

TAX POLICY & VETERANS IN OREGON

Tax Expenditures

“any law of the Federal Government or of this state that exempts, in whole or in part, certain persons, income, goods, services, or property from the impact of established taxes, including, but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates, and tax credits.” (ORS 291.201)

House & Senate Revenue Committee Policy

“Before a measure is reported out of committee that introduces a new tax expenditure or expands one as defined by ORS 291.201 it shall express the policy purposes of the measure”

2007 Legislative Overview

Forces Shaping Revenue Policy

Fundamental forces beyond the state’s borders were behind much of the key revenue policy decisions made by the 2007 Legislature. The key forces shaping policy were:

- An expanding national economy with strong financial markets.
- High energy prices and a growing awareness of the costs associated with reliance on fossil fuels.
- The prolonged war in Iraq and its impact on participants and their families.
- The rising cost of health care and the growing number of uninsured.
- Ongoing efforts among the states to close the tax gap between actual tax collections and the potential base under existing law.
- Future federal policy following the scheduled expiration of the Secure Rural Schools and Community Self Determination Act of 2000.

The time span covered by the current American military involvement in Iraq now exceeds the length of time U.S. troops were involved in World War II. Though the war is being fought at a low intensity level by historical standards, the number of Oregon veterans is growing. This has put significant strain on the Oregon National Guard and has raised issues over appropriate tax policy for military personnel.

- The war in Iraq has drawn policymaker’s attention to Oregon’s tax treatment of active military personnel and veterans. The Legislature modified military service requirements to qualify for the homestead property tax exemption (HB 2023) and extended the income tax exemption for active duty service in the Oregon National Guard and armed forces reserves (HB 2026). Both measures were intended to clarify legislation passed in 2005 and were made retroactive to previous tax years. HB 3201 (sections 1 & 7) provides for an increase in the amount of active duty compensation that can be subtracted from Oregon taxable income from \$3,000 to \$6,000 beginning with the 2007 tax year. Concerns over health care for veterans led to passage of a new \$5,000 tax credit for physicians working at the Oregon Veterans Home (HB 3201, sections 3-4 & 9) and the establishment of a tax credit for physicians participating in the TRICARE system for veterans (HB 3201, sections 4-6 & 8).