Executive Summary

June 2024

The U.S. economy remains in an inflationary economic boom, albeit one that has cooled somewhat over the past year and a half. Real GDP is growing above potential. Ongoing employment and income gains allow households to spend even as prices are rising faster than the Federal Reserve’s target. Given the strong economy, the Fed has yet to cut interest rates. The outlook indicates the Fed will begin to reduce interest rates late this year, only after further slowing in inflation is seen in the data.

The Oregon economic outlook remains solid, but this cycle has been different. The state’s topline population, employment, and income growth is in the middle of the pack across all states. However, the economic outcomes for individual Oregonians has been noticeably stronger than the nation. While still lower than the U.S., Oregon’s per capita income and average wage are at their highest relative point compared to the nation in decades. A record share of working-age Oregonians have a job. And the state’s labor force participation rate has risen the second most across all states.

The major economic forecast change is a larger U.S. population due to increased international immigration. This boosts the national employment, income, and spending forecasts. The Oregon population forecast remains essentially unchanged, and Oregon is not a major port of entry for international immigrants. As such, the local impact of the U.S. forecast changes is smaller. That said, a larger U.S. economy boosts non-wage Oregonian income, like investments and proprietors’ income, as local firms sell more goods and services into that larger customer base elsewhere in the country.

Processing of April personal income tax payments is nearly complete, with overall collections coming in somewhat above expectations. When combined with an improved economic outlook for personal income and increased forecasts for both estate taxes and interest earnings, non-corporate General Fund revenues are expected to end the current 2023-25 biennium 2.5% above the Close of Session Forecast. Should this be the case, a kicker credit of $582 million will be generated for the 2025-27 biennium. However, there is still the April 2025 tax season yet to come, leaving the future kicker credit a fifty-fifty proposition at this point.

Over the past decade, Oregon has increased its dependence on consumption-based taxes. It was expected that many of these taxes would be boosted during the personal income tax filing season as a result of the large refunds generated by the kicker credit. However, there is little evidence to date that suggests Oregonians have increased their spending significantly as a result of this year’s refunds. Taxpayers may have saved more of their refunds for a later date, paid off debt, or used it to meet the higher cost of living as a result of the inflationary economic boom.

Overall, ongoing strength in labor and equity markets is supporting healthy personal income tax collections. Corporate tax collections remain strong as well, although the growth has stalled in recent months. All told, the General Fund revenue forecast is raised over the forecast horizon, while many of the consumption-based revenues are lowered slightly.

The primary downside risk facing the near-term revenue forecast is the uncertain future of the nationwide economic expansion. Should high interest rates, federal policy woes or economic weakness among our trading partners derail the U.S. economy, the expected growth in Oregon’s tax collections will not come to pass.