424	\$294	\$219	\$11.9	\$8.8	74.4%
Long-term Care Insurance	35,258	\$308	\$256	\$10.8	\$9.0	83.4%
Business Tax from Flow-through Entity	884	\$11,168	\$8,720	\$9.9	\$7.7	78.1%
Residential Energy*	13,453	\$655	\$604	\$8.8	\$8.1	92.3%
Rural Medical Practice	1,681	\$5,128	\$4,862	\$8.6	\$8.2	94.8%
Political Contributions	113,075	\$69	\$64	\$7.8	\$7.3	93.3%
IDA Donation*	505	\$15,076	\$14,272	\$7.6	\$7.2	94.7%
Oregon Production Investment Fund*	276	\$23,051	\$21,524	\$6.4	\$5.9	93.4%
Biomass Production/Collection*	202	\$19,145	\$14,885	\$3.9	\$3.0	77.7%
Oregon Cultral Trust Donation	6,599	\$520	\$503	\$3.4	\$3.3	96.9%
Retirement	5,739	\$279	\$133	\$1.6	\$0.8	47.6%
Farmworker Housing	65	\$19,131	\$11,100	\$1.2	\$0.7	58.0%
Pollution Control Facilities*	172	\$5,857	\$3,948	\$1.0	\$0.7	67.4%
Child Care Fund Contributions	123	\$5,892	\$5,204	\$0.7	\$0.6	88.3%
Renewable Energy Contributions	78	\$8,780	\$8,465	\$0.7	\$0.7	96.4%
Other credits	2,868	\$696	\$566	\$2.0	\$1.6	81.4%
<b>Total</b>	<b>1,773,395</b>			<b>\$767.4</b>	<b>\$681.0</b>	<b>88.7%</b>
<i>Refundable Credits**</i>						
Earned Income	258,881	\$123	\$123	\$31.8	\$31.8	100.0%
Working Family Child Care	25,018	\$850	\$850	\$21.3	\$21.3	100.0%
Mobile Home Park Closure	25	\$224	\$224	\$0.01	\$0.01	100.0%
<b>Total</b>	<b>283,924</b>			<b>\$53.1</b>	<b>\$53.1</b>	<b>100.0%</b>
<b>Total</b>	<b>2,057,319</b>			<b>\$820.5</b>	<b>\$734.1</b>	<b>89.5%</b>

\* Any unused portion may be carried forward to succeeding tax years (up to 3-8 years depending on the particular credit).

\*\* Does not include less than 20 filers each who claimed the claim of right income repayment credit or the wolf depreciation credit.

The personal exemption credit was the most widely claimed credit with over 1.5 million full-year filers claiming a total of \$588 million. The personal exemption credit is available to nearly all filers, except those who are claimed as a dependent on another tax return. About 89.0 percent of the credit amount was used with the remaining 11.0 percent unused because credits claimed exceeded the tax liability.

The business energy tax credit (\$48.1 million claimed and \$39.5 million used) and credit for income tax paid to another state (\$44.6 million claimed and \$44.4 million used) were the next two highest credits in terms of total dollar amount claimed and used. After the personal exemption credit, the political contribution credit with about 113,000 claims was the next highest in terms of the number of claims.

### **Refundable Credits**

The working family child care credit, Oregon earned income credit, involuntary mobile home closure credit, the claim of right income repayment credit, and wolf depredation credit are the only credits that are refundable.

- The working family child care credit is a credit for low income families with child care expenses. The credit is based on qualifying child care expenses, household size, and AGI. To qualify in 2012, a filer must have at least \$8,200 of earned income from Oregon, have \$3,200 or less of investment income, meet AGI requirements, and pay qualifying child care expenses.
- The Oregon earned income credit is allowed for those who qualify for the federal earned income credit. The Oregon credit is six percent of the federal earned income credit.
- The involuntary mobile home move credit is a credit for \$5,000. To be eligible, filers must rent space in a park, own a mobile home, occupy it as their principal residence, receive notice that the park is closing, and move out along with all members of their household. The credit is claimed the year they move out of the closing park.
- The claim of right income repayment credit is allowed for taxpayers who repaid money during the year that they reported as taxable income in an earlier year.
- The wolf depredation credit is allowed for taxpayers who have livestock killed by a wolf during the tax year. The credit is equal to the current market value of the livestock killed.

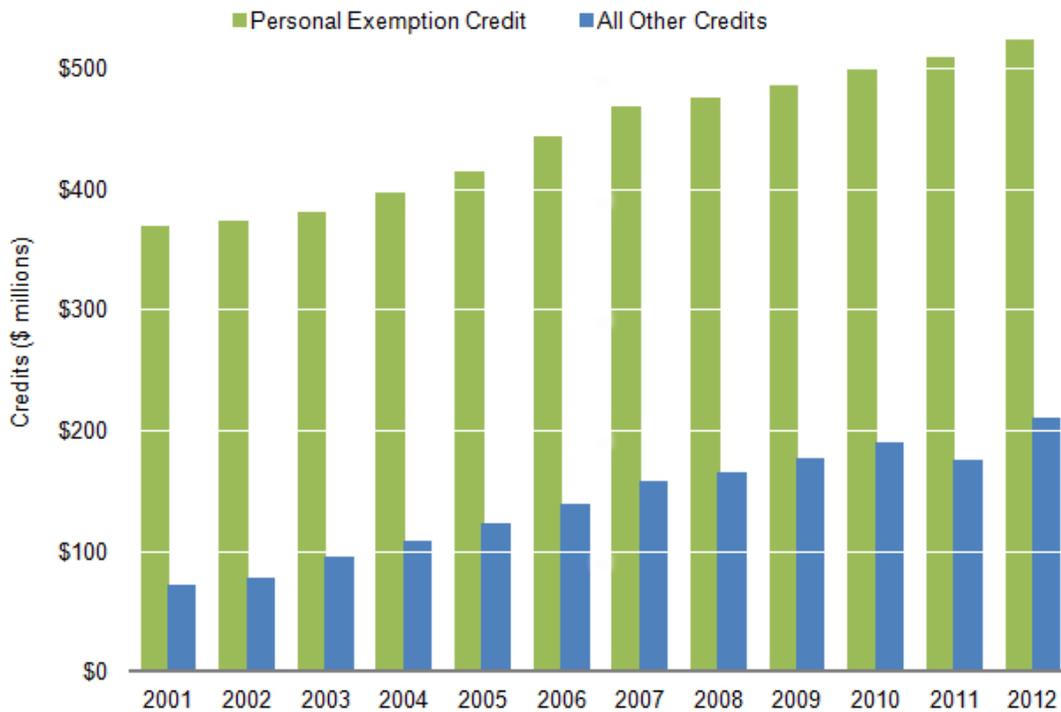
Exhibit 24 shows that the amount claimed for refundable credits equals the amount used because filers use all of the refundable credit. In 2012, there were about 284,000 claims for refundable credits totaling \$51.3 million. Payments issued for refundable credits are described in the next section.

The two most widely claimed refundable credits, the Oregon earned income and working family child care credits were first allowed in 1997 and at the time accounted for \$14.8 million in credits. The two credits have since more than tripled to over \$53 million claimed and used in 2012.

**Credits–Historical Trends**

Exhibit 25 shows the recent history of Oregon credits used by full-year resident filers. Because most of the total is due to the personal exemption credit, it is shown separately. The amount of all other credits used increased 19.9 percent in 2012 from 2011 after a decline in 2011.

**Exhibit 25 - Oregon Credits Used - Historical Full-Year Resident Returns - 2001 to 2012**



Tax Year	Personal Exemption Credit		All Other Credits		Total Credits	
	(\$ millions)	% Change	(\$ millions)	% Change	(\$ millions)	% Change
2001	\$368.9	2.2%	\$71.8	16.8%	\$440.7	4.3%
2002	\$373.9	1.4%	\$78.1	8.7%	\$452.0	2.6%
2003	\$380.1	1.7%	\$95.7	22.6%	\$475.9	5.3%
2004	\$397.4	4.5%	\$109.2	14.0%	\$506.6	6.5%
2005	\$414.6	4.3%	\$123.6	13.2%	\$538.2	6.2%
2006	\$443.4	7.0%	\$138.5	12.0%	\$581.9	8.1%
2007	\$468.3	5.6%	\$158.5	14.4%	\$626.7	7.7%
2008	\$475.0	1.4%	\$164.7	3.9%	\$639.7	2.1%
2009	\$486.4	2.4%	\$176.6	7.2%	\$663.0	3.6%
2010	\$499.0	2.6%	\$190.2	7.6%	\$689.1	3.9%
2011	\$508.6	1.9%	\$175.8	-7.6%	\$684.4	-0.7%
2012	\$523.4	2.9%	\$210.7	19.9%	\$734.1	7.3%

## Section 7

# 2012 Characteristics of Filers and Historical Trends

## Payments and Refunds

The amount a taxpayer is required to pay with the tax return is typically less than the final tax liability (the gross tax minus all credits, which cannot be less than zero). This is because most taxpayers have already made payments by having Oregon tax withheld from their paycheck or by making estimated tax payments. If these payments are less than the tax liability, then an additional payment is required with their return to cover the tax due. If these payments are more than the tax liability, the taxpayer receives a refund for the overpayment.

If the taxpayer had refundable credits exceeding the tax liability (after subtracting non-refundable credits), the taxpayer received a payment for the excess portion of the refundable credit. This is in addition to any refund due to excess withholding and/or estimated payments. In 2012, there were 117,122 full-year resident filers that received payments averaging \$212 for refundable credits, compared to 119,096 filers that received an average payment of \$206 for refundable credits in 2011.

Exhibit 26 shows payments from Oregon tax withheld and estimated payments for tax years 2011 and 2012 as reported on the tax return along with those who made no pre-payments. This exhibit also shows details on the final payment category; whether a taxpayer is required to make a payment with their return, receives a refund, or has a zero balance. The total amount for returns with tax to pay includes only tax due and does not include penalty and interest. The total amount of refunds does not include any refunds applied as estimated payments for the following tax year or charitable check-off donations. Also shown is the part of refund payments that come from refundable credits.

**Exhibit 26 - Reported Payments and Refunds on Returns  
Full-Year Resident Returns - 2011 and 2012**

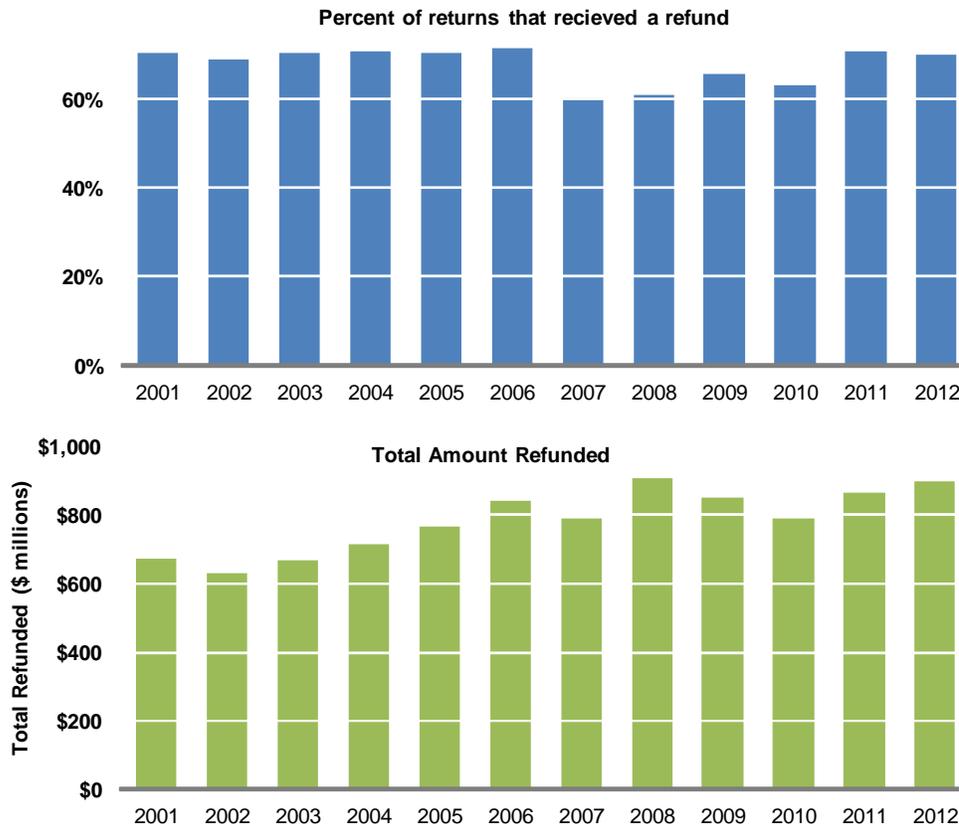
	Number of Returns		Average (\$)		Total (\$ millions)		% Change
	2011	2012	2011	2012	2011	2012	
<i>Pre-Payments</i>							
Oregon Income tax withheld	1,346,108	1,362,119	\$3,226	\$3,345	\$4,342.2	\$4,556.7	4.9%
Estimated tax payments							
for the current year	132,757	135,523	\$6,169	\$8,094	\$818.9	\$1,097.0	34.0%
No Pre-payments	196,867	192,986	\$0	\$0	\$0.0	\$0.0	0.0%
<i>Final Payment Category</i>							
Tax to pay with return	369,112	379,822	\$1,149	\$1,331	\$424.2	\$505.6	19.2%
Zero balance	105,716	107,044	\$0	\$0	\$0.0	\$0.0	0.0%
Refund	1,125,136	1,125,579	\$765	\$796	\$860.6	\$895.7	4.1%
Part or all of refund includes payment for refundable credit	119,096	117,122	\$206	\$212	\$24.6	\$24.8	0.9%

Notes: Tax to pay amounts do not include any penalty and interest.

The refund amount is before any amounts are applied to next years estimated tax and charitable check-off donations.

Exhibit 27 shows the percent of full-year resident filers who received a refund and the average amount of their refund for tax years 2001 to 2012. The refund amounts include payments received due to a refundable credit. The drop in the percent of returns that received a refund that happened from 2006 to 2007 and the increase that happened from 2010 to 2011 resulted from major changes to the withholding formula.

**Exhibit 27 - Refunds - Historical**  
**Full-Year Resident Returns - 2001-2012**



Tax Year	Number of Full-Year Returns	Number of Refunds	Percent of Returns with Refund	Total Refunded (\$ millions)	Average Refund (\$)
2001	1,434,684	1,004,081	70.0%	\$670.5	\$668
2002	1,432,971	983,631	68.6%	\$627.3	\$638
2003	1,430,750	1,002,609	70.1%	\$666.9	\$665
2004	1,461,735	1,031,989	70.6%	\$713.1	\$691
2005	1,495,091	1,046,222	70.0%	\$764.9	\$731
2006	1,546,097	1,098,683	71.1%	\$839.3	\$764
2007	1,617,135	968,689	59.9%	\$788.2	\$814
2008	1,593,363	967,673	60.7%	\$904.8	\$935
2009	1,571,302	1,028,277	65.4%	\$849.3	\$826
2010	1,581,272	994,237	62.9%	\$787.3	\$792
2011	1,599,964	1,125,136	70.3%	\$860.6	\$765
2012	1,612,445	1,125,579	69.8%	\$895.7	\$796



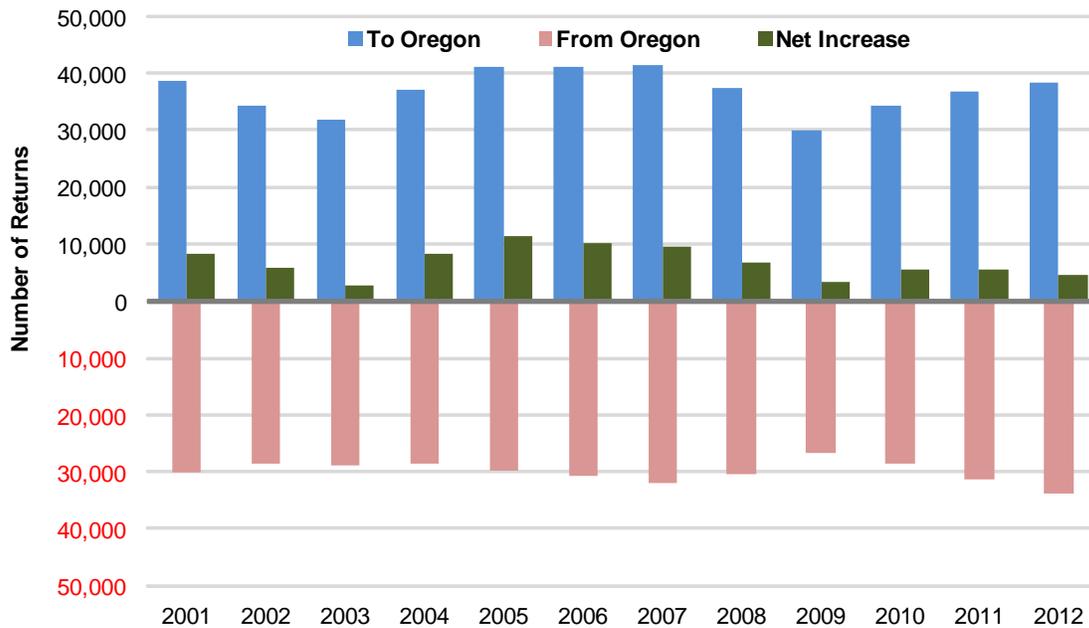
## 2012 Characteristics of Filers and Historical Trends

## Part-Year Residents

Exhibits 28, 29, and 30 show information on part-year residents entering or leaving Oregon.

Exhibit 28 shows the total number of filers moving to and from Oregon from 2001 to 2012 based on the address reported on the return. The number of part-year resident return filers moving to Oregon ranged between roughly 31,000 and 42,000 during this time period. In every year, the number of filers moving into Oregon exceeded the number moving out.

**Exhibit 28 - Filers Moving To and From Oregon**  
Part-Year Resident Returns - 2001-2012



Tax Year	To Oregon		From Oregon		Net Increase	
	Filers	% Change	Filers	% Change	Filers	% Change
2001	38,466	-5.4%	30,052	-9.4%	8,414	12.3%
2002	34,196	-11.1%	28,523	-5.1%	5,673	-32.6%
2003	31,695	-7.3%	28,840	1.1%	2,855	-49.7%
2004	36,989	16.7%	28,643	-0.7%	8,346	192.3%
2005	41,196	11.4%	29,809	4.1%	11,387	36.4%
2006	40,962	-0.6%	30,749	3.2%	10,213	-10.3%
2007	41,497	1.3%	31,946	3.9%	9,551	-6.5%
2008	37,359	-10.0%	30,560	-4.3%	6,799	-28.8%
2009	29,861	-20.1%	26,683	-12.7%	3,178	-53.3%
2010	34,183	14.5%	28,538	7.0%	5,645	77.6%
2011	36,721	7.4%	31,318	9.7%	5,403	-4.3%
2012	38,439	4.7%	33,774	7.8%	4,665	-13.7%

Exhibit 29 shows the number and percent of in-migrants by county of destination for selected tax years. In 2012, as in previous years, in-migrants were drawn to counties roughly in proportion to current county populations. The three counties of the Portland metropolitan area, Multnomah, Washington, and Clackamas contain 43 percent of the state's population and attracted 54 percent of in-migrant taxpayers. Lane and Deschutes Counties were the next most popular destinations.

Exhibit 29 - Number of Filers Moving to Oregon by County of Destination Part-Year Resident Returns with Oregon Address - 2002, 2011 and 2012							
County	2002		2011		2012		County Share of 2012 State Population
	Number	Share	Number	Share	Number	Share	
Baker	120	0.4%	124	0.4%	138	0.4%	0.4%
Benton	814	2.4%	879	2.6%	975	2.5%	2.2%
Clackamas	2,601	7.6%	2,615	7.7%	3,154	8.2%	9.8%
Clatsop	328	1.0%	351	1.0%	424	1.1%	1.0%
Columbia	305	0.9%	281	0.8%	319	0.8%	1.3%
Coos	554	1.6%	437	1.3%	444	1.2%	1.6%
Crook	131	0.4%	132	0.4%	138	0.4%	0.5%
Curry	360	1.1%	269	0.8%	311	0.8%	0.6%
Deschutes	1,811	5.3%	1,825	5.3%	2,201	5.7%	4.1%
Douglas	844	2.5%	676	2.0%	697	1.8%	2.8%
Gilliam	10	0.03%	23	0.07%	12	0.03%	0.05%
Grant	43	0.1%	56	0.2%	59	0.2%	0.2%
Harney	53	0.2%	53	0.2%	49	0.1%	0.2%
Hood River	201	0.6%	225	0.7%	248	0.6%	0.6%
Jackson	2,188	6.4%	1,836	5.4%	1,965	5.1%	5.3%
Jefferson	81	0.2%	133	0.4%	141	0.4%	0.6%
Josephine	847	2.5%	621	1.8%	686	1.8%	2.1%
Klamath	651	1.9%	514	1.5%	554	1.4%	1.7%
Lake	60	0.2%	68	0.2%	65	0.2%	0.2%
Lane	3,273	9.6%	2,784	8.1%	2,951	7.7%	9.1%
Lincoln	477	1.4%	426	1.2%	482	1.3%	1.2%
Linn	606	1.8%	612	1.8%	681	1.8%	3.0%
Malheur	244	0.7%	209	0.6%	228	0.6%	0.8%
Marion	1,710	5.0%	1,579	4.6%	1,693	4.4%	8.3%
Morrow	84	0.2%	51	0.1%	70	0.2%	0.3%
Multnomah	7,949	23.2%	9,322	27.3%	10,809	28.1%	19.3%
Polk	414	1.2%	405	1.2%	433	1.1%	2.0%
Sherman	10	0.03%	9	0.03%	9	0.02%	0.05%
Tillamook	177	0.5%	164	0.5%	204	0.5%	0.7%
Umatilla	586	1.7%	521	1.5%	543	1.4%	2.0%
Union	210	0.6%	207	0.6%	160	0.4%	0.7%
Wallowa	57	0.2%	51	0.1%	68	0.2%	0.2%
Wasco	182	0.5%	198	0.6%	229	0.6%	0.7%
Washington	5,688	16.6%	5,956	17.4%	6,676	17.4%	14.0%
Wheeler	13	0.04%	4	0.01%	10	0.03%	0.04%
Yamhill	514	1.5%	553	1.6%	613	1.6%	2.6%
<b>Total</b>	<b>34,196</b>	<b>100%</b>	<b>34,169</b>	<b>100.0%</b>	<b>38,439</b>	<b>100%</b>	<b>100%</b>

Exhibit 30 (on the following page) shows the number of income tax filers moving from Oregon for selected tax years by state of destination. In 2012, taxpayers moved from Oregon to all 49 other states, Washington, D.C., some U.S. territories, and several other countries. The most frequent destinations were the border states of Washington and California, which attracted almost 42 percent of all out-migrants.

**Exhibit 30 - Number of Filers Moving from Oregon by Destination**  
**Part-Year Resident Returns with Non-Oregon Address - 2002, 2011 and 2012**

State	2002		2011		2012	
	Number	Share	Number	Share	Number	Share
Alabama	84	0.3%	75	0.2%	97	0.3%
Alaska	417	1.5%	488	1.6%	450	1.3%
Arizona	1,629	5.8%	1,856	6.0%	1,886	5.7%
Arkansas	114	0.4%	123	0.4%	124	0.4%
California	5,211	18.5%	5,953	19.3%	6,350	19.0%
Colorado	926	3.3%	1,142	3.7%	1,280	3.8%
Connecticut	99	0.4%	115	0.4%	119	0.4%
Delaware	21	0.1%	27	0.1%	24	0.1%
Florida	579	2.1%	724	2.3%	857	2.6%
Georgia	261	0.9%	298	1.0%	313	0.9%
Hawaii	419	1.5%	447	1.4%	509	1.5%
Idaho	1,458	5.2%	1,411	4.6%	1,545	4.6%
Illinois	442	1.6%	520	1.7%	572	1.7%
Indiana	235	0.8%	227	0.7%	271	0.8%
Iowa	145	0.5%	197	0.6%	196	0.6%
Kansas	139	0.5%	168	0.5%	180	0.5%
Kentucky	101	0.4%	125	0.4%	159	0.5%
Louisiana	98	0.3%	125	0.4%	149	0.4%
Maine	88	0.3%	69	0.2%	92	0.3%
Maryland	158	0.6%	191	0.6%	217	0.7%
Massachusetts	348	1.2%	326	1.1%	347	1.0%
Michigan	273	1.0%	390	1.3%	359	1.1%
Minnesota	366	1.3%	452	1.5%	393	1.2%
Mississippi	45	0.2%	55	0.2%	53	0.2%
Missouri	304	1.1%	295	1.0%	294	0.9%
Montana	588	2.1%	555	1.8%	582	1.7%
Nebraska	135	0.5%	149	0.5%	152	0.5%
Nevada	858	3.1%	882	2.9%	942	2.8%
New Hampshire	69	0.2%	58	0.2%	70	0.2%
New Jersey	161	0.6%	158	0.5%	170	0.5%
New Mexico	343	1.2%	291	0.9%	271	0.8%
New York	513	1.8%	761	2.5%	717	2.2%
North Carolina	285	1.0%	408	1.3%	499	1.5%
North Dakota	67	0.2%	166	0.5%	280	0.8%
Ohio	327	1.2%	295	1.0%	349	1.0%
Oklahoma	196	0.7%	229	0.7%	251	0.8%
Pennsylvania	319	1.1%	345	1.1%	345	1.0%
Rhode Island	41	0.1%	37	0.1%	43	0.1%
South Carolina	89	0.3%	127	0.4%	185	0.6%
South Dakota	96	0.3%	95	0.3%	104	0.3%
Tennessee	168	0.6%	239	0.8%	248	0.7%
Texas	959	3.4%	1,321	4.3%	1,496	4.5%
Utah	690	2.5%	695	2.3%	754	2.3%
Vermont	80	0.3%	90	0.3%	82	0.2%
Virginia	308	1.1%	365	1.2%	389	1.2%
Washington	7,282	25.9%	7,140	23.1%	7,926	23.8%
West Virginia	33	0.1%	35	0.1%	44	0.1%
Wisconsin	297	1.1%	310	1.0%	318	1.0%
Wyoming	159	0.6%	192	0.6%	196	0.6%
Other	69	0.2%	102	0.3%	90	0.3%
<b>Total</b>	<b>28,092</b>	<b>100.0%</b>	<b>30,844</b>	<b>100%</b>	<b>33,339</b>	<b>100%</b>

## Section 9

# 2012 Characteristics of Filers and Historical Trends

## County Data

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This section provides tax information by county to demonstrate how taxpayer characteristics vary by region. Exhibit 31 (on the following page) shows a breakdown of the number of returns filed, total Oregon AGI, total tax liability by county, and the percent change from 2011 to 2012. Exhibits 32 and 33 are maps showing average AGI and tax liability for full-year in each county. Exhibit 34 shows effective tax rates by county. The Exhibit 35 shows electronic filing rates for each county.

A little over half of the counties showed growth in the number of returns, total AGI and tax liability. The following Oregon counties led the state in percentage growth:

- Number of returns: Deschutes (4.6%), Washington (3.9%), Multnomah (3.5%), and Clackamas (3.2%)
- Adjusted gross income: Wheeler (22.3%), Sherman (18.6%), and Deschutes (16.6%)
- Tax liability: Sherman (21.9%), Wheeler (20.3%), and Harney (20.5%)

The map in Exhibit 32 (p. 40) shows that the counties with the highest average AGI were Clackamas (\$72,059) and Washington (\$71,364). The counties with the lowest average AGI were Wheeler (\$31,766) and Harney (\$35,766).

The map in Exhibit 33 (p. 40) shows that the counties with the highest AGI also had the highest tax liabilities. The largest average of \$4,380 was in Clackamas County followed by \$4,339 in Washington County. The counties with the lowest average tax liability were Jefferson County (\$1,701), Wheeler County (\$1,769), and Malheur County (\$1,789).

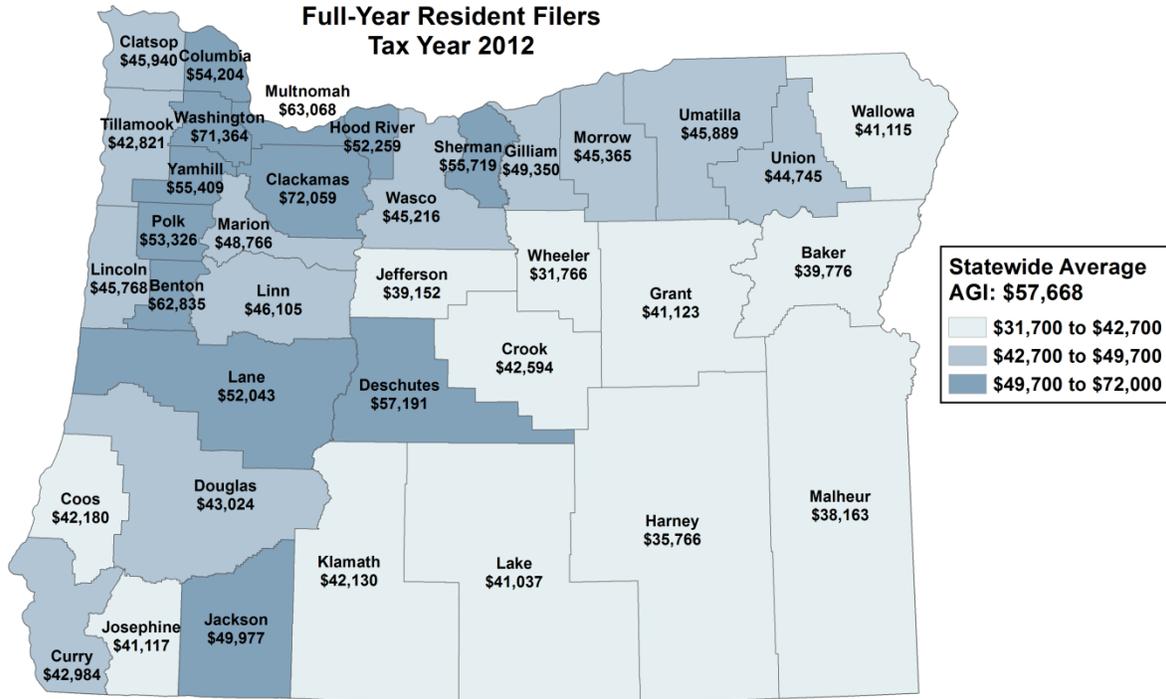
The map in Exhibit 34 (p. 41) shows effective tax rates (tax divided by AGI) for each county. The counties with the highest effective tax rates were Multnomah (6.10 percent), Clackamas (6.08 percent), and Washington (6.08 percent). Jefferson County had the lowest rate at 4.35 percent. Because of Oregon's progressive tax bracket structure, populations with a greater income will have a higher effective tax rate; in addition populations with relatively more subtractions, deductions and credits will have a lower effective tax rate.

The map in Exhibit 35 (p. 41) shows electronic filing rates for each county. Harney County and Malheur County had the highest electronic filing rates at 87.9 percent. Morrow County had the lowest rate at 72.1 percent.

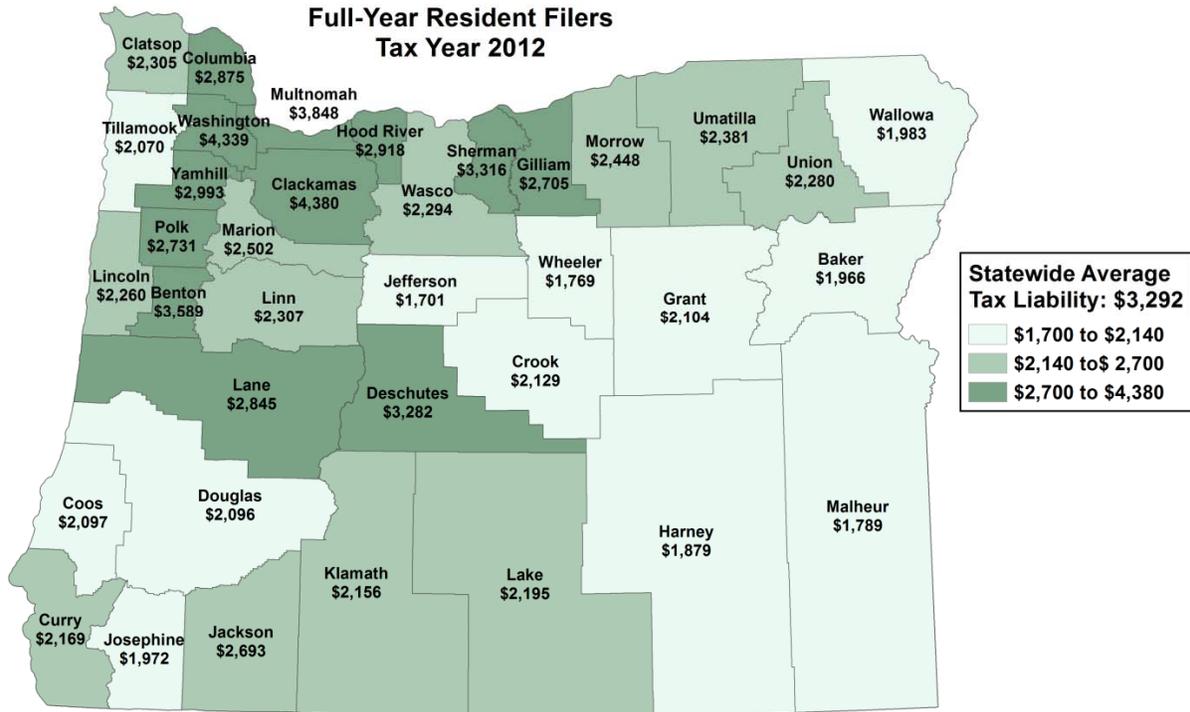
**Exhibit 31 - Distribution of Returns, AGI, and Tax Liability by County**  
**All Returns - 2012**

County or Area	Returns		Adjusted Gross Income		Total Tax Liability		% Change 2011 to 2012		
	Number	Share	(\$ millions)	Share	(\$ millions)	Share	No. of Returns	Total AGI	Total Tax
Baker	6,381	0.3%	\$250.5	0.3%	\$12.4	0.2%	-0.8%	3.2%	3.8%
Benton	34,600	1.9%	\$2,116.0	2.1%	\$121.0	2.1%	1.3%	8.5%	7.7%
Clackamas	169,284	9.2%	\$12,049.6	12.1%	\$733.2	12.8%	3.2%	14.0%	16.5%
Clatsop	15,573	0.8%	\$699.2	0.7%	\$35.1	0.6%	1.1%	5.0%	6.0%
Columbia	19,857	1.1%	\$1,064.4	1.1%	\$56.5	1.0%	-0.2%	5.8%	6.8%
Coos	24,531	1.3%	\$1,018.6	1.0%	\$50.6	0.9%	-1.4%	5.4%	7.4%
Crook	8,131	0.4%	\$342.6	0.3%	\$17.1	0.3%	0.9%	10.5%	11.4%
Curry	9,250	0.5%	\$389.9	0.4%	\$19.7	0.3%	-1.6%	9.1%	14.8%
Deschutes	71,083	3.9%	\$3,983.8	4.0%	\$229.0	4.0%	4.6%	16.6%	18.7%
Douglas	41,158	2.2%	\$1,749.3	1.8%	\$85.3	1.5%	-1.4%	7.0%	7.9%
Gilliam	800	0.04%	\$39.0	0.04%	\$2.1	0.04%	-3.6%	0.8%	-8.7%
Grant	2,855	0.2%	\$115.8	0.1%	\$5.9	0.1%	-2.3%	14.9%	11.6%
Harney	2,825	0.2%	\$100.1	0.1%	\$5.3	0.1%	-2.8%	12.2%	20.5%
Hood River	10,428	0.6%	\$536.1	0.5%	\$30.0	0.5%	2.8%	12.6%	15.1%
Jackson	86,816	4.7%	\$4,268.6	4.3%	\$230.2	4.0%	1.0%	13.0%	17.0%
Jefferson	8,539	0.5%	\$330.0	0.3%	\$14.4	0.3%	1.8%	5.8%	6.1%
Josephine	32,391	1.8%	\$1,311.6	1.3%	\$63.0	1.1%	0.2%	3.0%	2.1%
Klamath	25,200	1.4%	\$1,044.1	1.0%	\$53.4	0.9%	-1.5%	4.2%	5.4%
Lake	2,933	0.2%	\$118.2	0.1%	\$6.3	0.1%	-2.8%	13.6%	13.0%
Lane	145,675	7.9%	\$7,458.4	7.5%	\$408.1	7.1%	1.1%	10.2%	12.2%
Lincoln	19,431	1.1%	\$873.2	0.9%	\$43.2	0.8%	0.6%	10.0%	14.1%
Linn	47,160	2.6%	\$2,150.0	2.2%	\$107.6	1.9%	0.8%	7.1%	7.0%
Malheur	9,858	0.5%	\$368.6	0.4%	\$17.3	0.3%	-0.4%	7.3%	2.2%
Marion	126,048	6.8%	\$6,084.2	6.1%	\$312.1	5.5%	1.7%	7.5%	6.4%
Morrow	4,332	0.2%	\$195.3	0.2%	\$10.6	0.2%	2.1%	12.3%	9.0%
Multnomah	339,849	18.4%	\$20,968.2	21.0%	\$1,280.9	22.4%	3.5%	15.9%	18.1%
Polk	29,814	1.6%	\$1,572.3	1.6%	\$80.6	1.4%	0.8%	5.5%	5.7%
Sherman	817	0.04%	\$45.0	0.05%	\$2.7	0.05%	-1.7%	18.6%	21.9%
Tillamook	10,702	0.6%	\$452.2	0.5%	\$21.9	0.4%	-0.4%	1.8%	0.6%
Umatilla	28,893	1.6%	\$1,307.6	1.3%	\$67.9	1.2%	1.9%	8.0%	6.4%
Union	10,614	0.6%	\$469.1	0.5%	\$23.9	0.4%	-0.9%	5.3%	2.8%
Wallowa	3,132	0.2%	\$126.5	0.1%	\$6.1	0.1%	-1.6%	15.9%	10.2%
Wasco	10,239	0.6%	\$456.6	0.5%	\$23.2	0.4%	1.4%	7.9%	9.6%
Washington	236,393	12.8%	\$16,570.4	16.6%	\$1,009.0	17.6%	3.9%	14.5%	15.5%
Wheeler	534	0.03%	\$16.6	0.02%	\$0.9	0.02%	-2.4%	22.3%	20.2%
Yamhill	39,147	2.1%	\$2,142.6	2.2%	\$115.8	2.0%	1.7%	6.8%	3.7%
Clark Co., Wa.	61,000	3.3%	\$2,522.9	2.5%	\$149.6	2.6%	6.5%	12.5%	14.6%
Other Wash.	39,493	2.1%	\$1,306.4	1.3%	\$89.0	1.6%	12.4%	29.3%	26.8%
California	33,384	1.8%	\$936.0	0.9%	\$50.1	0.9%	13.4%	56.2%	67.3%
Idaho	12,866	0.7%	\$319.2	0.3%	\$18.1	0.3%	11.6%	15.1%	8.0%
Other	64,241	3.5%	\$1,752.8	1.8%	\$114.2	2.0%	11.7%	28.9%	29.7%
<b>Total</b>	<b>1,846,257</b>	<b>100.0%</b>	<b>\$99,621.6</b>	<b>100.0%</b>	<b>\$5,723.0</b>	<b>100.0%</b>	<b>3.0%</b>	<b>12.9%</b>	<b>14.5%</b>

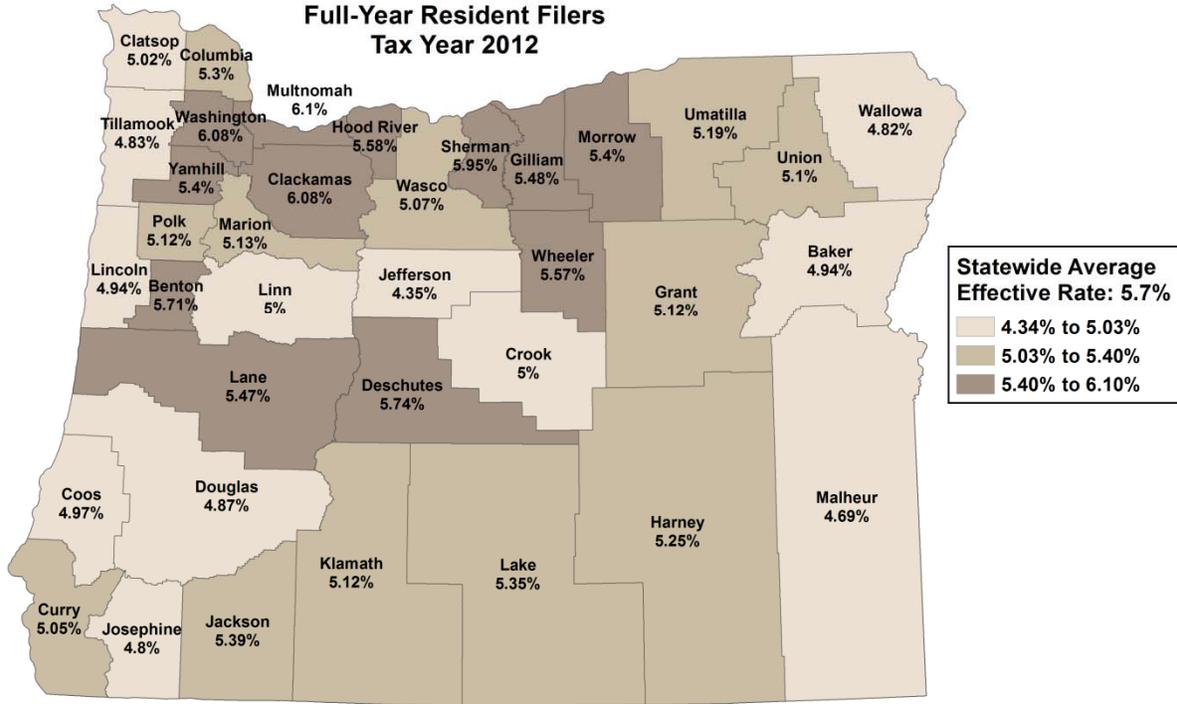
**Exhibit 32**  
**Average Adjusted Gross Income**  
**Full-Year Resident Filers**  
**Tax Year 2012**



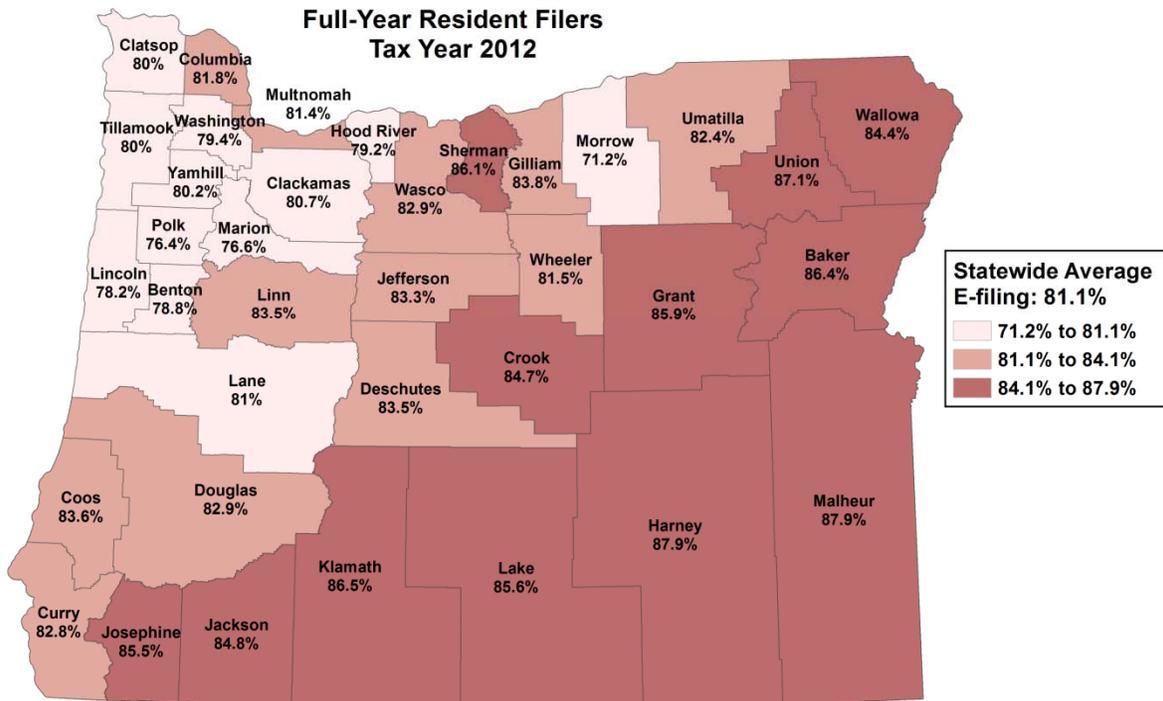
**Exhibit 33**  
**Average Tax Liability**  
**Full-Year Resident Filers**  
**Tax Year 2012**



**Exhibit 34**  
**Effective Tax Rates**  
**Full-Year Resident Filers**  
**Tax Year 2012**



**Exhibit 35**  
**Electronic Filing**  
**Full-Year Resident Filers**  
**Tax Year 2012**





The 1979 Oregon Legislature passed the “2 percent kicker” law, which requires the state to refund excess revenue to taxpayers when actual General Fund revenues exceed the forecast amount by more than 2 percent.

This limitation is applied separately to corporate income tax revenue, and the sum of personal income tax revenue and all other General Fund revenue. If revenues from the corporation income tax exceed their forecast by more than 2 percent, then all revenue in excess of the forecast is refunded to corporations. With the passage of Measure 85, instead of issuing to corporations, that amount will be allocated to the General Fund to provide additional funding for K through 12 public education beginning in the 2013-15 biennium. If revenues from all other General Fund sources exceed their forecast by more than 2 percent, the total excess is refunded to individuals through the personal income tax program. The information included here pertains only to the personal income tax kicker.

Prior to 1994, these refunds were made via a tax credit on the Oregon tax form for the calendar year in which the biennium ended. For example, actual revenues exceeded the forecast amount for the 1987–89 biennium (which ended on June 30, 1989), so the credit was allowed on tax year 1989 returns.

The 1995 Oregon Legislature changed the method by which the refund was issued to taxpayers. Since 1995, the refunds have been made as direct payments to taxpayers via a check. Prior to the 2007 kicker, the amount of the refund was based on tax liability for the first full calendar year of the biennium. The 2007 Oregon Legislature changed the basis of the refund to tax before credits. This change increased refunds to filers with large credits relative to their pre-credit liability, and decreased the refund for those with very few credits. In 2009, the refund became based on tax before credits except for the credit for taxes paid to another state.

The 2011 Legislature changed the return mechanism for the personal income tax kicker

from a refund back to a credit. This means that the next time a personal kicker is triggered, taxpayers will receive their kicker through a credit on their income tax return rather than through a mailed refund check.

For the 1989–91 biennium, the surplus of \$186 million would have resulted in a credit of approximately 10 percent, but the Legislature voted to suspend the kicker. The 2005-07 biennium had revenues that exceeded the forecast by \$1.07 billion, resulting in a refund of 18.6 percent of pre-credit liability. Since the inception of the kicker law, refunds have been issued for seven of the 14 biennia.

### 2 Percent Personal Income Kicker History

Biennium	Year*	Surplus/ Shortfall (\$ millions)	Credit or Refund*		
			Percent	Mean (\$)	Median (\$)
1979-81	1981	-141	None	---	---
1981-83	1983	-115	None	---	---
1983-85	1985	89	7.7%	81	48
1985-87	1987	221	16.6%	192	103
1987-89	1989	175	9.8%	133	69
1989-91	1991	186	Suspended	---	---
1991-93	1993	60	None	---	---
1993-95	1995	163	6.3%	111	55
1995-97	1997	432	14.4%	287	140
1997-99	1999	167	4.6%	103	49
1999-01	2001	254	6.0%	155	70
2001-03	2003	-1,249	None	---	---
2003-05	2005	-401	None	---	---
2005-07	2007	1,071	18.6%	609	295
2007-09	2009	-1,113	None	---	---
2009-11	2011	-1,050	None	---	---
2011-13	2013	124	None	---	---

\* Prior to 1995, the kicker was returned to taxpayers via a credit on the tax return, so “Year” corresponds to the tax year. Since 1995, refund checks have been mailed directly to taxpayers. In these cases, “Year” reflects the year when the kicker was distributed.

# Appendix B

## Method

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Information presented in this publication comes from Oregon tax returns that were received by the Oregon Department of Revenue (DOR) during calendar year 2013 following tax year 2012. Amended returns and returns received later are not included.

Aside from initial adjustments made during return processing, data concerning return adjustments (e.g., from audit activity) is not included nor accounted for. Considerable data validation is used in an attempt to maintain accuracy of reported information and ensure the internal consistency of individual returns.

### Data Validation

As returns are received, initial screening is performed to identify obvious errors. Following that, the return data for paper returns are independently double entered into the DOR computer system and processed through a system that identifies tax amount errors. Electronic returns can immediately be processed by the system.

Some of the errors will result in letters to taxpayers or some human intervention to make corrections before final processing can be completed. Following processing, additional data checks are performed to identify returns that are not internally consistent. In many cases, the physical returns (or some percentage thereof) are inspected in an effort to identify systematic errors and encode data handling rules for those returns.

To the extent that it is possible, inconsistent data are modified in a manner believed to correct errors on the returns. The data handling procedures are used for the purpose of this report and are not connected with other DOR business. Examples of the data handling procedures used include:

- If the return reports a tax liability that is incorrect given the reported income and tax rates, the reported amount is replaced with the corrected amount.
- If the return claims a credit or subtraction that is larger than what is statutorily allowed, the reported amount is replaced by the maximum amount allowed.
- If the amount reported for the total of nonrefundable credits exceeds the amount of pre-credit tax liability, the amount used for each credit is calculated by proportionally reducing those credits so their sum equals the pre-credit tax liability.
- The city reported in the address on a return is screened for spelling and corrected as appropriate. (Reported cities do not always match with officially incorporated cities.)
- If a line on a return is blank, the associated value is set to zero.
- Missing data concerning the federal tax is imputed using data provided by the IRS.
- If the date of birth would make a filer's age unreasonable, the age is set to missing. (Age is the taxpayer's age on July 1 of the tax year.)

If an amount on a return is computed based on other line items (e.g., tax liability depends on income, subtractions, credits, etc.) and data handling alters the line items on which it depends, the amount is recomputed.

## Statistical Reporting

Following the finalization of the data handling, statistical summaries are created. All summaries are derived from the complete base of returns; they are not based on statistical samples. Means, sums, percentages, etc., are computed using their simple arithmetic definitions (computations are performed using SAS and Excel).

Rates that span several years (e.g., percent increase in income from 2002 to 2012) are computed as the percentage change between the first and last years, and then annualized. For summaries associated with claims of certain adjustments, additions, subtractions, or credits, zeros in the data are excluded when calculating means (except as noted). A return is counted as claiming the item if the associated amount is non-zero.

In tables summarizing amounts by AGI quintile, ranking is used to determine in which quintile each return is placed. Due to ties in ranks, the number of returns represented by each quintile differs slightly.

# Appendix C

## Glossary of Terms

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**Additions.** Additions represent income not taxed by the federal government but taxed by Oregon and federal deductions to AGI that are not allowed for Oregon.

**Adjusted gross income (AGI).** AGI consists of income subject to federal tax minus federal adjustments. For full-year returns, Oregon AGI equals federal AGI.

**Adjustments.** Federal adjustments include IRA deductions, student loan interest deductions, medical savings account deductions, moving expenses, one-half of self-employment taxes, self-employed health insurance deductions, self-employed SEP deductions, penalties on early withdrawal of savings, alimony paid, certain business expenses, and health savings account deductions.

These adjustments are subtracted from total net income to compute federal AGI on federal Forms 1040 and 1040A.

**Biennium.** The period of two fiscal years for which the state budgets are determined. For example, July 1, 2013 to June 30, 2015 is referred to as the 2013–2015 biennium.

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

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

**Credits.** Total amount of tax credits. Includes personal exemption credit, Oregon earned income credit, working family child care credit, retirement income credit, credit for elderly and disabled, child and dependent care credit, political contribution credit, credit for taxes paid to another state, and other credits.

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

**Demographic.** A statistical characteristic of human populations.

**Donations.** Optional check-offs by which

taxpayers may designate all or part of a tax refund as a contribution to charities such as:

- Oregon Nongame Wildlife Fund
- AIDS/HIV The Research and Education Group Fund
- Prevent Child Abuse Fund
- Alzheimer’s Disease Research Fund
- Stop Domestic and Sexual Violence Fund

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

**Effective tax rate.** Tax liability divided by taxable income or adjusted gross income.

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

**Exemption tax credit.** A credit for each exemption claimed on a return. In 2012, the exemption credit was \$60 to \$183 per exemption. Exemption credits have been indexed for inflation since tax year 1987.

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

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

**Federal education credits.** For 2012, the American Opportunity Credit had a maximum of \$2,500 per qualified student, and the Lifetime Learning Credit had a maximum of \$2,000 per return.

**Federal pension subtraction.** The portion of federal pension income earned before October 1, 1991, that can be subtracted from adjusted gross income on the Oregon return.

**Federal tax subtraction.** An Oregon subtraction for federal income tax liability. For 2012, the

deduction is limited to \$6,100 per return and phased out for higher income taxpayers.

**Federally taxable Social Security.** Oregon does not tax Social Security income. The taxable portion of Social Security from the taxpayer's federal return is included in Exhibit 15. The Social Security subtraction is reported in Exhibit 20.

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

**Head of household.** Filing status available for unmarried persons who furnished over half of the cost of maintaining a household for the entire year for at least one qualifying relative.

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

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

**Joint returns.** Returns representing the combined income of two taxpayers allowed to file together because they are spouses or Oregon registered domestic partners.

**Kicker.** See *State surplus refund*.

**Miscellaneous income.** Positive and negative income reported on the federal return as alimony, unemployment, farm, state tax refunds and other income.

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

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

**Oregon earned income credit.** This credit started in 1997 and equaled 5 percent of the federal credit amount. In tax year 2006, the Oregon earned income credit became a refundable credit. In 2008, the percentage was increased to 6 percent of the federal credit.

**Oregon special medical deduction.** Beginning with 1991 returns, filers who itemized and met the age requirement were entitled to an additional

deduction of the lesser of Schedule A line 1 or line 3.

The age eligibility was 58 or older for 1991 and 1992 returns, and increased by one year every two tax years until it reached age 62. It has been fixed at age 62 since 1999.

**Other income.** Income or losses reported on the other income line of the federal return. It is derived from a variety of sources such as gambling winnings, activity not for profit, cancelled debts, net operating losses, etc.

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

**Property sales.** The sum of capital gains/losses and other gains/losses (lines 13 and 14 on federal Form 1040) from selling property.

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

**Registered Domestic Partner (RDP).** Same-sex couples who have registered as domestic partners in the Oregon and are required to file an Oregon personal income tax return must use a filing status of either *Registered domestic partner filing jointly* or *Registered domestic partner filing separately* similar to the the requirement of married couples.

**Retirement income credit.** Beginning with 1991 returns, filers who meet the income and age restrictions and have income from pensions, annuities, IRAs, or deferred income compensation plans are entitled to a retirement income credit.

Taxpayers 62 or older may qualify. Household income limits are \$45,000 for joint returns and \$22,500 for other returns.

**Returns (number of).** The number of returns filed.

**Separate returns.** Returns filed by married individuals who are not filing joint returns.

**Single returns.** Returns filed by single individuals who do not qualify as head of household.

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

**State surplus refund (kicker).** Oregon is required by law to refund excess revenue when revenues collected for the biennium are more than 2 percent higher than was forecast at the time the budget was adopted.

Before 1995, refunds were made in the form of a credit on the tax return for the second year of the biennium. Then surplus refunds became a direct payment. Before 2007, the refund was based on tax liability. Beginning in 2007, the refund was based on tax before credits. Then in 2009, the refund became based on tax before credits except for the credit for taxes paid to another state.

**Subtractions.** Subtractions represent income taxed by the federal government but not taxed by Oregon and Oregon deductions to AGI that are not allowed federally.

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

**Tax due.** Amount of remaining tax liability after subtracting tax credits and payments.

**Tax from rates.** The amount of state tax computed from taxable income using the current tax rates, before tax credits are subtracted.

**Tax liability.** The amount of tax owed by a taxpayer. It is the total tax reduced by non-refundable credits and further reduced by any portion of refundable credits up to the amount of remaining tax. If refundable credits exceed the amount of remaining tax, then the taxpayer has no tax liability and receives a refund for the balance plus any payments.

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

**Taxable income.** Oregon AGI plus additions, minus subtractions, minus allowable deductions. The amount of income subject to Oregon tax. Set

to zero if negative.

**Taxable pensions.** Includes taxable pension income, federally taxable Social Security income, and IRA distributions.

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



