

Revenue Summary

With the economic picture only nominally changed, the most significant modification to the revenue situation involves the passage of H.R. 1 at the federal level. This act contains numerous tax provisions that are expected to have significant impacts on personal and corporate income tax revenues starting in fiscal year 2025. A more detailed analysis of H.R. 1 is featured below.

The 2023-25 biennium is, for the most part, finalized. Revenues have been tabulated and a final accounting is available. The largest revision since the May forecast occurred in personal income taxes, where payments in the last two months of the biennium failed to match expectations. This \$255.7 million correction was offset by modestly higher receipts across the remaining sources of revenue, which resulted in a net change to the General Fund of -\$224.4 million. Spending changes amounting to a positive \$70.6 million adjustment result in a projected ending balance of \$2.0 billion.

The personal and corporate kicker surpluses are also finalized. The personal income tax surplus, which is the difference between actual non-Corporate tax revenues and the COS forecast, totaled \$1.4 billion for 2023-25. This is down \$228.8 million from the May forecast. Due to the manner in which this surplus is credited against tax liability during the 2025-27 biennium, this change increases currently available revenues relative to the May forecast. The corporate surplus equals \$921.6 million and is dedicated to education programs in the 2025-27 biennium.

Table R.1 presents a summary of revenues and changes for the biennium. The \$645.6 million revenue change from the prior forecast is the product of economic fluctuations, state legislative actions, federal tax law changes and the kicker credit effect described in the previous paragraph. The general adjustments are felt almost equally between personal and corporate income tax, while other revenues are buoyed primarily by transfers enacted during the 2025 session. Once the beginning balance is included and the legislatively adopted appropriation level is factored in, the projected ending balance for 2025-27 as of the September forecast is projected to be -\$372.7 million.

The most significant change to non-General Fund revenues is a downward adjustment to Video Lottery earnings throughout the forecast horizon. For 2025-27, the change results in a net revenue transfer decrease of \$109.2 million. Corporate Activity Tax receipts are virtually unchanged at -\$4.3 million for the biennium, while Marijuana Tax revenues have been revised down \$6.2 million due to weaker-than-anticipated receipts in recent months.

Table R.1

2025-27 General Fund Forecast Summary

(Millions)	2025 COS Forecast	May 2025 Forecast	September 2025 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	\$30,247.1	\$30,302.8	\$29,961.7	-\$341.1	-\$285.3
Corporate Income Tax	\$3,430.5	\$3,431.6	\$3,063.9	-\$367.7	-\$366.7
All Other Revenues	\$2,082.2	\$2,043.1	\$2,106.4	\$63.2	\$24.2
Gross GF Revenues	\$35,759.8	\$35,777.5	\$35,131.9	-\$645.6	-\$627.9
Offsets, Transfers, and Actions ¹	-\$206.9	-\$541.6	-\$200.2	\$341.4	\$6.8
Beginning Balance	\$2,243.1	\$2,172.5	\$2,018.7	-\$153.8	-\$224.4
Net Available Resources	\$37,795.9	\$37,408.4	\$36,950.5	-\$458.0	-\$845.5
Appropriations	\$37,323.1	N/A	\$37,323.1	N/A	\$0.0
Ending Balance	\$472.8	N/A	-\$372.7	N/A	-\$845.5
Confidence Intervals					
67% Confidence	+/- 3.5%		\$1,229.7	\$33.90B to \$36.36B	
95% Confidence	+/- 7.0%		\$2,459.3	\$32.67B to \$37.59B	

¹ Reflects personal and corporate tax transfers, Rainy Day Fund transfer, and Dept of Ag transfer

2025-27 General Fund Revenues

As noted above, the General Fund revenue picture is down significantly due to H.R. 1. The forecast change is, however, also a product of economic revisions and a changed kicker credit offset. The impact of these factors is detailed below. The bottom-line revenue difference from the Close-of-Session estimate (on which the Legislatively Adopted Budget was based) to this September forecast is -\$627.9 million.

Economics

Personal Income Tax

With the biennium just getting underway, there is only modest information to glean an inclination for how things are leaning. Withholding is running 4.8% year-over-year for 2025, which is steady but not stellar. With labor market indicators flagging, this is expected to soften by the end of the year. Conversely, estimated payments, a harbinger for non-wage income performance, are gaining momentum. This is consistent with equity markets reaching all-time highs in recent weeks. All told,

economic changes result in the personal income tax forecast increasing \$71.5 million from the prior forecast.

Corporate Income Tax

The most current indicator for corporate activity is quarterly estimated payments. For the tax year 2025, these payments are running at -7.0% year over year. It is difficult to discern how much of this signal is related to economic activity versus reactions to ongoing changes in the corporate tax code. The Office of Economic Analysis has taken a modulated approach and reduced the corporate income tax forecast by \$57.3 million to account for changing economic conditions.

All Other Revenue

The only other significant revision outside of personal and corporate tax relates to projected interest earnings accruing to the General Fund. Recent tracking and modest revisions to the interest rate forecast have resulted in a subtle bump in the near-term forecast, while the outer years have decreased slightly.

House Resolution 1 (2025)

House Resolution 1 (H.R. 1), also known as the One Big Beautiful Bill Act (OBBBA), was signed into law on July 4, 2025. H.R. 1 is over 300 pages and includes a broad range of provisions, many of which affect the calculation of Federal Taxable Income (FTI). Oregon is one of five states that is tied to this definition of FTI, therefore automatically connected to those provisions and the revenue effects they cause. The impacts of H.R. 1 on General Fund revenue are estimated by the Legislative Revenue Office (LRO) and incorporated into the forecast by OEA. While over 100 provisions in H.R. 1 affect Oregon taxes, much of the impact over the next few biennia stems from four personal provisions and three business provisions.

The personal provision with the largest impact is a new *deduction for qualified overtime compensation*. This provision allows the deduction of \$12,500 per individual for overtime compensation paid and is expected to have a \$221 million downward impact on General Fund revenue in the 2025-27 biennium. This provision is in place through 2028.

The business provision with the largest impact is a change to *bonus depreciation and expensing*. Bonus depreciation is a policy where the first-year deduction allowed on investment in real or personal property is larger than the standard percentage allowed through the Modified Accelerated Recovery System (MACRS). This bonus depreciation was 100% from 2018-2022 and has been phasing down over the last several years. H.R. 1 brings bonus depreciation back to 100% and maintains it there indefinitely. This is anticipated to have a \$351 million downward impact on General Fund revenue in the 2025-27 biennium.

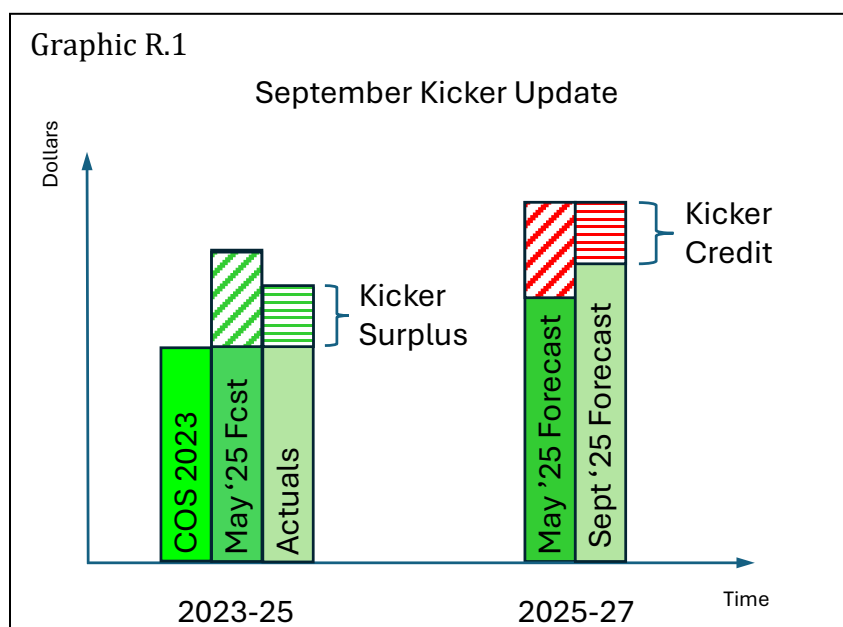
Table R.2: Impacts of H.R. 1 Estimated by the Legislative Revenue Office

Provision Type	Policy	2025-27 Preliminary GF Revenue Impact (\$ MM)
Personal Provisions	Overtime Deduction	(\$221)
	SALT Limitation	(\$84)
	Tips Deduction	(\$78)
	Car Loan Interest Deduction	(\$68)
Business Provisions	Bonus Depreciation and Expensing	(\$351)
	R&E Expenditures	(\$166)
	Business Interest Deduction	(\$26)
Other Personal & Business Provisions	Various Policies Increasing Revenue	\$101
	Various Policies Decreasing Revenue	(\$82)
Indirect Impacts (Federal Tax Subtraction)		\$87
Total		(\$888)

The impacts of H.R. 1 on the 2025-27 biennium, which are incorporated into this September forecast, can be seen in the table above. The total impact in the current biennium will be an \$888 million dollar reduction across personal and corporate income taxes. This effect is expected to decrease in magnitude in the following biennia. Further details on the effects of H.R. 1 can be found in the LRO publication released on August 27, 2025.

Kicker Credit Change

Graphic R.1 demonstrates how the kicker surplus generated in one biennium (e.g., 2023-25) is distributed as a tax credit during the next biennium, thereby offsetting revenues. This is explicitly shown by the green diagonally striped surplus on the left equaling the kicker credit offset (red diagonal stripe) on the right. For the current forecast, the actual kicker surplus (horizontal green striped box) is smaller and thus results in less kicker credit being deducted from the 2025-27 revenue forecast (i.e., the September 2025 green bar is taller than the May 2025 green bar for 2025-27).



Extended General Fund Outlook

Table R.3 exhibits the long-run forecast for General Fund revenues through the 2033-35 biennium. The 2025-27 legislatively adopted budget is now being executed by agencies. The Office of Economic Analysis will release seven more forecast updates and a final accounting for the current biennium's revenue picture. As such, the potential for the revenue figures presented here to fluctuate for any number of administrative and exogenous reasons is quite large.

Note that the large percentage changes between biennia are due to kicker credits affecting personal income tax collections. Beyond 2027-29, when these considerations are no longer in effect, growth reflects underlying economic assumptions characterized elsewhere in this document. The potential for error in the forecast increases substantially further along the forecast horizon.

Table R.3

General Fund Revenue Forecast Summary

Millions of Dollars, Current Law

Revenue Source	2025-27 Biennium	% Chg	2027-29 Biennium	% Chg	2029-31 Biennium	% Chg	2031-33 Biennium	% Chg	2033-35 Biennium	% Chg
Personal Income Taxes	29,961.7	35.1%	35,582.4	18.8%	40,192.9	13.0%	44,868.2	11.6%	50,133.1	11.7%
Corporate Income Taxes	3,063.9	-2.8%	3,566.6	16.4%	3,818.1	7.1%	4,172.1	9.3%	4,628.9	10.9%
All Others	2,106.4	-8.5%	2,233.4	6.0%	2,538.1	13.6%	2,922.5	15.1%	3,426.5	17.2%
Gross General Fund	35,131.9	27.2%	41,382.4	17.8%	46,549.1	12.5%	51,962.9	11.6%	58,188.5	12.0%
Offsets and Transfers	(200.2)		(221.7)		(200.8)		(189.3)		(201.2)	
Net Revenue	34,931.8	27.6%	41,160.7	17.8%	46,348.4	12.6%	51,773.6	11.7%	57,987.2	12.0%

Corporate Activity Tax

Oregon's new corporate activity tax (CAT) went into effect January 2020. Revenues from this tax on business receipts are dedicated to education through the Fund for Student Success. The tax was designed to generate approximately \$1 billion per year in new state resources, or \$2 billion per biennium. These figures include both CAT revenues and the impact of the reduction in personal income tax rates, which reduce state revenues, leaving a net revenue change of approximately \$1 billion per year.

For the quarter ending June 30, 2025, net corporate activity tax receipts exceeded the prior forecast by \$25.6 million. This strength was realized in reconciliation on prior tax years, while estimated payments for current tax years were slightly below expectations. The forecast for revenues in 2025-27 is little changed, down \$4.3 million from May's level. With the bump in the beginning balance (\$25.6 million), available resources for the coming biennium are now projected to equal \$3.2 billion. This is \$20.7 million above the Q2 forecast on which the 2025-27 budget was based.

Table B.12 in Appendix B summarizes the 10-year forecast and the allocation of resources, while Table B.13 presents a more detailed quarterly breakdown of the forecast. The personal income tax reductions are built into the General Fund forecasts shown in Tables B.1 and B.2.

Lottery Forecast

The lottery forecast has been lowered significantly from the May forecast. For the current 2025-27 biennium, total resources are lowered by \$109 million, with future biennia experiencing decreases of approximately \$155-160 million. This represents a marked deterioration from the more modest reductions projected in the May forecast.

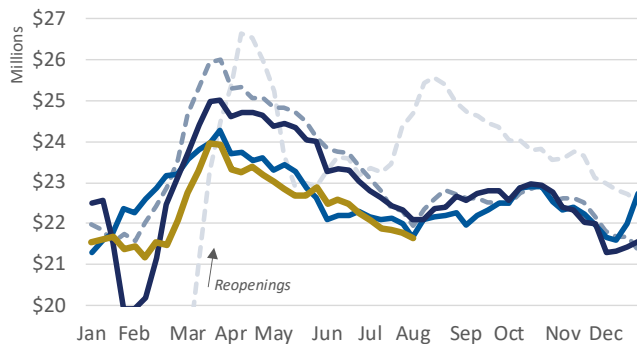
Video lottery resources have seen the most substantial downward revision, with resources now expected to decline by \$114 million (-7%) in 2025-27 and \$161 million (-9%) in 2027-29. The outlook for 2029-31 and 2031-33 biennia has also been reduced by approximately 8%. These adjustments reflect accelerating declines in video lottery performance that have exceeded earlier projections.

Traditional lottery resources continue to show modest improvement, with projections raised by \$2.7 million (1.5%) in 2025-27 and \$3.0 million (1.6%) in 2027-29. The outlook for the 2029-31 and 2031-33 biennia have been revised upward by approximately 2-3%. The new \$30 Scratch-It ticket has been leading sales in recent weeks, which has led to plans to introduce a \$25 price point as well as add another \$30 ticket option to capitalize on consumer demand for higher-value games.

Video Lottery

Oregon Video Lottery Sales

2021 | 2022 | 2023 | 2024 | 2025



Oregon Video Lottery Sales

Percent change year-over-year



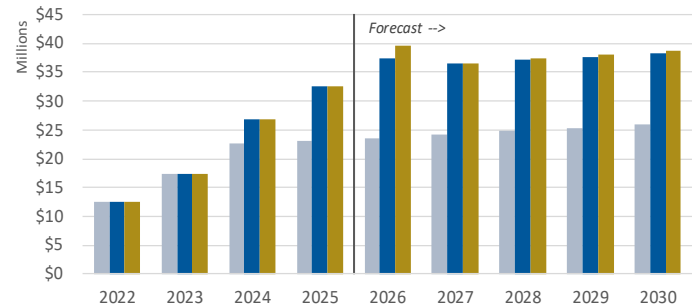
Video lottery sales have declined significantly since the pandemic recovery period, with year-over-year growth for the last three quarters showing a concerning pattern of deepening declines. Major metropolitan counties including Multnomah, Clackamas, Washington and Marion are experiencing approximately 4% year-over-year decreases, potentially related to employment shifts and layoffs affecting consumer discretionary spending. The forecast has been adjusted to reflect these sustained declines and the apparent structural shift in consumer behavior regarding video lottery participation.

Sports Betting

The sports betting forecast remains largely in line with the May outlook, with revenues continuing to exceed early projections. While the forecast itself has not changed significantly, sports betting appears to exhibit less seasonality than previously anticipated. The steady revenue flow may be due to players engaging in a broader variety of events across staggered sports seasons, leading to more consistent betting activity throughout the year. This pattern suggests that sports betting is maturing in Oregon as player preferences diversify, contributing to stable, year-round revenue.

Sports Betting Transfers by Fiscal Year

Original Estimates | May '24 Forecast | Sept '25 Forecast

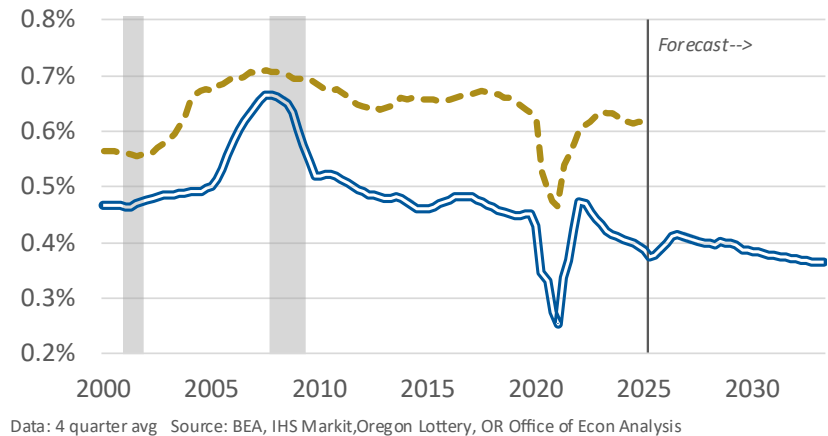


Longer-Term Outlook

The significant downward revisions reflect deeper structural changes in lottery participation than previously expected. Video lottery's accelerating decline suggests that post-pandemic consumer behavior shifts may be more permanent than projected. Regional variations in performance, particularly the correlation with employment patterns in major counties, indicate that economic factors are playing a larger role in lottery participation decisions.

Gaming as a Share of Personal Income

U.S. Casino Gaming | Oregon Video Lottery



While traditional lottery games continue to show growth potential through product innovation, the overall lottery landscape faces headwinds from changing entertainment preferences, economic pressures on discretionary spending, and generational shifts in gaming habits.

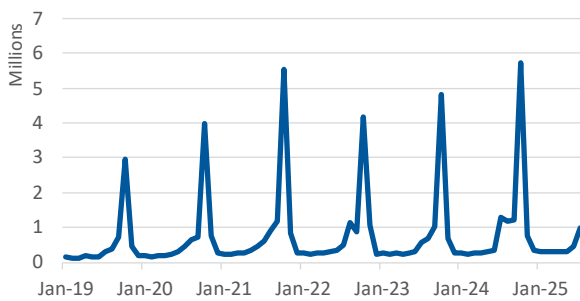
The full extended outlook for lottery earnings can be found in Table B.9 in Appendix B.

Recreational Marijuana Forecast

The September marijuana forecast has been revised down slightly from the May outlook. In the current 2025-27 biennium, resources are lowered by \$6 million (-2.1%), and the 2027-29 forecast is reduced by \$8 million (-2.4%). The outlook for outer biennia shows continued reductions of between \$9 million to \$10 million each, which represent decreases of about -2.4%.

Oregon Marijuana Harvest

Total wet weight (pounds)



Source: OLCC, Oregon Office of Economic Analysis

Oregon Marijuana Retail Prices

Usable Marijuana, Price per Gram



Source: OLCC, Oregon Office of Economic Analysis

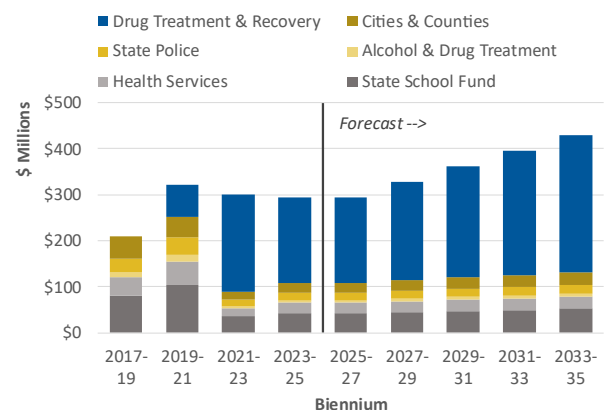
Last year's record-breaking October harvest of over 5.7 million pounds continues to impact the market, with an abundant supply contributing to persistently low prices. These reduced price levels are expected to remain depressed, creating ongoing challenges for industry profitability. The industry continues to face increasing input costs, particularly labor, which are squeezing profit margins. Additionally, consumption appears to have plateaued, creating difficult conditions for businesses while intoxicating hemp-derived products continue to emerge as competitive substitutes.

The marijuana industry continues to face significant structural challenges at the federal level. Marijuana remains classified as a Schedule 1 drug, preventing business owners from accessing traditional banking services and disallowing common business tax deductions. These restrictions further strain financial viability in an already challenging market.

As previously noted, Oregon does not currently tax medical marijuana; however, this tax exemption is set to expire at the end of 2027, with medical marijuana taxation scheduled to begin in 2028.

Although this exemption could be extended by the Legislature, the current forecast assumes medical marijuana will be taxed per current law. Overall, while marijuana tax collections are still expected to increase over time, the September forecast reflects a more challenging outlook with reduced growth projections due to persistent low prices, plateauing consumption, increased competition, and ongoing regulatory constraints.

Marijuana Resources and Distributions



Source: Oregon Dept of Revenue, Oregon Office of Economic Analysis

Psilocybin Forecast

Ballot Measure 109 (2020) legalized psilocybin, including a 15% retail sales tax on the psilocybin products used. This sales tax does not apply to the overall cost of a session, which can be hundreds or thousands of dollars. The vast majority of the overall cost goes to cover operational expenses for the service center and the facilitator’s time and expertise.

The industry has been growing and has now been operating legally for more than two years. The current forecast remains a work in progress; however, it is now based on the first two years of data, as opposed to pure assumptions. Even so, expectations are that the industry is still in its ramp-up period. The number of businesses, facilitators, and customers are all expected to grow in the years ahead. As more data becomes available, our office will adjust its outlook accordingly.

The average product price reported is approximately \$40, however there is a wide range of values around that average. The average price is in line with previous conversations OEA has had with multiple service centers in Oregon in recent years. And while not a low price, the cost of the product is relatively small compared to the overall cost of a session. For the 2023-25 biennium, the psilocybin sales tax revenue amounted to \$169,000.

For now, the revenue forecast is tied to a multiyear ramp up period of stronger growth based on the patterns seen in Oregon for recreational marijuana and sports betting. After the ramp up, growth is expected to slow down to something closer to growth in the population, which is a proxy for the user base until better information is available.

Lastly, it is important to note that the sales tax applies only to the purchase price of the psilocybin product itself. As such, service centers may charge customers the

Oregon Psilocybin Retail Sales Tax Revenue						
Aug-25						
Biennium						
	2023-25	2025-27	2027-29	2029-31	2031-33	2033-35
No. of Session	28,000	52,000	61,000	65,000	69,000	73,000
Avg Product Price	\$40	\$42	\$44	\$45	\$47	\$49
Total Sales	\$1,130,000	\$2,187,000	\$2,668,000	\$2,958,000	\$3,267,000	\$3,596,000
Taxes	\$169,000	\$328,000	\$400,000	\$444,000	\$490,000	\$539,000

traditional retail price that includes a markup over wholesale costs which largely relates to production, testing, and distribution costs. Service centers may choose to sell the products at cost. And while they are not supposed to do this, they may charge customers a minimal product cost that is below their own cost. The potential benefit of doing so would be to increase revenues and profits for service centers and facilitators as less of the overall session price would be sent to pay taxes. To date, these data indicate this last possibility is not happening, or at least not enough to notice in industrywide information. However, as with all other sales taxes, revenue is driven by both the number of transactions and the price per transaction.

Revenue Alternative Scenarios

Given the degree of uncertainty present at the release of this forecast, the Office of Economic Analysis has engaged in extensive analysis of historical forecast outcomes and revenue performance to produce a range of scenarios that could manifest throughout the forecast horizon. The four alternatives to the baseline, two upside and two downside, equate to approximately one and two standard deviations in either direction. The table below presents the five scenarios along with the probabilities that each is likely to occur (e.g., the baseline outlook has a 57% chance of occurring).

General Fund Revenue* Scenarios

(millions)		2023-25	2025-27	2027-29	2029-31	2031-33	2033-35
Boom (2%)	Revenues	\$33,222.9	\$39,831.1	\$44,013.4	\$49,559.1	\$55,605.3	\$62,333.5
	Growth		19.9%	10.5%	12.6%	12.2%	12.1%
Optimistic (14%)	Revenues	\$33,222.9	\$38,186.7	\$42,769.1	\$47,901.4	\$53,458.0	\$59,872.9
	Growth		14.9%	12.0%	12.0%	11.6%	12.0%
Baseline (57%)	Revenues	\$33,222.9	\$36,542.3	\$41,382.4	\$46,549.1	\$51,962.9	\$58,188.5
	Growth		10.0%	13.2%	12.5%	11.6%	12.0%
Pessimistic (25%)	Revenues	\$33,222.9	\$34,167.1	\$38,950.4	\$43,546.6	\$48,598.0	\$54,332.6
	Growth		2.8%	14.0%	11.8%	11.6%	11.8%
Severe (2%)	Revenues	\$33,222.9	\$31,791.8	\$35,924.7	\$41,852.3	\$46,958.3	\$52,593.3
	Growth		-4.3%	13.0%	16.5%	12.2%	12.0%

* Adjusted for kicker credits.

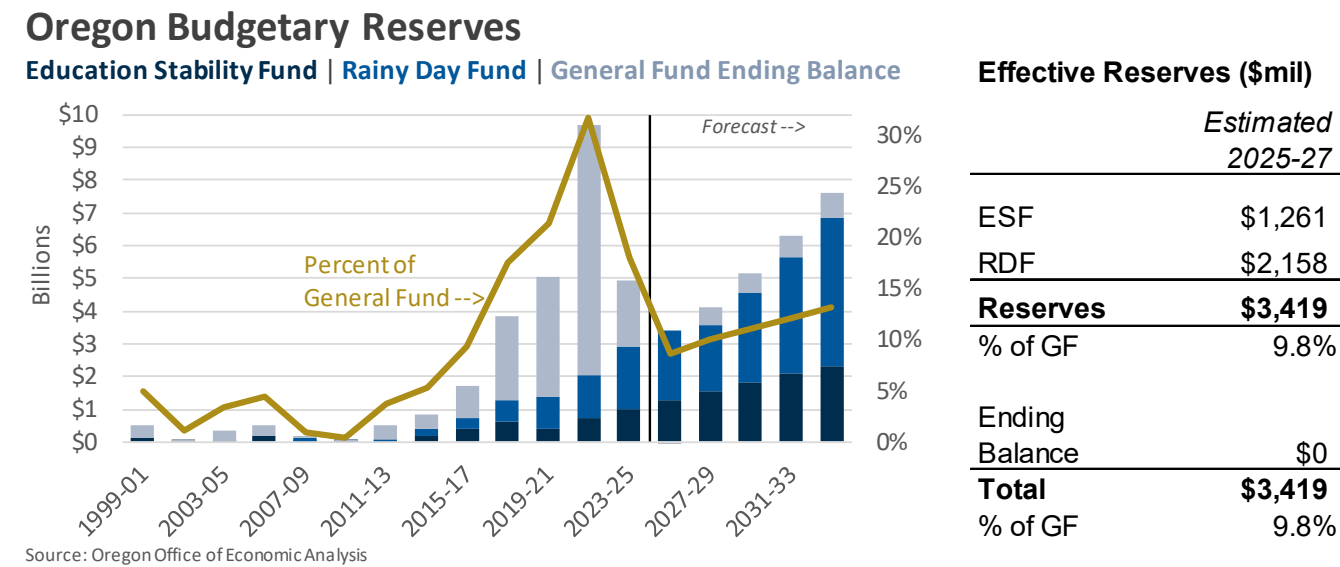
The first deviation is +4.5/-6.5% removed and are the traditional “optimistic” and “pessimistic” scenarios presented in past publications. It should be noted that the two scenarios are not symmetric. On the positive side, the optimistic scenario coincides with improved demographic and economic factors that are assumed to persist well into the future. The pessimistic scenario corresponds to a mild to moderate recession lasting two to three quarters followed by a healthy rebound in economic activity. The former outcome results in a boost to the General Fund of \$1.6 billion while the latter produces a \$2.4 billion deficit.

The second pair of scenarios (“Boom” and “Severe”) are +9.0/-13.0% removed from the baseline. The boom scenario has a few historical precedents in the last 50 years. These outlier biennia are generally followed by somewhat slower growth in the following biennium. The severe downside scenario mimics the Great Recession of 2008 in terms of both the deviation from the close-of-session forecast and the long-term impact on revenues. The boom results in a revenue gain of \$3.3 billion while the severe recession costs the General Fund \$4.8 billion in 2025-27.

It should be noted that the probability of recession, be it mild or more severe, is greater than the likelihood of the more optimistic outcomes. Inflation continues to pose a challenge for policy makers. In addition, many revenue indicators are showing signs of slowing or going negative. However, the slower-than-average growth exhibited by the baseline scenario does raise one upside possibility: should either optimistic outcome prevail it is almost assured that revenues will exceed the personal kicker threshold for a seventh consecutive biennium.

Budgetary Reserves

The state currently administers two general reserve accounts, the Oregon Rainy Day Fund¹ (ORDF) and the Education Stability Fund² (ESF). The current projection for the balance of the Education Stability Fund at the end of 2025-27 is \$1,261 million, while the balance in the Rainy Day Fund is expected to equal \$2,158 million. The total balance of \$3,419 million would be 9.8% of the current General Fund forecast. It should be noted that Senate Bill 960 canceled the transfer of the lesser of 1% of the prior biennium’s appropriation level or ending balance, which would have occurred early in 2026. House Bill 3920 diverted 20% of the interest earnings due to the Rainy Day Fund to other accounts. These legislative actions are reflected in the display.



¹ The ORDF is funded from ending balances each biennium, up to 1% of appropriations. The Legislature can deposit additional funds, as it did in first populating the ORDF with surplus corporate income tax revenues from the 2005-07 biennium. The ORDF also retains interest earnings. Withdrawals from the ORDF require one of three triggers, including a decline in employment, a projected budgetary shortfall, or declaration of a state of emergency, plus a simple majority vote of the Legislature. Withdrawals are capped at two-thirds of the balance as of the beginning of the biennium in question. Fund balances are capped at 7.5% of General Fund revenues in the prior biennium.

² The ESF gained its current reserve structure and mechanics via constitutional amendment in 2002. The ESF receives 18% of lottery earnings, deposited on a quarterly basis – 10% of which are deposited in the Oregon Growth sub-account. The ESF does not retain interest earnings. The ESF has similar triggers as the ORDF but does not have the two-thirds cap on withdrawals. The ESF balance is capped at 5% of General Fund revenues collected in the prior biennium.

As noted above, the current probability of an economic downturn is estimated at 27%. In the last 50 years, the worst decline in General Fund revenues relative to the Close-of-Session forecast was 15.3% during the 2001-03 biennium associated with the tech industry boom-bust. The table above presents the projected balances in the ORDF, ESF, and a hypothetical budgetary ending balance based on historic legislatively adopted balances. Total available reserves under this scenario would amount to 9.8% of General Fund revenues. It is quite likely that Oregon's reserves are adequate to weather a potential downturn given that a mild to moderate recession is the most likely pessimistic scenario.

B.10 in Appendix B provides more details for Oregon's budgetary reserves.

Tax Law Assumptions

The revenue forecast is tied to current state law. After every legislative session, OEA incorporates adjustments to the revenue forecast produced by the Legislative Revenue Office. As each year passes and the effects of law become evident in the data, adjustments are phased out. However, many tax laws have sunsets, or end dates, built into them. These demarcations must be maintained such that the impact of extending the laws can be newly incorporated in turn.

Complication arises when considering the effects of federal law on Oregon revenues. Due to the assumptions built into these national forecasts and how national data enter the revenue models, it would be logistically difficult to maintain a current federal law revenue forecast. In addition, federal laws often have imminent sunsets and are frequently extended. Adhering to a current federal law forecast would result in large and unnecessary annual revisions. For this reason, the revenue forecast assumes the most reasonable outcomes for federal law.

For a detailed treatment of the components of the 2025 Legislatively Enacted Budget, see:

Legislative Fiscal Office's [2025-27 Budget Summary](#)³

³ <https://www.oregonlegislature.gov/lfo/Documents/2025-2%20LAB%20Summary%202025-27.pdf>