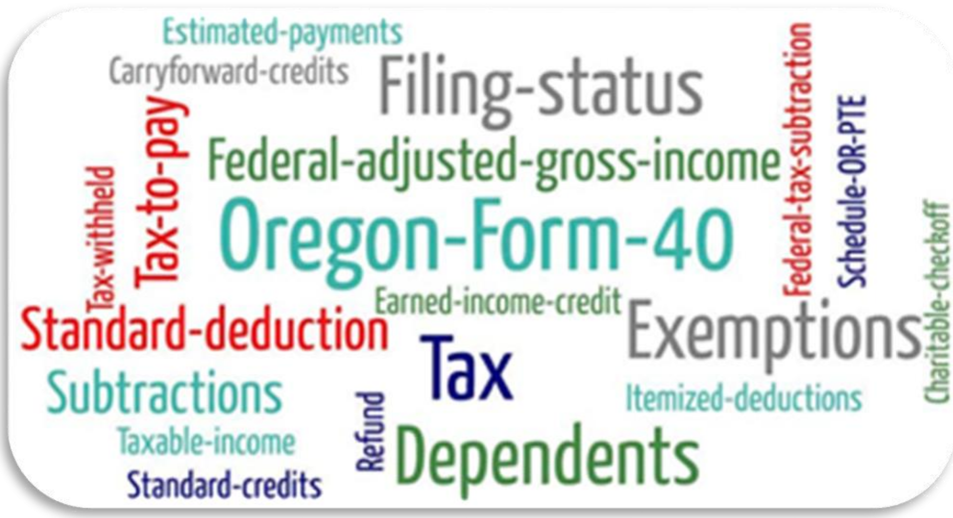
Oregon Personal Income Tax Statistics - 2018 Edition - Tax Year 2016

Oregon Personal Income Tax Statistics

Characteristics of Filers



2018 Edition

Tax Year 2016

OREGON DEPARTMENT OF REVENUE

150-101-406 (Rev. 5-18)

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Oregon
Personal Income Tax
Statistics

Characteristics of Filers

2018 Edition
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Prepared by

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Oregon Department of Revenue
Salem OR 97301-2555

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Oregon Personal Income Tax Selected Statistics - 2015 and 2016									
	Full-Year Resident			Part-Year and Nonresident			All Returns		
	2015	2016	Growth	2015	2016	Growth	2015	2016	Growth
Number of Returns	1,711,177	1,751,138	2.3%	282,393	289,600	2.6%	1,993,570	2,040,738	2.4%
Electronic Filed Returns	1,461,900	1,504,565	2.9%	244,156	250,786	2.7%	1,706,056	1,755,351	2.9%
Oregon AGI* ($ millions)	$110,226.4	$116,101.2	5.3%	$8,824.3	$9,583.7	8.6%	$119,050.6	$125,684.9	5.6%
Taxable Income* ($ millions)	$86,601.8	$91,228.7	5.3%	$7,856.7	$8,554.8	8.9%	$94,458.5	$99,783.5	5.6%
Tax Liability* ($ millions)	$6,590.5	$6,970.1	5.8%	$561.1	$611.6	9.0%	$7,151.6	$7,581.7	6.0%
Average Oregon AGI ($)	$64,416	$66,300	2.9%	$31,248	$33,093	5.9%	$59,717	$61,588	3.1%
Average Tax Liability ($)	$3,851	$3,980	3.3%	$1,987	$2,112	6.3%	$3,587	$3,715	3.6%
Effective Tax Rate**	6.0%	6.0%		6.4%	6.4%		6.0%	6.0%	

** See glossary of terms in Appendix C* *** Tax liability divided by adjusted gross income*

- For tax year 2016, the Oregon Department of Revenue received 2.04 million personal income tax returns, a 2.4 percent increase from tax year 2015.
- The total adjusted gross income (AGI) of 2016 Oregon filers grew to $126 billion, up 5.6 percent from the $119 billion in 2015. The average AGI for all filers was $61,588 in 2016, an increase of 3.1 percent from $59,717 in 2015.
- The 2016 total tax liability for all filers was $7.6 billion, up 6.0 percent from $7.1 billion in 2015.
- The average tax liability for all filers was $3,715 in 2016, up 3.6 percent from $3,587 in 2015.
- The 1.76 million were filed electronically for tax year 2016, a 2.9 percent increase from 2015. Electronically-filed returns represented 86 percent of all returns in 2016, about the same as in 2015.

Overview

The personal income tax, Oregon's largest source of revenue, is expected to account for 88 percent of the General Fund for the 2017-19 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, taxpayers, and the general public.

This report provides a foundation for understanding the characteristics of Oregon personal income tax filers and presents statistical summaries of information about the personal income tax system. This edition of *Oregon Personal Income Tax Statistics* provides detailed statistics based on 2016 income tax returns received by the Oregon Department of Revenue in the 2017 calendar year and includes historical tables and graphs.

Actual tax receipts may vary from this report because some filers failed to pay their full Oregon tax liability or paid after 2017. The report does not include information from audits, amended tax returns, or original returns received after 2017. Typically about 35,000 amended and 35,000 late returns are received by the following calendar year, which is small compared to the roughly 2 million returns received per year.

The data presented in this report is not a complete picture of income earned by Oregonians and nonresidents with Oregon sourced income. A single person or married persons may have income, but if they have no tax liability after including their standard deduction and personal exemption credit, they may not be required to file an Oregon personal income tax return. The data in this report includes only those who have filed an Oregon personal income tax return.

This *Introduction* outlines the structure of the report, explains how personal income tax is calculated, including a diagram outlining its main components, and gives further references to the Oregon Department of Revenue website.

The next section, *2016 Characteristics of Filers and Historical Trends* provides a historical summary of returns and the following components: income and tax, adjustments, additions, subtractions, deductions, credits, and payments and refunds.

Appendix A provides a discussion of the surplus refund (kicker) and historical data for 1979 through 2017. *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.

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, *2016 Characteristics of Filers and Historical Trends*, starting on page 9, 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. Tax refers to the tax liability computed from the Oregon tax return.
- **Adjustments** – These elements on the federal form are deductions (often referred to as "above-the-line deductions") that all filers are allowed to take, if they qualify, including those who claim the standard deduction. They reduce the amount of taxable income. Examples include IRA contributions, moving expenses, and student loan interest. Federal adjusted gross income (AGI) is gross income reduced by adjustments.
- **Additions** – These elements represent income not taxed by the federal government but taxed by Oregon and federal deductions to AGI that Oregon does not allow. 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. 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 taxable income by the greater of the standard deduction or their itemized deductions. Oregon allows the same itemized deductions as the federal government with one exception; Oregon does not allow a deduction for Oregon income tax or sales tax. 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 tax before credits, then part of the nonrefundable credits remain unused. Some nonrefundable credits are eligible for carryover to subsequent years. Refundable credits, on the other hand, are treated the same as payments by the taxpayer. The credits reduce tax, but if the credit exceeds the tax liability, the taxpayer gets a refund for any unused credits. The two most common refundable credits are the Oregon earned income tax credit and the working family household and dependent care tax credit.
- **Payments and Refunds –** Oregon tax withheld, estimated payments, payments included with the return, refunds reported on the return and payments from refundable tax credits are described.

Key figures from tax year 2016 are compared to historical numbers to show trends and changes over time. The actual dollar amounts as reported for previous year data are not adjusted for inflation. Also included is historical data about filers moving to and from Oregon and tax information by county, complete with county maps with selected tax information.

Most exhibits and tables in this report are devoted to full-year resident returns as Oregon taxes all of the reported federal taxable income except for specific Oregon subtractions. Full-year resident returns represent 86 percent of all returns filed and 92 percent of tax liability. Part-year resident and nonresident returns may include significant income and deductions not related to economic activity in Oregon, and only part of the income is subject to Oregon taxation. Consequently, full-year resident returns constitute the most stable base for statistical inference.

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 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 unless they file their own Oregon personal income tax return.

Personal Income Tax Calculation

Calculating Oregon's personal income tax starts at the federal level. Using the same definition of income helps simplify the Oregon tax return and reduces 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. 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 ties 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.

How Oregon Personal Income Tax is Calculated

Federal Adjusted Gross Income
(Federal Total Income minus Federal Adjustments)

plus

Oregon Additions

minus

Oregon Subtractions and Deductions

equals

Oregon Taxable Income

multiplied by

Tax Rates

equals

Total Tax*

minus

Credits

equals

Tax Liability

**For a small number of filers, Total Tax includes interest on installment sales, farm capital gains taxed at five percent, taxes calculated from income averaging, or income from qualified pass-through entities at reduced rates.*

The following page shows some examples of types of income, federal adjustments, and Oregon additions, subtractions and credits.

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
- 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 $6,500 for 2016)
- Federal pension income
- U.S. bond interest
- Military active duty pay
- Scholarship awards used for housing expenses

Oregon deductions
- **Standard deductions for 2016:**
  - $4,315 if joint filer,
  - $3,475 if head of household filer,
  - $2,155 if single filer,
  - $2,155 if married filing separately (exception if spouse itemized),
  - One of the listed four amounts plus an additional $1,000 for each taxpayer at least age 65 or blind, filing married or qualifying widow(er). The additional amount is $1,200 for single and head-of-household filers. For taxpayers who are both, age 65 or older and blind, this additional amount can be doubled.
  - 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

Oregon tax credits include:
- Personal exemption
- 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 state

Tax Rates

The applicable tax rates and taxable income brackets are in the table below. Taxable income for returns with filing status of single or married filing separately is subject to bracket levels half that for returns with other filing statuses. The tax rates for the three lowest brackets (5, 7, and 9 percent) have been in place since 1987. The income bracket levels 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.

2016 Tax Rates

For persons filing single or married/RDP filing separately	
If taxable income is:	then tax is:
Not over $3,350	5% of taxable income
Over $3,350 but not over $8,450	$168 plus 7% of excess over $3,350
Over $8,450 but not over $125,000	$525 plus 9% of excess over $8,450
Over $125,000	$11,014 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 $6,700	5% of taxable income
Over $6,700 but not over $16,900	$335 plus 7% of excess over $6,700
Over $16,900 but not over $250,000	$1,049 plus 9% of excess over $16,900
Over $250,000	$22,028 plus 9.9% of excess over $250,000

For taxpayers with income from pass-through entities that meet certain requirements, the taxpayer may elect that income to be subject to reduced tax rates. *See Section 6: Tax Rates for Pass-Through Income.*

Oregon apportions part-year residents' tax 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.

Oregon prorates some credits, such as the exemption credit, credit for contributions to the Oregon Cultural Trust, and residential energy tax credit, for part-year residents and nonresidents.

Filing Requirements

A single person or married persons who have income may not have to file an Oregon personal income tax return if their total income is below a certain amount. The following table shows the level of total income for which a taxpayer is required to file an Oregon personal income tax return based on their filing status.

2016 Minimum Filing Requirements for Full-Year Residents

Filing status	Total income more than
Single	$5,900
Married filing jointly	$11,805
Married filing separately	$5,900
Head of household	$7,375
Qualifying widow(er)	$8,215
Can be claimed as a dependent	$1,050

Amounts are larger for those over 65 and/or blind
Those persons with any Oregon income tax withheld from wages are required to file

Additional Information

The following additional information on Oregon's personal income tax can be found at the Oregon Department of Revenue website at: http://www.oregon.gov/DOR/Stats.

- Detailed tables on the statistics of Oregon personal income tax for tax year 2016 and previous years, as well as past personal income tax statistics reports.
- The history of Oregon tax law changes, personal income brackets, tax rates, standard deduction and personal exemption deduction and credits.
- *State of Oregon 2017–19 Tax Expenditure Report*. This gives additional information on adjustments, deductions, subtractions, and credits.

Additional forms and publications can be found at the Oregon Department of Revenue website at: http://www.oregon.gov/DOR/.

- *Publication OR-17, Oregon Individual Income Tax Guide*, 2016 edition and past years. Includes personal income tax filing requirements and a complete list and detailed descriptions of types of income, federal adjustments, and Oregon additions, subtractions and credits.
- Current and past tax forms and instructions.

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In this section, we take data for the 2016 tax year and compare it to data from previous years. Previous year data is the actual dollar amounts as reported and not adjusted for inflation. 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 2016 returns by filing status and form type. Full-year residents use Form OR-40, part-year residents (PY) use Form OR-40-P, and nonresidents (NR) use Form OR-40-N. Of the 2.04 million returns filed for tax year 2016, just under 86 percent of filers were full-year residents using Form OR-40.

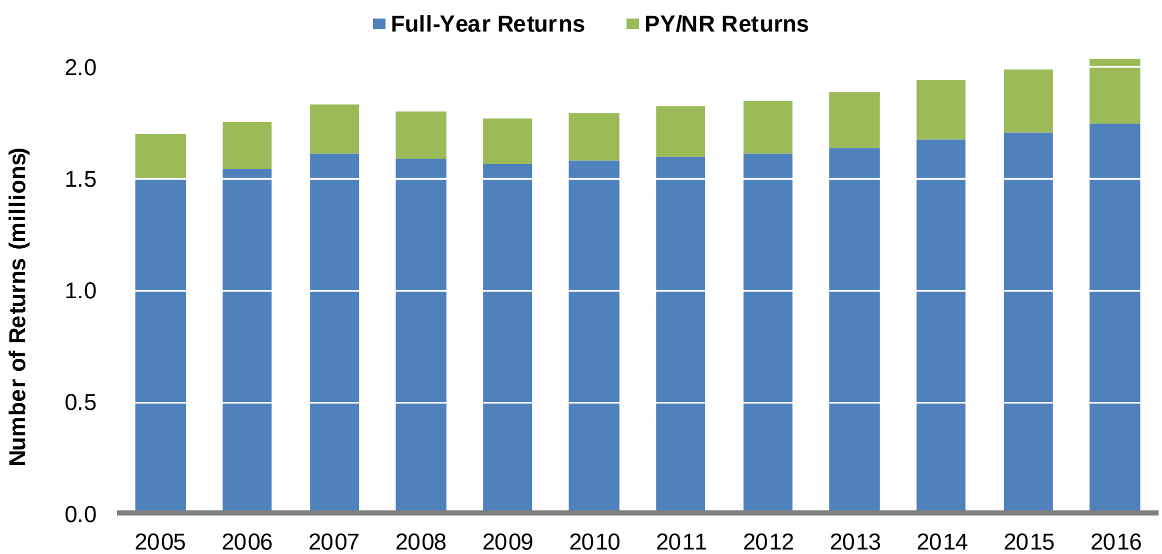
Exhibit 1 - Income Tax Returns by Filing Status and Form Type
All Returns - 2016

Filing Status	Full-Year Resident OR-40	Part-Year (PY) OR-40-P	Nonresident (NR) OR-40-N	Total
Single	837,719	59,178	73,068	**969,965**
Married Filing Jointly	700,192	29,228	100,550	**829,970**
Married Filing Separately	30,619	2,212	4,089	**36,920**
Head-of-Household	181,807	6,643	14,518	**202,968**
Qualifying Widow(er)	801	30	84	**915**
Total	**1,751,138**	**97,291**	**192,309**	**2,040,738**

Returns–Historical Trends

Exhibit 2 shows the trend in returns filed since 2005 for full-year resident returns and part-year resident/nonresident returns (PY/NR). The number of returns filed generally increases each year due to an increase in Oregon's population. However, the number of returns filed fluctuates depending on economic conditions. The number of returns filed decreases during recessions, as some people who filed the previous year may not have had enough income to require them to file in the current year. We see this trend in the economic downturn of 2008 to 2009. The number of returns has increased since 2010, in part due to improving economic conditions.

Exhibit 2 - Income Tax Returns - Historical
Full Year Resident and PY/NR Returns - 2005 to 2016



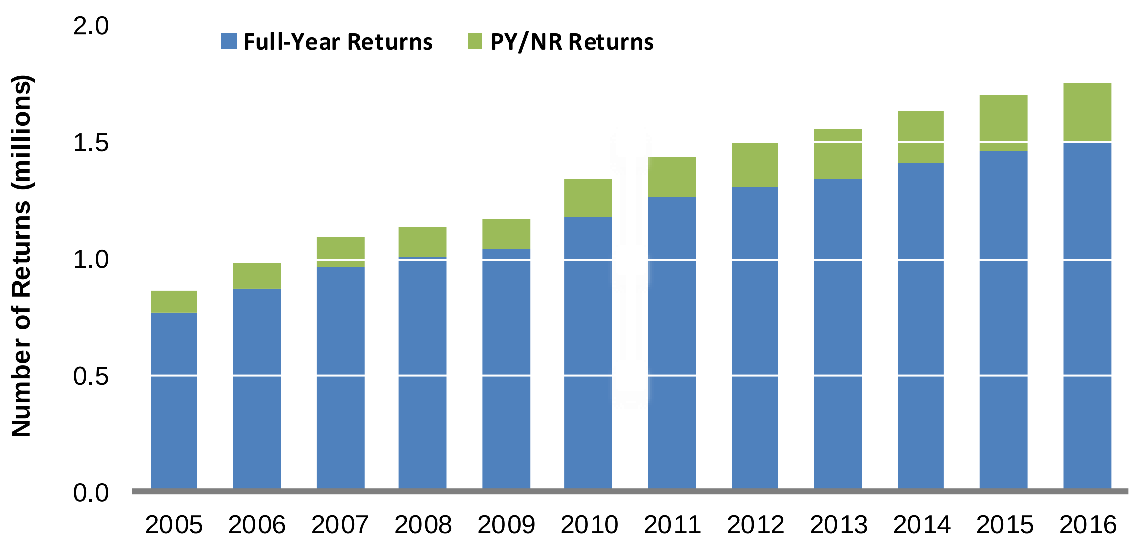
	Oregon Population*		Full-Year Returns		PY/NR Returns		All Returns	
Tax Year	Number	Growth	Number	Growth	Number	Growth	Number	Growth
2005	3,582,600	1.2%	1,495,091	2.3%	202,075	5.5%	1,697,166	2.7%
2006	3,631,440	1.4%	1,546,097	3.4%	209,471	3.7%	1,755,568	3.4%
2007	3,690,500	1.6%	1,617,135	4.6%	217,960	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%
2013	3,919,020	0.9%	1,636,507	1.5%	249,931	6.9%	1,886,438	2.2%
2014	3,962,710	1.1%	1,679,610	2.6%	263,068	5.3%	1,942,678	3.0%
2015	4,013,845	1.3%	1,711,177	1.9%	282,393	7.3%	1,993,570	2.6%
2016	4,076,350	1.6%	1,751,138	2.3%	289,600	2.6%	2,040,738	2.4%

*Population Research Center, Portland State University, http://www.pdx.edu/prc/home

Electronic Returns

Oregon started offering electronic filing with a pilot project in 1993. 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. When individuals started filing their own returns electronically for the first time in 1998, electronic filings increased by 45 percent. The increase continued in 1999, when part-year and nonresident filers began filing electronically. Electronic filings increased even more in 2004 when the IRS introduced 'e-services,' a web incentive service for tax preparers. In 2010, the IRS started requiring that professional tax preparers who prepare 100 or more returns file federal returns electronically. They tightened those requirements in 2011 to include tax preparers who file 10 or more tax returns. Additionally, 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 2005 to 2016.

Exhibit 3 - Electronically Filed Income Tax Returns
Full Year Resident and PY/NR Returns - 2005 to 2016



	Full-Year Returns		PY/NR Returns		All Returns	
Tax Year	Number	Growth	Number	Growth	Number	Growth
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%
2013	1,346,561	2.9%	209,676	10.6%	1,556,237	3.9%
2014	1,410,678	4.8%	225,017	7.3%	1,635,695	5.1%
2015	1,461,900	3.6%	244,156	8.5%	1,706,056	4.3%
2016	1,504,565	2.9%	250,786	2.7%	1,755,351	2.9%

In 2001, Oregon first offered 2-D barcode filing, which is a hybrid of paper and electronic filing. Taxpayers mail their 2-D paper form to the Department of Revenue. The department then scans the tax return information from a barcode on the paper form, which does not require manual data entry. Only full-year resident forms were available for 2-D filing until 2007 when the department added nonresident and part-year resident forms. In the first year, only 2 percent of returns filed used 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 filings 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 generally decreased. The slight increase in paper returns in 2015 was due an issue in processing 2-D barcode returns, so some of the 2-D barcode returns were manually entered.

Exhibit 4 - Electronic, 2-D and Paper Returns
All Returns - 2005 to 2016

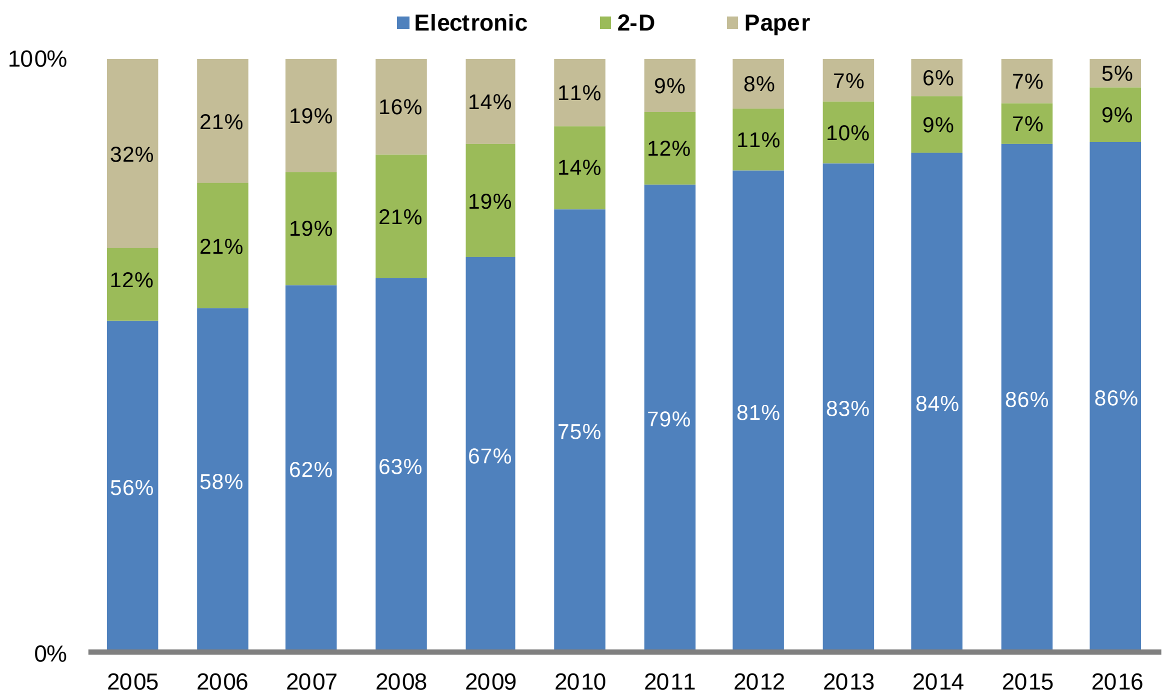
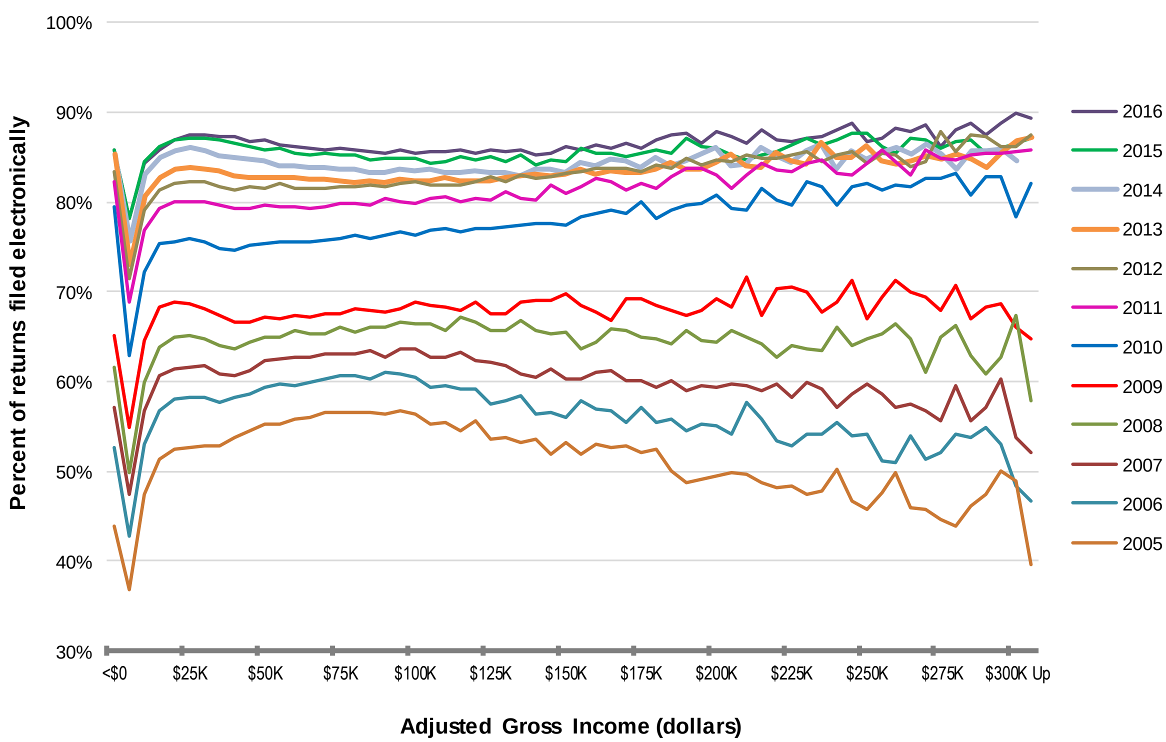


Exhibit 5 shows the percent of full-year resident electronic filers by income level for 2005 to 2016. The exhibit shows that the large increase in the percentage of electronic filers seen in 2010 occurred over all income levels. However, we see a proportionally higher increase for higher income levels beginning at an adjusted gross income (AGI) of around $150,000. This is likely due to higher income individuals being able to afford professional tax preparers, whom the IRS requires to file electronically, to prepare and file their returns. Likewise, the increase in electronic filers for returns that report a net income loss (<$0 on the chart) is due to those returns being prepared by tax professionals, as those returns are generally more complicated. This compares to individuals that report lower positive incomes, which are often simpler returns, and they opt to file by paper.

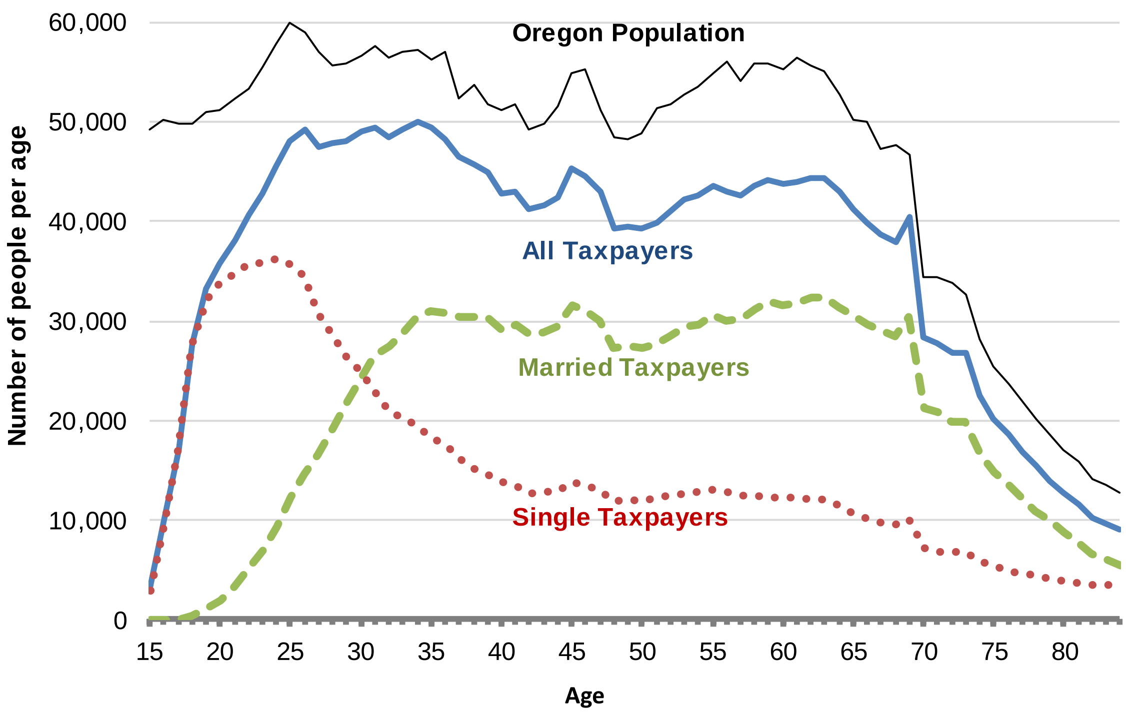
Exhibit 5 - Percent of Returns Filed Electronically by Adjusted Gross Income
All Returns - 2005 to 2016



Age of Taxpayers

Exhibit 6 shows information on all returns filed by full and part-year Oregon residents by age of the taxpayer (includes both the primary and spouse for joint returns). The data shows returns filed by single and married taxpayers separately, along with the overall population of Oregon. The population data cannot be compared directly to the tax return data, as the population data represents the best estimate of the population on July 1, 2016, while tax return data represents tax year 2016 Oregon resident returns submitted during calendar year 2017. However, we see similarities between the population and tax return data. The number of taxpayers represented by the tax returns is less than the overall population, as many taxpayers do not file because they do not have enough income.

Exhibit 6 - Taxpayers by Age
Resident (Full and Part-Year) Returns - 2016

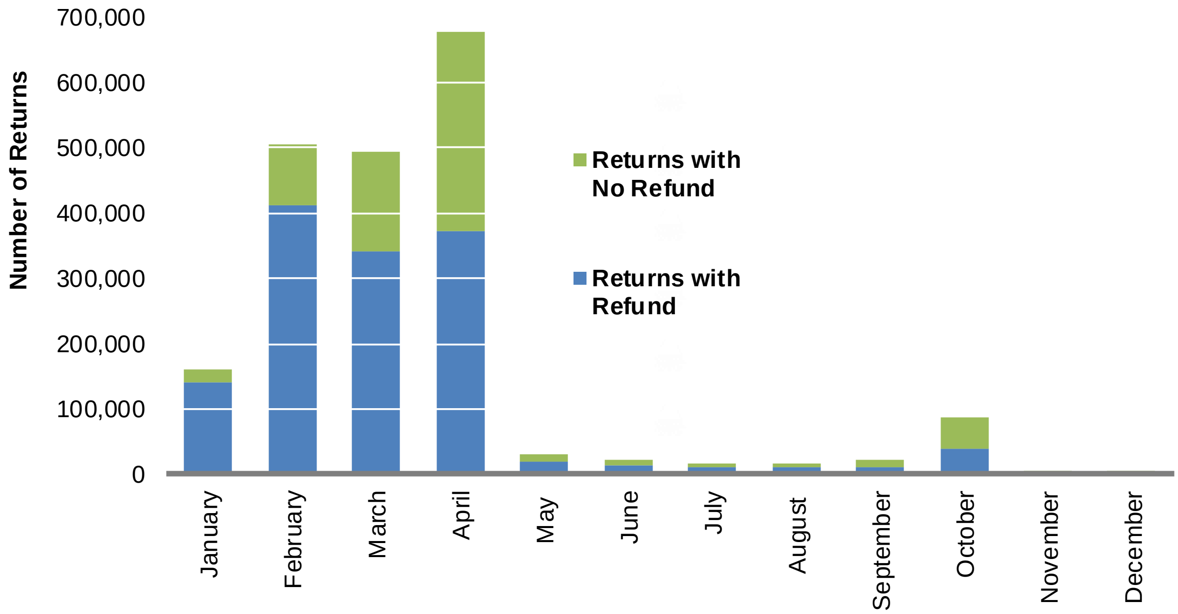


Notes: *The chart represents 2.6 million resident (full and part-year) taxpayers.*
Age is not known for less than 1 percent of taxpayers, so they are not represented.
Oregon population age data is from the Oregon Office of Economic Analysis.

Timing of Filing Tax Returns

The information in this exhibit is based on original 2016 income tax returns received by the Oregon Department of Revenue in the 2017 calendar year. The department receives returns throughout the year; however, the department receives most of those returns by the April 15 deadline. Exhibit 7 shows the total number of returns submitted by month, broken out into returns that claim a refund and those that do not claim a refund. About a third of the total returns received during the year occurs in April, with about a quarter of the returns received in February. February has the highest number of returns with refunds claimed, as many taxpayers file quickly to receive their refunds as soon as possible. Less than ten percent of taxpayers file in January, as the IRS typically only begins to allow electronic filings in the third or fourth week of January. About four percent of taxpayers file for a six month extension to file their return, which extends the deadline to October 15.

Exhibit 7 - Number of Returns Received by Month
All Returns - 2016



	Return with No Refund	Returns with Refund	All Returns Number	All Returns Share	Cumulative
January	20,378	140,826	161,204	7.9%	7.9%
February	93,141	413,476	506,617	24.8%	32.7%
March	155,172	340,213	495,385	24.3%	57.0%
April	305,040	373,126	678,166	33.2%	90.2%
May	10,654	18,915	29,569	1.5%	91.7%
June	8,245	13,611	21,856	1.1%	92.8%
July	6,552	9,467	16,019	0.8%	93.5%
August	7,177	9,622	16,799	0.8%	94.4%
September	10,162	11,800	21,962	1.1%	95.4%
October	46,281	40,164	86,445	4.2%	99.7%
November	1,972	2,156	4,128	0.2%	99.9%
December	1,263	1,325	2,588	0.1%	100.0%
Total	**666,037**	**1,374,701**	**2,040,738**		

Full-year residents accounted for just under 86 percent of the tax returns, 93 percent of Oregon AGI and 92 percent of the tax liability in 2016. Exhibit 8 is a summary of the number of returns, adjusted gross income (AGI), and Oregon tax liability by residency status, as determined by the type of return the taxpayer filed.

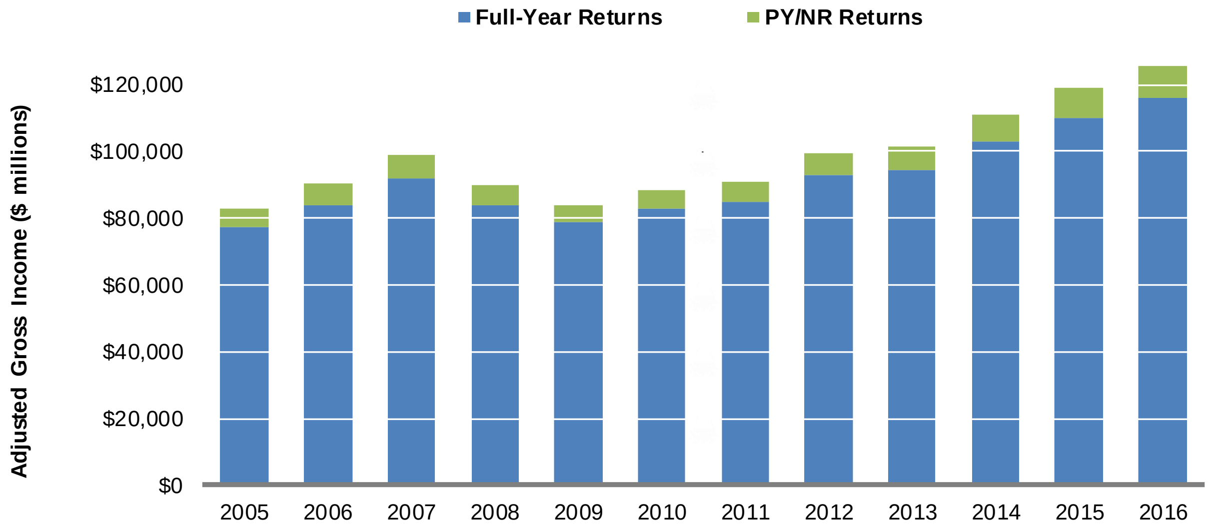
Exhibit 8 - Returns, Adjusted Gross Income, and Tax by Residence Type
All Returns - 2016

	Returns		Adjusted Gross Income		Tax Liability	
Return Type	Number	Share	$ (millions)	Share	$ (millions)	Share
Full-Year (40)	1,751,138	85.8%	$116,101.2	92.4%	$6,970.1	91.9%
Nonresident (40N)	192,309	9.4%	$6,681.1	5.3%	$423.0	5.6%
Part-Year (40P)	97,291	4.8%	$2,902.6	2.3%	$188.6	2.5%
Total	**2,040,738**	**100%**	**$125,684.9**	**100%**	**$7,581.7**	**100%**

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. Part-year residents derive their Oregon AGI from all income while the taxpayer was a resident of Oregon. Nonresidents derive their Oregon AGI from income sourced in Oregon. Exhibit 9 (on the following page) shows the trend in Oregon AGI since 2005 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 5.6 percent in 2016, going from $119 billion in 2015 to over $125 billion in 2016, reflecting the improving economic conditions.

Exhibit 9 - Total Adjusted Gross Income - Historical
Full-Year Resident and PY/NR Returns - 2005 to 2016

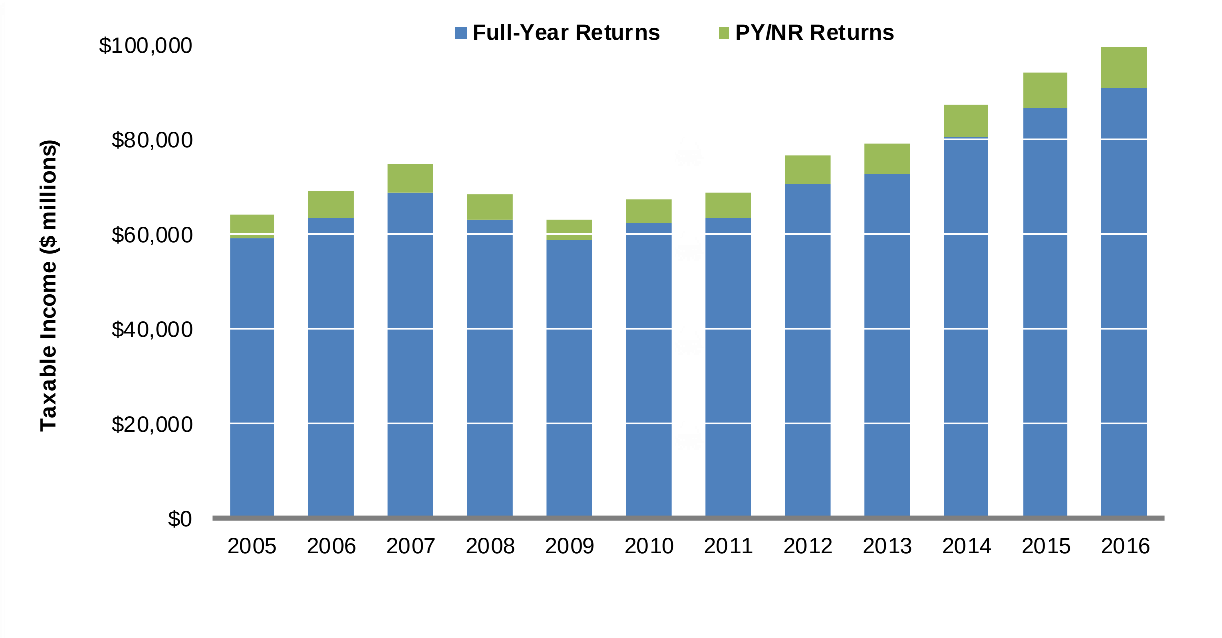


	Full-Year Returns			PY/NR Returns			All Returns		
Tax Year	Average ($)	Total ($ millions)	Growth in Total	Average ($)	Total ($ millions)	Growth in Total	Average ($)	Total ($ millions)	Growth in Total
2005	$51,668	$77,247.8	11.3%	$28,751	$5,810.0	12.5%	$48,939	$83,057.7	11.4%
2006	$54,221	$83,830.7	8.5%	$30,471	$6,382.7	9.9%	$51,387	$90,213.4	8.6%
2007	$56,764	$91,795.1	9.5%	$31,891	$6,950.9	8.9%	$53,810	$98,746.0	9.5%
2008	$52,756	$84,059.4	-8.4%	$28,260	$6,004.8	-13.6%	$49,874	$90,064.2	-8.8%
2009	$50,097	$78,717.4	-6.4%	$25,180	$4,962.9	-17.4%	$47,320	$83,680.4	-7.1%
2010	$52,272	$82,655.9	5.0%	$26,628	$5,602.7	12.9%	$49,260	$88,258.6	5.5%
2011	$53,067	$84,904.9	2.7%	$26,951	$6,059.3	8.1%	$49,849	$90,964.2	3.1%
2012	$57,493	$92,703.6	9.2%	$29,588	$6,918.0	14.2%	$53,959	$99,621.6	9.5%
2013	$57,687	$94,405.0	1.8%	$28,835	$7,206.8	4.2%	$53,864	$101,611.7	2.0%
2014	$61,430	$103,179.0	9.3%	$29,933	$7,874.3	9.3%	$57,165	$111,053.4	9.3%
2015	$64,416	$110,226.4	6.8%	$31,248	$8,824.3	12.1%	$59,717	$119,050.6	7.2%
2016	$66,300	$116,101.2	5.3%	$33,093	$9,583.7	8.6%	$61,588	$125,684.9	5.6%

Taxable Income–Historical Trends

Taxable income is the amount of income subject to Oregon tax and equals Oregon adjusted gross income plus additions, minus subtractions, minus allowable deductions, limited by a minimum of zero. Exhibit 10 shows the trend in Oregon taxable income since 2005 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 correlates to total Oregon AGI.

Exhibit 10 - Total Taxable Income - Historical
Full-Year Resident and PY/NR Returns - 2005 to 2016

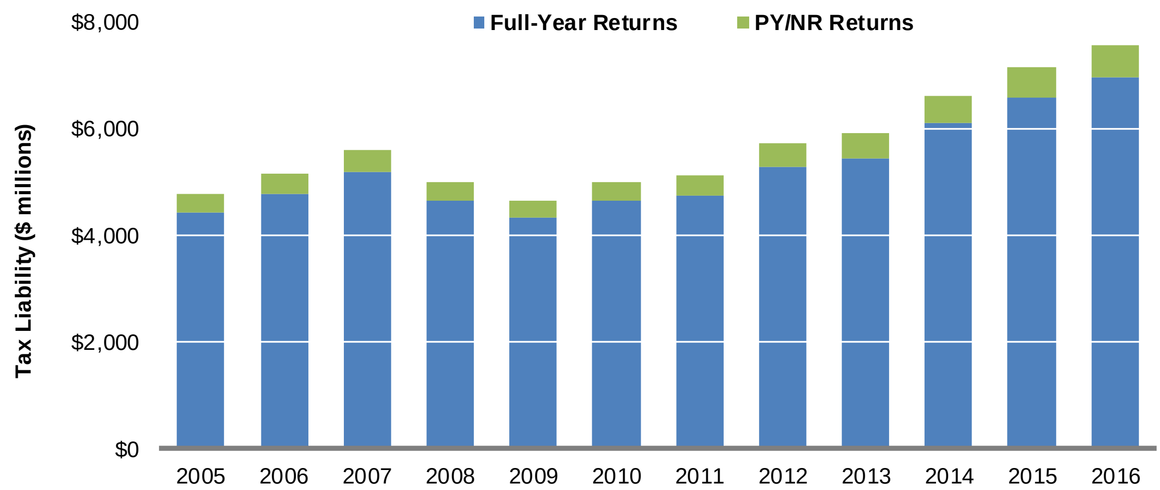


Tax Year	Full-Year Returns Average ($)	Full-Year Returns Total ($ millions)	Full-Year Returns Growth in Total	PY/NR Returns Average ($)	PY/NR Returns Total ($ millions)	PY/NR Returns Growth in Total	All Returns Average ($)	All Returns Total ($ millions)	All Returns Growth in Total
2005	$39,618	$59,232.0	11.4%	$24,644	$4,980.0	11.3%	$37,834	$64,211.0	11.4%
2006	$41,167	$63,648.0	7.5%	$26,018	$5,450.0	9.4%	$39,359	$69,098.0	7.6%
2007	$42,690	$69,035.0	8.5%	$26,867	$5,856.0	7.4%	$40,811	$74,892.0	8.4%
2008	$39,735	$63,312.0	-8.3%	$24,040	$5,108.0	-12.8%	$37,888	$68,420.0	-8.6%
2009	$37,439	$58,828.0	-7.1%	$22,882	$4,510.0	-11.7%	$35,817	$63,338.0	-7.4%
2010	$39,487	$62,439.5	6.1%	$23,369	$4,917.1	9.0%	$37,594	$67,356.7	6.3%
2011	$39,812	$63,697.3	2.0%	$23,333	$5,245.8	6.7%	$37,781	$68,943.1	2.4%
2012	$43,898	$70,782.3	11.1%	$25,756	$6,022.0	14.8%	$41,600	$76,804.3	11.4%
2013	$44,584	$72,962.2	3.1%	$25,320	$6,328.3	5.1%	$42,032	$79,290.5	3.2%
2014	$47,970	$80,570.9	10.4%	$26,924	$7,082.8	11.9%	$45,120	$87,653.7	10.5%
2015	$50,610	$86,601.8	7.5%	$27,822	$7,856.7	10.9%	$47,382	$94,458.5	7.8%
2016	$52,097	$91,228.7	5.3%	$29,540	$8,554.8	8.9%	$48,896	$99,783.5	5.6%

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 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 2016, tax liability totaled $7.6 billion, a 6 percent increase from 2015. Exhibit 11 shows the trend in total tax liability since 2005 for full-year resident returns, part-year resident/nonresident returns (PY/NR) and all returns. The yearly trends in the total tax liability closely correlates to total Oregon AGI.

Exhibit 11 - Total Personal Income Tax Liability - Historical
Full-Year Resident and PY/NR Returns - 2006 to 2016



	Full-Year Returns			PY/NR Returns			All Returns		
Tax Year	Average ($)	Total ($ millions)	Growth in Total	Average ($)	Total ($ millions)	Growth in Total	Average ($)	Total ($ millions)	Growth in Total
2005	$2,968	$4,437.5	12.6%	$1,724	$348.4	13.9%	$2,820	$4,785.8	12.7%
2006	$3,088	$4,775.0	7.6%	$1,795	$375.9	7.9%	$2,934	$5,151.0	7.6%
2007	$3,206	$5,184.8	8.6%	$1,903	$414.8	10.3%	$3,051	$5,599.6	8.7%
2008	$2,924	$4,658.9	-10.1%	$1,683	$357.6	-13.8%	$2,778	$5,016.5	-10.4%
2009	$2,761	$4,337.7	-6.9%	$1,616	$318.5	-10.9%	$2,633	$4,656.2	-7.2%
2010	$2,938	$4,646.2	7.1%	$1,679	$353.2	10.9%	$2,790	$4,999.4	7.4%
2011	$2,968	$4,749.4	2.2%	$1,683	$378.4	7.1%	$2,810	$5,127.8	2.6%
2012	$3,280	$5,288.4	11.3%	$1,859	$434.7	14.9%	$3,100	$5,723.0	11.6%
2013	$3,335	$5,457.2	3.2%	$1,816	$453.9	4.4%	$3,133	$5,911.1	3.3%
2014	$3,637	$6,109.1	11.9%	$1,951	$513.3	13.1%	$3,409	$6,622.4	12.0%
2015	$3,851	$6,590.5	7.9%	$1,987	$561.1	9.3%	$3,587	$7,151.6	8.0%
2016	$3,980	$6,970.1	5.8%	$2,112	$611.6	9.0%	$3,715	$7,581.7	6.0%

Effective Tax Rates

Exhibit 12 shows tax as a percent of AGI, and tax as a percent of taxable income for full-year resident filers, as compared to the filer's level of adjusted gross income. There is a graph for both single filers and joint filers.

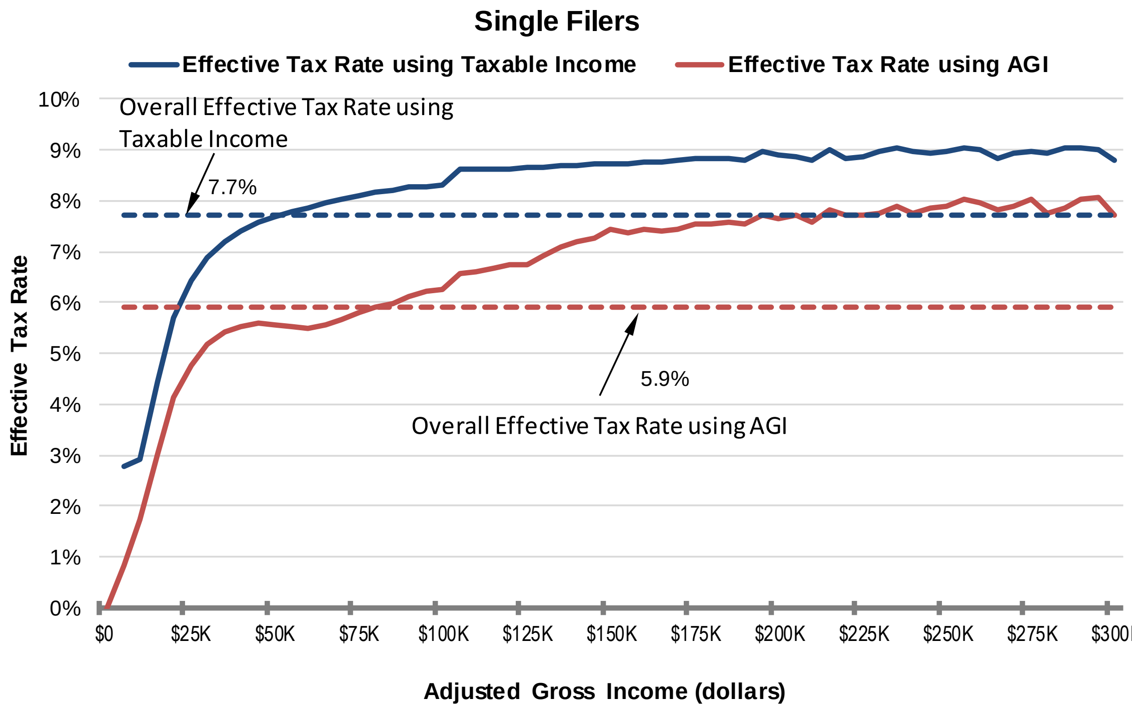
Tax as a percent of AGI (lower curve on both charts) provides the tax rate necessary to apply to AGI to raise the same amount of revenue as current tax law. It averages all deductions and credits used across all filers. Subtractions and deductions lower the effective tax rate. The effective tax rate 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 either 9 or 9.9 percent, depending on their tax bracket.

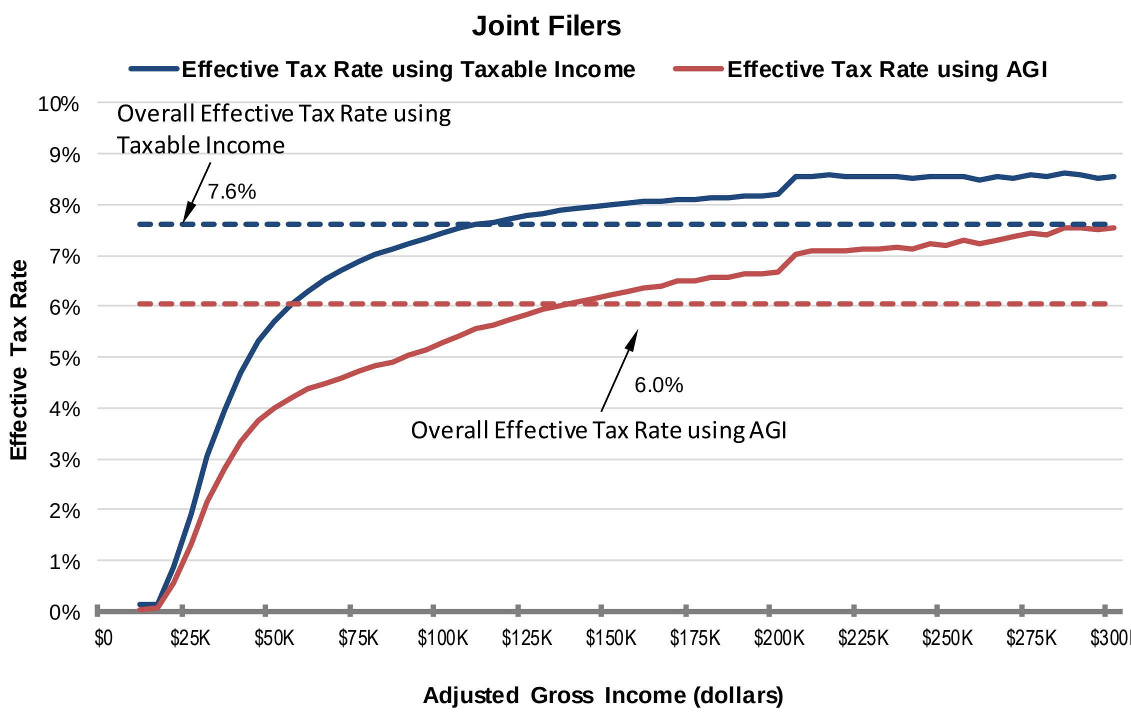
The top curve (on both charts) shows the tax as a percent of taxable income. It has the same general shape as the bottom curve, just shifted up on the percent axis because it is only reduced by tax credits. The rate increases quickly and then gradually approaches 9.9 percent, beyond the limits of this 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 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. For example, single filers would pay a flat rate of 5.9 percent and joint filers would pay a flat rate of 6.0 percent of their AGI or single and joint filers would pay flat rates of 7.7 percent and 7.6 percent, respectively, of their taxable income.

There are a couple interesting features to note from the charts. The jump in the curves at an AGI of $100,000 for single filers and at an AGI of $200,000 for joint filers is because the personal exemption credit is not allowed above those income values and hence the effective tax rate increase when one can no longer reduce their tax with the personal exemption credit. On the effective rate curve from AGI for single filers, the tax rate goes down between AGIs of about $50,000 to $65,000. This is a result of interaction between Oregon's income tax brackets and the federal tax brackets when filers claim the subtraction for a federal tax liability. This effect is further enhanced for single filers because they effectively have twice the limit of federal tax liability they are allowed to subtract compared to joint filers. The actual limit is the same for both groups, so for joint filers the limit per taxpayer is half that.

Exhibit 12 - Effective Tax Rates Derived from AGI and Taxable Income
Single and Joint Full-Year Resident Returns - 2016





Distribution of Returns, Income, and Tax by AGI Level

Exhibit 13 shows total Oregon AGI and total tax liability by AGI quintile for 2015 and 2016. 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 data 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.

A couple of observations can be made, which show how the tax liability is concentrated by income level. In 2016, the bottom 40 percent of filers by income accounted for just over 4 percent of the total tax liability, while the top 40 percent accounted for over 86 percent of the total tax liability. The top one percent of full-year filers accounted for about 21 percent of the total tax liability.

Exhibit 13 - Income and Tax Liabilty by AGI Quintiles
Full-Year Resident Returns - 2015 and 2016

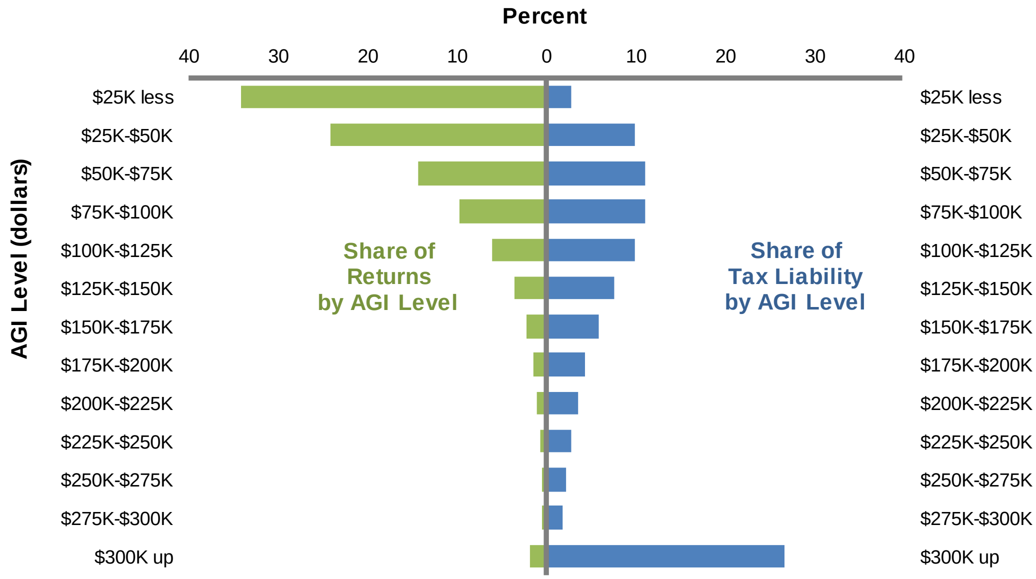
Quintile	Approximate AGI Range in 2016 (dollars)	Total AGI ($ millions) 2015	2016	Total Tax Liability ($ millions) 2015	2016	Share of Total Tax Liability 2015	2016
Lowest 20%	Below $14K	$610.5	$775.2	$37.0	$42.4	0.6%	0.6%
Second 20%	$14K-$30K	$7,181.5	$7,666.6	$237.9	$266.0	3.6%	3.8%
Middle 20%	$30K-$52K	$13,286.2	$14,027.6	$602.3	$649.1	9.1%	9.3%
Fourth 20%	$52K-$93K	$23,546.4	$24,672.5	$1,189.4	$1,254.3	18.0%	18.0%
Next 15%	$93K-$185K	$31,408.0	$32,951.4	$1,894.8	$1,998.0	28.8%	28.7%
Next 4%	$185K-$415K	$16,911.5	$17,749.5	$1,243.2	$1,304.7	18.9%	18.7%
Top 1%	above $415K	$17,282.2	$18,258.3	$1,385.8	$1,455.7	21.0%	20.9%
Total		**$110,226.4**	**$116,101.2**	**$6,590.5**	**$6,970.1**	**100.0%**	**100.0%**

Notes: Each quintile contains one-fifth of the total number of full-year resident returns, which is approximately 350,000.
The AGI breakpoints between the quintiles were slightly less for tax year 2015.

Exhibit 14 (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 2016.

Approximately 58 percent of filers reported AGI less than $50,000 in 2016. This group paid less than 13 percent of the total tax liability. Filers with AGI above $300,000 represented only 1.9 percent of total returns, but paid just under 27 percent of total tax liability in 2016.

Exhibit 14 - Returns and Tax Liability by AGI Level
Full-Year Resident Returns - 2016



AGI Level (dollars)	Returns Number	Returns Share	Tax Liability $ (millions)	Tax Liability Share
Below $25,000	598,071	34.2%	$197.5	2.8%
$25,000 - $50,000	423,430	24.2%	$687.9	9.9%
$50,000 - $75,000	251,970	14.4%	$768.7	11.0%
$75,000 - $100,000	169,613	9.7%	$779.9	11.2%
$100,000 - $125,000	106,675	6.1%	$689.7	9.9%
$125,000 - $150,000	63,213	3.6%	$536.1	7.7%
$150,000 - $175,000	39,298	2.2%	$414.0	5.9%
$175,000 - $200,000	24,790	1.4%	$311.3	4.5%
$200,000 - $225,000	16,258	0.9%	$246.3	3.5%
$225,000 - $250,000	11,265	0.6%	$193.4	2.8%
$250,000 - $275,000	7,992	0.5%	$154.8	2.2%
$275,000 - $300,000	6,051	0.3%	$130.9	1.9%
Above $300,000	32,512	1.9%	$1,859.7	26.7%
Total	**1,751,138**	**100.0%**	**$6,970.1**	**100.0%**

Distribution of Returns and Tax by Oregon Tax Brackets

Exhibit 15 shows the number of filers and the total tax liability by those filers in each tax bracket. Note that there were about 130,000 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 household and dependent care credit. In addition, if a taxpayer is required to file federally, they are required to file for Oregon, even if they have no taxable income.

Exhibit 15 - Returns and Tax by Oregon Tax Brackets
Full-Year Resident Returns - 2016

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	130,996	7.5%	$0.0	0%
$1- $3,250	5%	117,772	6.7%	$2.5	0.04%
$3,251–$8,150	7%	201,335	11.5%	$33.6	0.5%
$8,151-$125,000	9%	1,252,715	71.5%	$4,803.3	68.9%
over $125,000	9.9%	48,320	2.8%	$2,130.7	30.6%
Total		**1,751,138**	**100.0%**	**$6,970.1**	**100.0%**

Types of Income

Exhibit 16 (on the following page) shows the types of income reported on federal tax returns for 2015 and 2016 with the corresponding number of returns that claimed that type of income, the average amount claimed per return, 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 to report a loss, represented by a negative number. Wages are the dominant source of income, representing $77 billion of the $118 billion of total gross income, or 66 percent of the total in 2016. There was especially strong growth in income from rents/partnerships/S corps, which increased by over 12 percent in 2016 from the previous year.

Exhibit 16 - Types of Income
Full-Year Resident Returns - 2015 and 2016

Income Type	Number of Returns 2015	Number of Returns 2016	Average ($) 2015	Average ($) 2016	Total ($ millions) 2015	Total ($ millions) 2016	Growth in Total
Wages, Salaries, Tips	1,371,878	1,398,741	$53,702	$55,361	$73,672.1	$77,435.4	5.1%
Interest	492,928	521,582	$1,955	$1,944	$963.9	$1,013.7	5.2%
Dividends	344,805	347,217	$7,434	$7,596	$2,563.2	$2,637.5	2.9%
Capital Gain (loss)	330,806	337,007	$20,485	$20,533	$6,776.4	$6,919.6	2.1%
Other Gain (loss)	32,156	30,904	$1,847	$1,510	$59.4	$46.7	-21.5%
Business income (loss)	253,610	263,486	$15,713	$15,579	$3,985.0	$4,104.9	3.0%
Rent, Part., S Corp (income or loss)	234,407	235,489	$34,705	$38,749	$8,135.0	$9,124.9	12.2%
IRA distributions	199,136	206,108	$17,276	$17,103	$3,440.2	$3,525.2	2.5%
Pensions	338,519	340,397	$26,129	$26,721	$8,845.1	$9,095.7	2.8%
Social Security benefits	272,157	281,290	$14,244	$14,473	$3,876.5	$4,071.1	5.0%
Unemployment compensation	90,968	80,862	$4,266	$4,458	$388.1	$360.4	-7.1%
Farm income (loss)	30,036	29,802	-$6,870	-$8,453	-$206.4	-$251.9	*
State tax refunds	360,349	494,076	$1,325	$1,441	$477.4	$711.9	49.1%
Alimony	8,859	8,748	$19,212	$20,154	$170.2	$176.3	3.6%
Other income (loss)	135,800	134,353	-$7,195	-$6,020	-$977.1	-$808.9	*
Total					**$112,168.9**	**$118,162.5**	**5.3%**

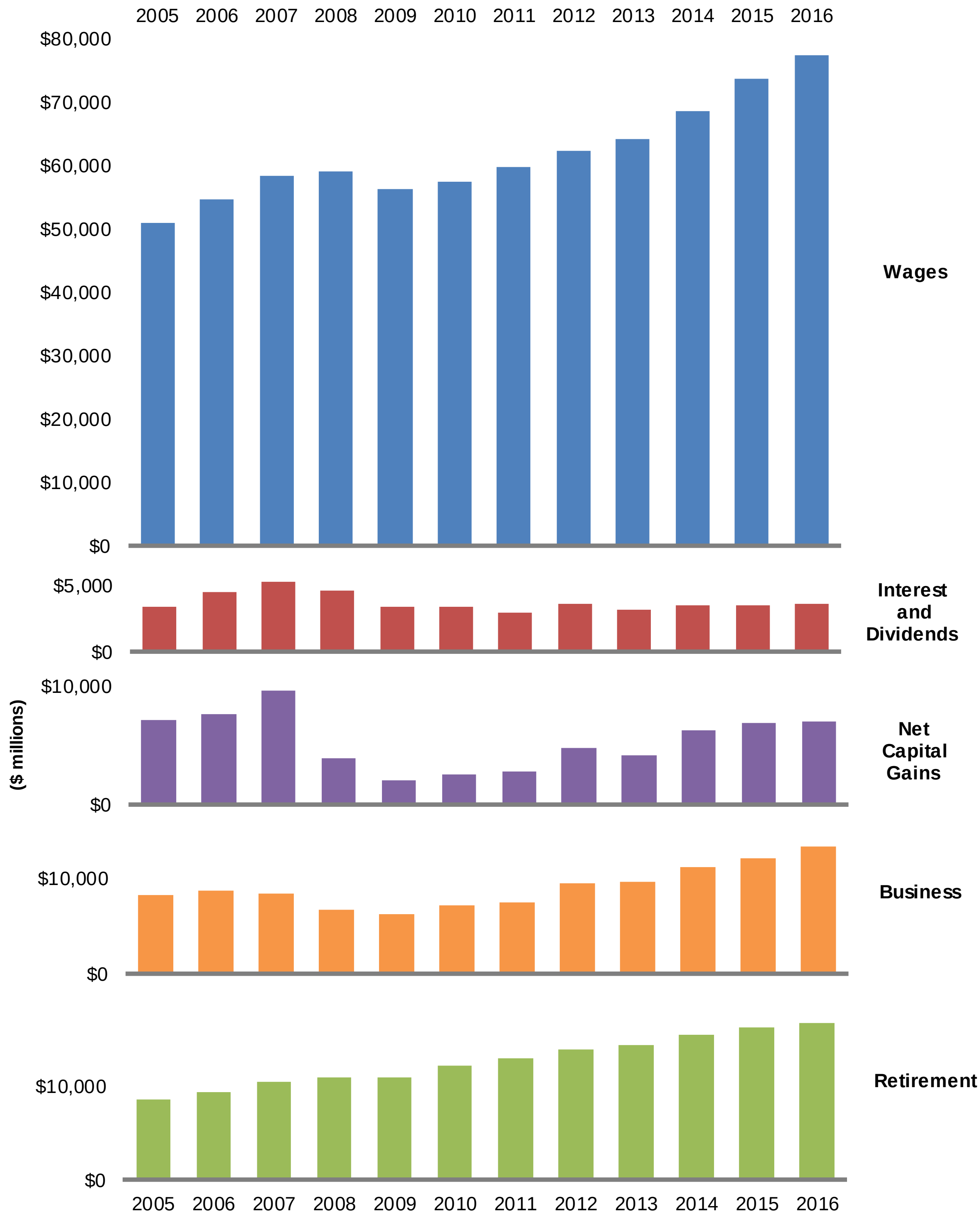
** Growth in total is not computed when the particular income type has a significant negative component*

Categories of Income–Historical

This section discusses the income reported on federal forms historically for similar income types grouped into categories. Exhibit 17 (on the following page) shows these income categories for tax years 2005 through 2016 for full-year resident filers. The interest and dividend income category is comprised of passive types of investments. The category of 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 $0.2 billion (or less than a percent) of the total gross income in 2016 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 2015, capital gains accounted for 5.9 percent of the total gross income, but that amount has varied since 2005 from a low of 2.5 percent in 2009 to a high of 10.3 percent in 2007. Retirement income's share of total income has slowly increased from 11 percent in 2005 to over 14 percent in 2016.

Exhibit 17 - Categories of Income - Historical
Full-Year Resident Returns - 2005 to 2016



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

Types of Adjustments

Exhibit 18 shows the types of federal adjustments to net income claimed on full-year returns in 2015 and 2016 with the corresponding number of returns claiming the adjustment, the average claimed, and total amount for full-year resident filers.

Exhibit 18 - Federal Adjustments
Full-Year Resident Returns - 2015 and 2016

	Number of Returns		Average ($)		Total ($ millions)		Growth
Adjustment	2015	2016	2015	2016	2015	2016	in Total
Self-Emp Health Insurance	71,312	73,223	$5,934	$6,247	$423.2	$457.4	8.1%
Self-Employment Tax	206,268	212,117	$1,709	$1,713	$352.5	$363.3	3.1%
SEP, SIMPLE	13,658	13,950	$20,473	$20,629	$279.6	$287.8	2.9%
IRA Contributions	41,829	43,697	$4,957	$4,950	$207.4	$216.3	4.3%
Domestic Production	11,697	11,999	$15,564	$17,662	$182.1	$211.9	16.4%
Alimony Paid	10,694	10,766	$16,737	$17,517	$179.0	$188.6	5.4%
Student Loan Interest	172,810	177,757	$1,065	$1,061	$184.1	$188.6	2.4%
Health Savings Accounts	16,209	20,364	$3,154	$2,939	$51.1	$59.8	17.1%
Tuition and Fees	22,017	21,850	$2,245	$2,268	$49.4	$49.5	0.2%
Moving Expenses	7,063	7,298	$2,263	$2,324	$16.0	$17.0	6.1%
Educator Expenses	32,436	33,958	$245	$247	$7.9	$8.4	5.3%
Employee Business Expenses	1,524	1,618	$2,786	$2,785	$4.2	$4.5	6.1%
Penalty on Early Withdrawal	4,241	3,412	$204	$218	$0.9	$0.7	-14.0%
Other/Unknown	1,261	1,277	$4,114	$5,813	$5.2	$7.4	*
Total					**$1,942.6**	**$2,061.3**	**6.1%**

** Growth is not meaningful in this category*

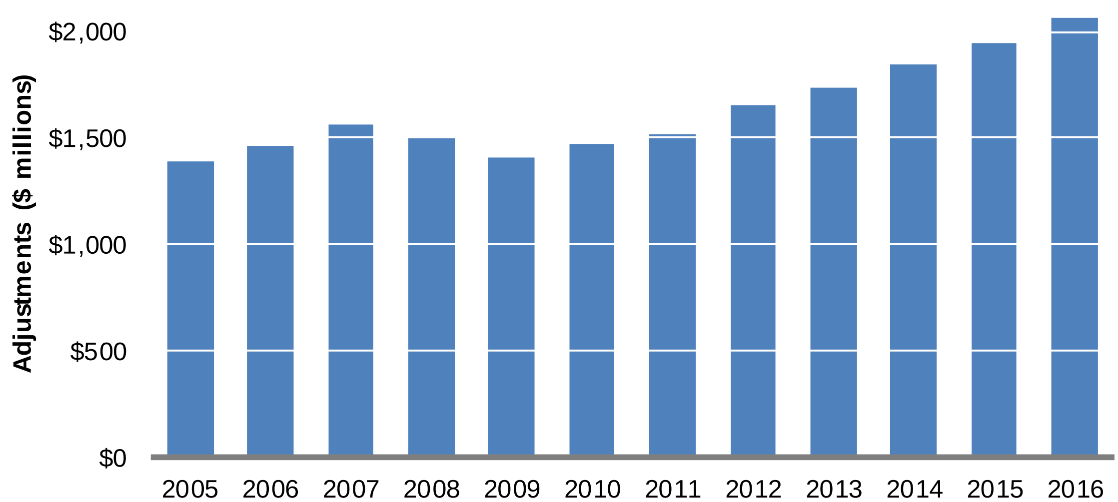
The three adjustments associated with self-employment or those taxpayers who file a federal schedule C for income from sole proprietorship together account for about 54 percent of total dollar amount of adjustments claimed. Those self-employed taxpayers may be able to deduct from total income half of payments made for their own Social Security and Medicare taxes, portions of payments for health insurance and portions of contributions made to SEP, SIMPLE and other qualified retirement plans.

For full-year returns, the total adjustments in 2016 increased by 6.4 percent from the total adjustments in 2015.

Adjustments–Historical

Exhibit 19 shows the trend in total federal adjustments since 2005 for full-year resident returns. The yearly trend in the total federal adjustments closely tracks the total Oregon AGI. Since 2005, the percentage of the total federal adjustments compared to the Oregon AGI has remained fairly constant, between 1.7 and 1.9 percent.

Exhibit 19 - Total Federal Adjustments - Historical
Full-Year Resident Returns - 2005 to 2016



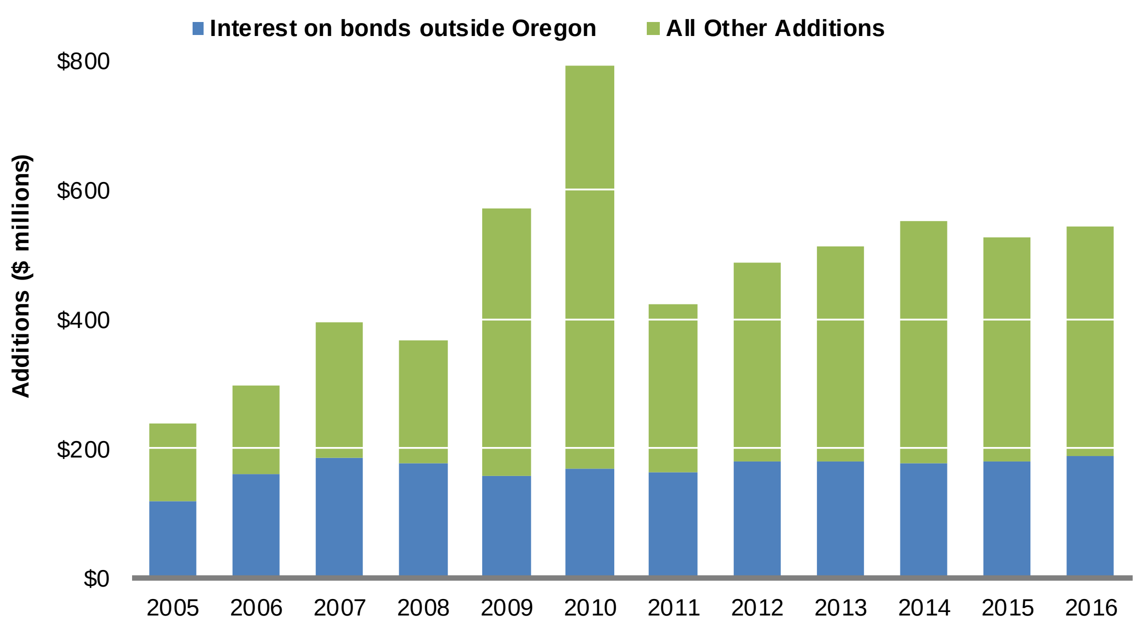
Additions represent income not taxed by the federal government but taxed by Oregon and federal deductions to AGI that are not allowed for Oregon. Subtractions represent income taxed by the federal government but not taxed by Oregon and Oregon deductions to AGI that are not allowed at the federal level.

Additions

Exhibit 20 shows that additions over the 12 years have more than doubled from $239 million in 2005 to $544 million in 2016. 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 20 - Oregon Additions - Historical
Full-Year Resident Returns - 2005 to 2016



Subtractions

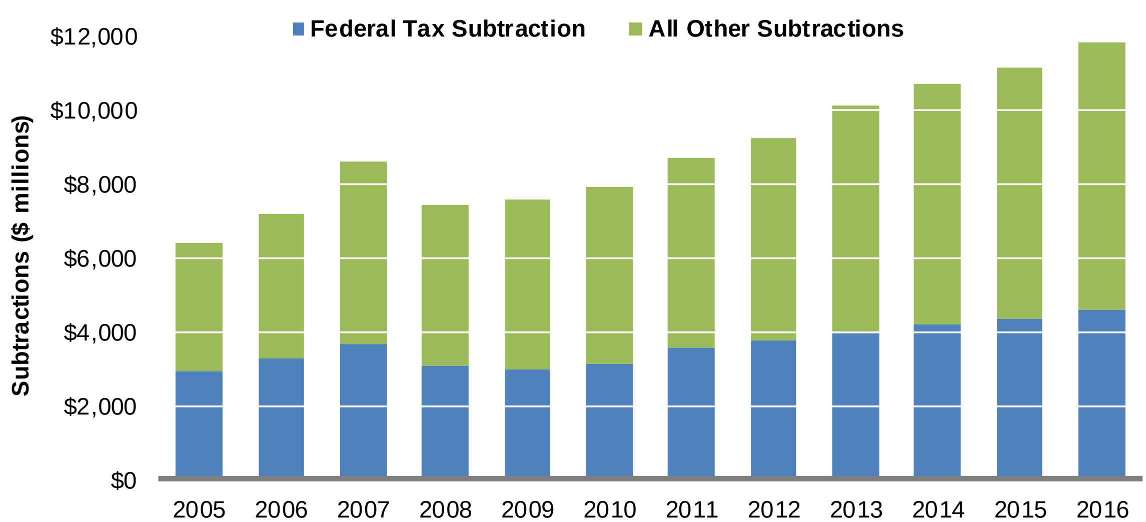
Exhibit 21 shows the number of returns that claimed major subtractions, the average amount per return, and total amount of the subtraction claimed in 2015 and 2016.

Exhibit 21 - Oregon Subtractions
Full-Year Resident Returns - 2015 and 2016

Subtraction	Number of Returns 2015	Number of Returns 2016	Average ($) 2015	Average ($) 2016	Total ($ millions) 2015	Total ($ millions) 2016	Growth in Total
Federal Tax	1,151,374	1,190,926	$3,794	$3,854	$4,368.4	$4,589.6	5.1%
Social Security	272,155	281,757	$14,244	$14,469	$3,876.5	$4,076.8	5.2%
Federal Pension	40,024	39,519	$23,885	$23,895	$956.0	$944.3	-1.2%
Income Tax Refunds	346,963	476,142	$1,276	$1,412	$442.8	$672.2	51.8%
Elderly Medical	272,866	270,266	$1,581	$1,563	$431.4	$422.5	-2.1%
Military Pay	12,902	13,175	$22,102	$22,414	$285.2	$295.3	3.6%
Tuition and Fees	106,076	100,691	$2,699	$2,714	$286.3	$273.3	-4.5%
Oregon 529	38,579	42,739	$2,904	$2,908	$112.1	$124.3	10.9%
U.S. Bonds	41,347	45,317	$1,617	$1,888	$66.9	$85.5	27.9%
Other subtractions	70,424	61,580	$4,962	$5,715	$349.5	$351.9	0.7%
Total					**$11,174.8**	**$11,835.7**	**5.9%**

Exhibit 22 shows Oregon total subtractions generally increasing since 2005. 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 2016 of 5.9 percent.

Exhibit 22 - Oregon Subtractions - Historical
Full-Year Resident Returns - 2005 to 2016



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 at the federal level with the exception that Oregon does not allow a deduction for Oregon state income taxes. The medical expenses of elderly taxpayers deduction became a subtraction beginning in tax year 2013.

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 ($2,155 single filer, $4,315 joint filer in 2016) is much lower than the federal standard deduction ($6,300 single filer, $12,600 joint filer in 2016), some filers itemized their deductions for Oregon only.

In 2016, 46 percent of filers itemized their deductions, accounting for about 83 percent of the approximately $16.2 billion in total deductions. The remaining filers claimed their allowed standard deduction.

Exhibit 23 shows the number of returns, average per return, and total amount of the deductions claimed in 2015 and 2016. For those that itemized their deductions for Oregon, also shown is the total amount the allowed federal deductions get reduced by the deduction for state income tax.

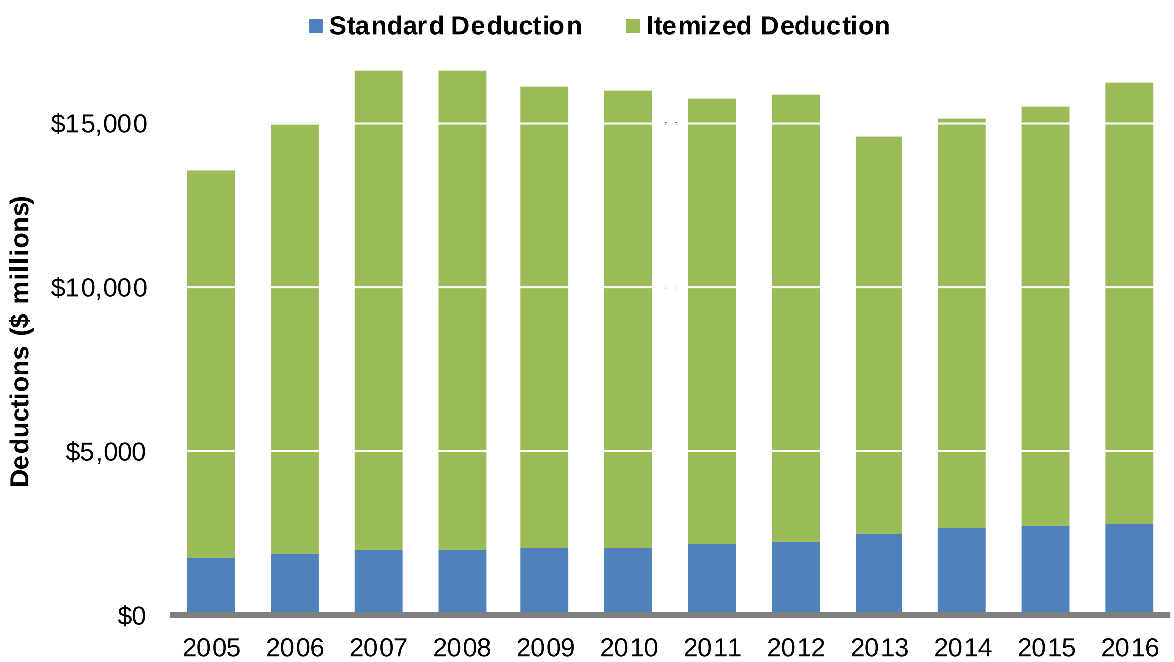
Exhibit 23 - Oregon Deductions
Full-Year Resident Returns - 2015 and 2016

	Number of Returns		Average ($)		Total ($ millions)		Growth
Deduction	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**in Total**
Standard	908,058	946,201	$2,915	$2,939	$2,646.7	$2,780.6	5.1%
Itemized							
Total allowed at federal level	771,552	804,937	$22,669	$23,827	$17,490.6	$19,179.5	9.7%
Reduction due to state income tax	703,841	739,606	$7,084	$7,745	$4,985.8	$5,728.2	14.9%
Net itemized*	771,552	804,937	$16,207	$16,711	$12,504.9	$13,451.3	7.6%
Total	**1,679,610**	**1,751,138**	**$9,021**	**$9,269**	**$15,151.6**	**$16,231.9**	**7.1%**

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

Exhibit 24 shows the total amount filers claimed as either a standard deduction or itemized deductions on their Oregon returns. The percentage of filers who itemize hovered close to 50 percent until 2013 when it has since dropped to close to 46 percent. The decrease in taxpayers who itemized their deductions was mainly due to the additional deduction allowed for medical expenses of elderly taxpayers being converted to a subtraction beginning in tax year 2013.

Exhibit 24 - Oregon Deductions - Historical
Full-Year Resident Returns - 2005 to 2016



	Standard Deduction		Itemized Deduction		Total
Tax Year	Total ($ millions)	Share of Filers	Total ($ millions)	Share of Filers	Deductions ($ millions)
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
2013	$2,504.2	53.2%	$12,084.7	46.8%	$14,588.9
2014	$2,646.7	54.1%	$12,504.9	45.9%	$15,151.6
2015	$2,734.7	54.3%	$12,811.1	45.7%	$15,545.8
2016	$2,780.6	54.0%	$13,451.3	46.0%	$16,231.9

Reduced tax rates on income from pass-through entities that meet certain requirements are available to Oregon personal income taxpayers. Beginning with tax year 2015, taxpayers with qualifying income from a partnership or S-corporation can elect to use the following reduced tax on that income:

Tax Rates for Qualified Income from Pass-through Entities

Net Nonpassive Income	Tax Rate
$1 to $250,000	7.0%
$250,001 to $500,000	7.2%
$500,001 to $1,000,000	8.7%
$1,00,001 to $2,500,000	8.0%
$2,500,001 to $5,000,000	9.0%
More than $5,000,000	9.9%

The taxpayer and the pass-through entity from which they receive income must meet certain requirements for that income to qualify for the reduced tax rates. The taxpayer must be an active participant in the partnership or S-corporation. The partnership or S-corporation must employ at least one person other than the taxpayer or another shareholder/partner of the partnership or S-corporation, who must work at least 1,200 hours per year in Oregon; only weeks in which an employee works at least 30 hours counts towards the total.

The only addition or subtraction allowed to modify the qualifying income is any depreciation adjustment directly related to the partnership or S-corporation. The tax on the qualifying income is determined by applying the above tax rates to the qualifying income. The taxpayer's remaining income, adjusted by any other Oregon additions, subtractions and/or deductions, is taxed at the standard tax rates. The taxpayer's net tax is the sum of the tax on the qualifying income from pass-through entities and the tax on the remaining income.

For some taxpayers, particularly those with little other income and large other subtractions and/or deductions, it is possible to pay a lower tax by applying the standard rates to all their income. Hence, they would not choose to use the reduced tax rates on their qualifying income, since they cannot apply those other subtractions and deduction to the qualifying income, if they had used the reduced rates.

Exhibit 25 shows the number of full-year filers that have calculated their net tax using the reduced tax rates on qualified pass-through income for tax years 2015 and 2016 and the reduction in net tax, if the tax on that income had been calculated using the standard tax rates.

Exhibit 25 - Taxpayers Claiming Reduced Tax Rate on Income from Pass-through Entities
Full-Year Resident Returns - 2016

		Reduction in Net Tax*	
Tax Year	Number of Claims	Average ($)	Total ($ millions)
2015	13,352	$5,037	$67.3
2016	22,483	$4,243	$95.4

Tax before any credits are applied

A tax credit reduces tax liability on a dollar-for-dollar basis. Most credits are not refundable, which means they only reduce tax liability to zero. If a filer has more nonrefundable credits than tax liability, the excess credit is lost (standard credit) or carried forward to the next tax year (carryforward credit). 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. Some credits are specifically geared for businesses, but claiming of the tax credit may be reported on the personal income tax return, if the taxpayer is the owner of sole proprietorship, or a shareholder in an S-corporation, or purchased a tax credit from a business.

Standard Credits

Standard credits are nonrefundable credits that can only be claimed on the current year's tax return. Credit amounts claimed, but not used in the current year are lost. Exhibit 26 shows standard credits claimed amounts and the amounts actually used to reduce tax liability by full-year return filers in 2016. 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. Shown are all standard credits with a total amount claimed of at least $0.5 million.

Exhibit 26 - Oregon Standard Credits Claimed and Used
Full-Year Resident Returns - 2016

		Average ($)		Total ($ millions)		
	Number of Claims	Amount Claimed	Amount Used	Amount Claimed	Amount Used	Percent Used
Personal Exemption	1,552,354	$398	$358	$617.1	$556.1	90.1%
Income Taxes Paid to Another State	19,160	$2,487	$2,476	$47.7	$47.4	99.6%
Rural Medical Practice	1,866	$4,295	$4,209	$8.0	$7.9	98.0%
Political Contributions	92,928	$69	$64	$6.4	$6.0	93.4%
Oregon Cultral Trust Donation	7,203	$543	$529	$3.9	$3.8	97.5%
Retirement	5,126	$326	$165	$1.7	$0.8	50.7%
Pass-through taxes paid to another state	165	$6,396	$5,512	$1.1	$0.9	86.2%
Other credits*	465	$1,079	$603	$0.5	$0.3	55.8%
Total	**1,679,267**			**$686.3**	**$623.3**	**90.8%**

**Includes credits for Mutually-taxed Gain on the Sale of Residential Property, Oregon Veterans' Home Physician, Reservation Enterprise Zone and Rural Emergency Medical Technicians*

The personal exemption credit was the most widely claimed credit with over 1.5 million full-year filers claiming more than $600 million in credits. The personal exemption credit is available to nearly all filers, with the exception of those claimed as a dependent on another tax return and those single filers with incomes above $100,000 and joint filers with income above $200,000. About 90 percent of the credit amount was used with the remaining 10 percent unused because credits claimed exceeded the tax liability.

Carryforward Credits

Carryforward credits are nonrefundable credits for which any unused portion in the current tax year may be carried to the following tax year. The number of years that a credit can be carried forward varies according to the carryforward rules of that credit. For carryforward credits with more than a $0.5 million used, Exhibit 27 (on the following page) shows data from full-year filers on the amount of carryforward credit from the previous tax year, the amount of credit awarded in the current tax year and the credit used in the current tax year. The credit available for the taxpayer to use in the current year is the carryforward credit plus the credit awarded. Any credit the taxpayer is not able to use in the current year may be carried forward to the following year, if it has not expired.

Exhibit 27 - Oregon Carryforward Credits Used
Full-Year Resident Returns - 2016

Carryfoward Credit	Number of Claims	Carryforward from previous year Total ($ millions)	Awarded Current Year Total ($ millions)	Amount Used Total ($ millions)	Amount Used Average ($)
Business Energy Credits (1)	1,454	$21.5	$18.9	$21.5	$14,757
Residential Energy	18,165	$4.1	$16.2	$16.5	$909
Oregon Production Investment Fund	386	$0.9	$12.1	$11.1	$28,775
Individual Development Account Donation	435	$0.6	$7.2	$7.1	$16,277
Biomass Production/Collection	42	$0.4	$3.6	$3.5	$84,456
Qualified Research Activities (2)	310	$0.4	$3.0	$2.9	$9,441
Agriculture Workforce Housing	108	$0.9	$1.6	$1.4	$12,886
Oregon Low Income Community Jobs Initiative	15	$1.6	$1.4	$1.4	$91,695
Renewable Energy Development Contributions	61	$0.1	$1.5	$1.1	$18,190
University Venture Development Fund Contrib.	84	$0.2	$0.9	$0.8	$9,773
Child Care Fund Contributions	100	$0.1	$0.6	$0.7	$6,596
Electronic Commerce Zone Investment	19	$2.5	$0.8	$0.6	$32,762
Other credits (3)	1,199	$1.6	$0.5	$0.8	$671
Total	**22,378**	**$35.0**	**$68.1**	**$69.4**	

(1) Includes credits for Business Energy Facilties, Energy Conservation Projects, Transportation Projects and Renewable Energy Resource Equiptment Manufacturing Facilities

(2) Includes both the standard and alternative Qualified Research Activities credits

(3) Includes the credits for Child and Dependent Care, Pollution Control Facilities, Crop Donation, Employer-provided Dependent Care Assistance, Alternative Fuel Vehicle Auction, Employer Scholarship, Fish Screening Devices, Riparian Land, and Reforestation, and the following credits available only to S-corporation shareholders: Agriculture Workforce Housing Loans, Lender's Credit for Affordable Housing, Alternative Fuel Vehicle Fueling Stations, and Contributions of Computers or Scientific Equipment for Research .

Refundable Credits

For refundable credits, taxpayers use all of credits they claim, as any excess amount over their tax liability is received as a payment. Exhibit 28 shows amounts claimed for full-year filers for the refundable credits. Section 8 describes payments issued for refundable credits.

Exhibit 28 - Oregon Refundable Credits Claimed
Full-Year Resident Returns - 2016

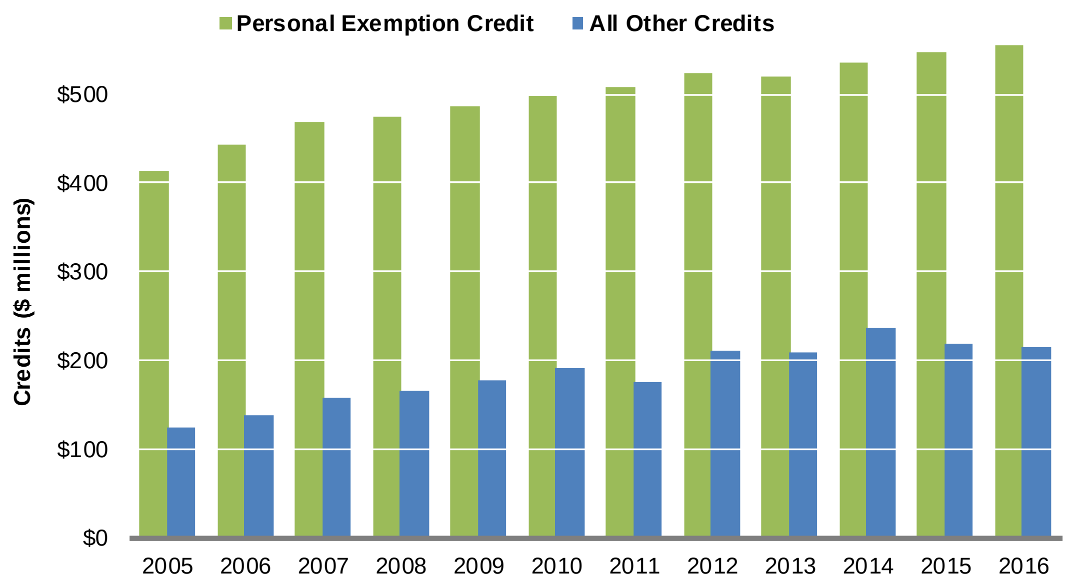
Refundable Credit	Number of Claims	Amount Claimed Average ($)	Amount Claimed Total ($ millions)
Earned Income	253,116	$171	$43.3
Working Family Household and Dependent	31,319	$1,092	$34.2
Claim of Right	35	$5,784	$0.2
Mobile Home Park Closure	8	$4,550	<$0.1
Total	**284,478**		**$77.7**

New in 2016, the working family household and dependent care credit replaced the working family child care credit.

Credits–Historical Trends

Exhibit 29 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 decreased by 2 percent in 2016 from 2015. Since 2008, the used amount of personal exemption credit grew by an average of about 2 percent annually. An inflation-adjusted increase of the personal exemption credit and an increase in filers drove the growth. The small decrease of 0.6 percent in 2013 was due to the personal exemption credit not being allowed for single filers above AGI of $125,000 and joint filers above AGI of $250,000.

Exhibit 29 - Oregon Credits Used - Historical
Full-Year Resident Returns - 2005 to 2016



Tax Year	Personal Exemption Credit ($ millions)	Growth	All Other Credits ($ millions)	Growth	Total Credits ($ millions)	Growth
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%
2013	$520.2	-0.6%	$208.6	-1.0%	$728.8	-0.7%
2014	$536.1	3.0%	$236.0	13.1%	$772.1	5.9%
2015	$546.8	2.0%	$218.3	-7.5%	$765.1	-0.9%
2016	$556.1	1.7%	$214.3	-1.8%	$770.4	0.7%

Section 8: Payments and Refunds
2016 Characteristics of Filers and Historical Trends

The amount a taxpayer is required to pay with the tax return is typically less than the final tax liability, 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 has refundable credits exceeding the tax liability, the taxpayer receives 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 2016, over 110,000 full-year resident filers received payments for refundable credits.

Exhibit 30 shows payments from Oregon tax withheld and estimated payments for tax years 2015 and 2016 as reported on the tax return along with those who made no pre-payments. This exhibit also shows details on 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.

Also shown in this exhibit are the kicker refund payments distributed to taxpayers for the 2013-15 biennia. These payments were distributed for this biennia through the tax year 2015 personal income tax process, however the amount was based on the taxpayers' tax year 2014 tax liability. Taxpayers included the kicker refund payment on their tax return similar to a refundable credit. The effect of the kicker refund payments is seen in increased refunds and decreased final payments in tax year 2015. Also taxpayers who made estimated payments and knew they would receive a kicker refund payment, might have reduced their estimated payments. There were no kicker refund payments in 2016. See Appendix A for additional information regarding the kicker refund.

Exhibit 30 - Reported Payments and Refunds on Returns
Full-Year Resident Returns - 2015 and 2016

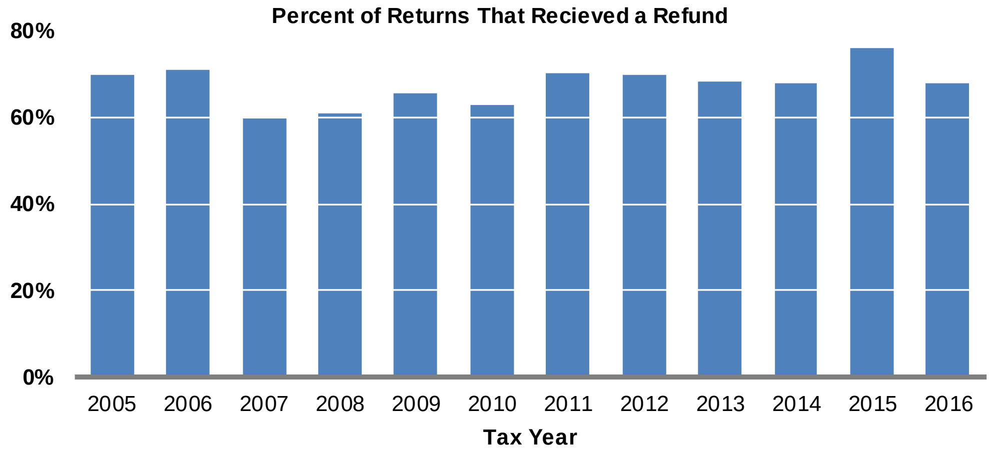
	Number of Returns		Average ($)		Total ($ millions)		Growth
	2015	2016	2015	2016	2015	2016	in Total
Pre-Payments							
Oregon Income tax withheld	1,463,587	1,506,816	$3,745	$3,861	$5,481.4	$5,817.8	6.1%
Estimated tax payments for the current year	127,788	127,257	$9,778	$9,780	$1,249.6	$1,244.6	-0.4%
No Pre-payments	195,482	194,076	$0	$0	$0.0	$0.0	0.0%
Kicker Refund Payments	1,442,315	NA	$256	NA	$369.7	NA	
Final Payment Category							
Tax to pay with return*	353,614	470,699	$1,577	$1,486	$557.7	$699.5	25.4%
Zero balance	58,721	91,984	$0	$0	$0.0	$0.0	0.0%
Refund**	1,298,842	1,188,455	$976	$905	$1,267.1	$1,075.7	-15.1%
Part or all of refund includes payment for refundable credit	120,212	113,365	$264	$299	$31.8	$33.9	6.5%

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

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

Exhibit 31 shows the percent of full-year resident filers who received a refund and the average amount of their refund for tax years 2005 to 2016. The refund amounts include payments received due to a refundable credit. The drop in the percent of returns that received a refund from 2006 to 2007 and the increase from 2010 to 2011 resulted from major changes to the withholding formula. The large increase of refunds in 2015 were mostly due the kicker refund.

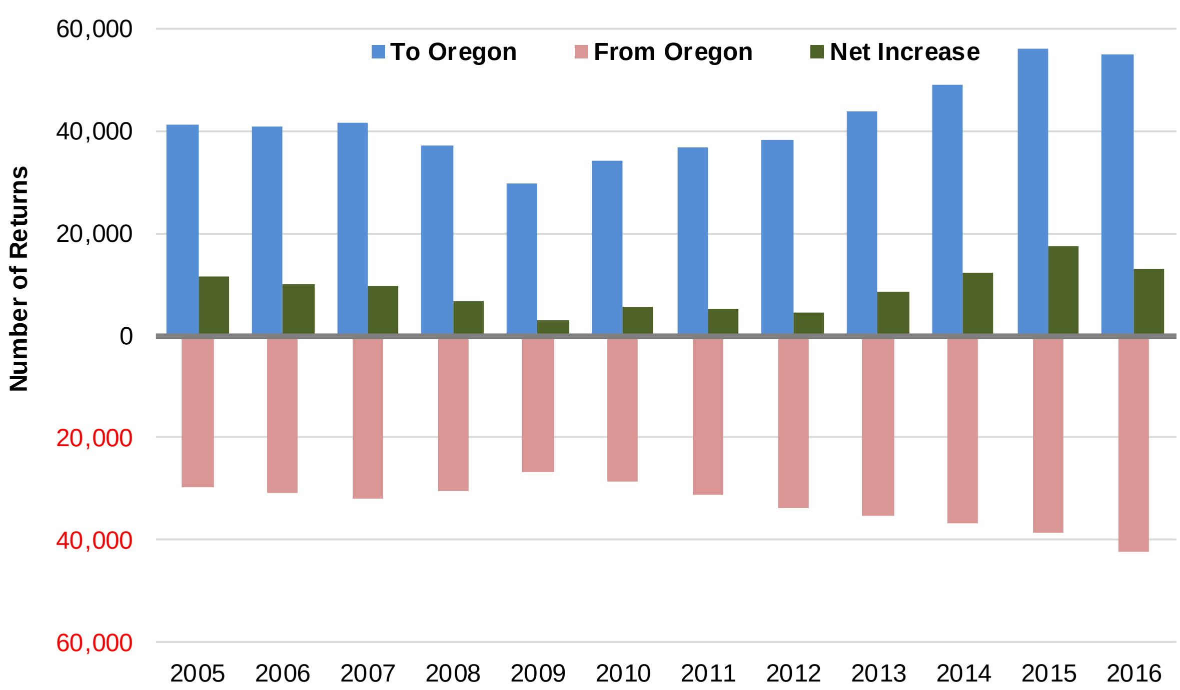
Exhibit 31 - Refunds - Historical
Full-Year Resident Returns - Tax Years 2005 to 2016



Tax Year	Number of Full-Year Returns	Number of Refunds	Percent of Returns with Refund	Total Refunded ($ millions)	Average Refund ($)
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
2013	1,636,507	1,116,103	68.2%	$864.4	$774
2014	1,679,610	1,137,540	67.7%	$924.5	$813
2015	1,711,177	1,298,842	75.9%	$1,267.1	$976
2016	1,751,138	1,188,455	67.9%	$1,075.7	$905

Exhibits 32, 33, 34 and 35 show information on part-year residents entering or leaving Oregon. Exhibit 32 shows the total number of filers moving to and from Oregon from 2005 to 2016 based on the address reported on the return. The number of part-year resident return filers moving to Oregon ranged between roughly 30,000 and 56,000 during this period. In every year, the number of filers moving into Oregon exceeded the number moving out.

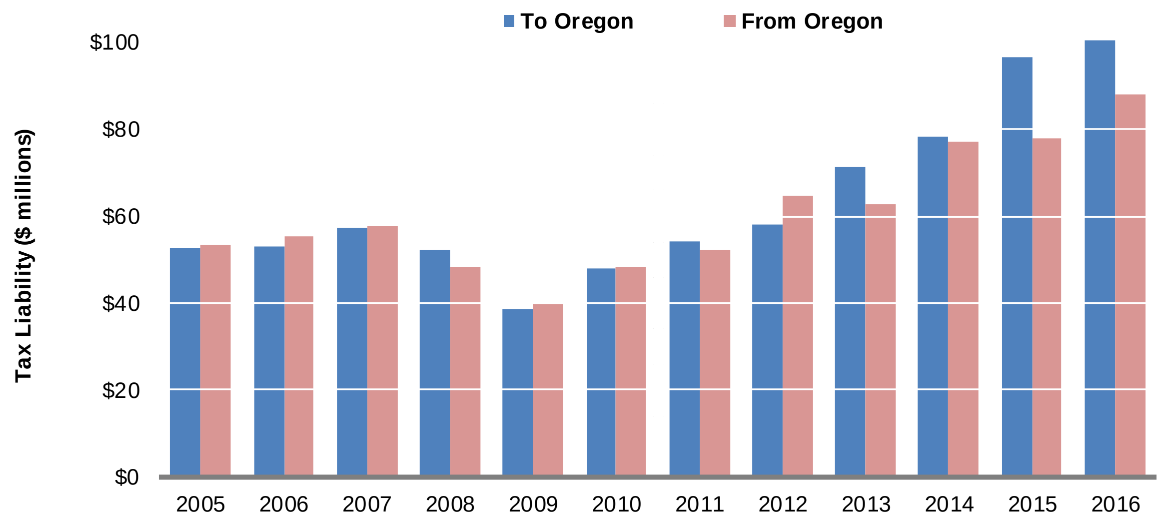
Exhibit 32 - Filers Moving To and From Oregon
Part-Year Resident Returns - 2005 to 2016



	To Oregon		From Oregon		Net Increase	
Tax Year	Filers	Growth	Filers	Growth	Filers	Growth
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%
2013	44,004	14.5%	35,348	4.7%	8,656	85.6%
2014	48,887	11.1%	36,612	3.6%	12,275	41.8%
2015	55,964	14.5%	38,646	5.6%	17,318	41.1%
2016	55,157	-1.4%	42,134	9.0%	13,023	-24.8%

Exhibit 33 shows the total tax liability reported since 2005 by the two groups of part-year residents: those who move into Oregon and those who move from Oregon. Even though there are more taxpayers who move into Oregon than from Oregon, the average tax liability is greater for those taxpayers moving from Oregon, and hence the annual total tax liability is generally about the same for each group. However, there was a large increase in the total tax liability for those taxpayers who moved into Oregon in 2015 and 2016 due to a large increase in both the number of taxpayers and the average tax liability. There are a couple reasons why the average tax liability is greater for those taxpayers moving from Oregon. For those taxpayers moving from Oregon, they tend on average to have slightly larger federal adjusted gross income (this would also include income not taxed by Oregon, earned during the part of the year they were not Oregon residents) and they tend on average to have a higher percentage of federal adjusted gross income taxed by Oregon.

Exhibit 33 - Total Personal Income Tax Liability - Historical Part-Year Resident Returns - 2005 to 2016



	To Oregon			From Oregon			All Part-Year Residents		
Tax Year	Average ($)	Total ($ millions)	Growth in Total	Average ($)	Total ($ millions)	Growth in Total	Average ($)	Total ($ millions)	Growth in Total
2005	$1,274	$52.5	17.4%	$1,786	$53.2	11.2%	$1,489	$105.7	14.3%
2006	$1,290	$52.8	0.6%	$1,800	$55.4	3.8%	$1,509	$108.2	2.3%
2007	$1,380	$57.3	7.7%	$1,807	$57.7	4.1%	$1,566	$115.0	5.9%
2008	$1,403	$52.4	-9.3%	$1,588	$48.5	-19.0%	$1,486	$100.9	-13.9%
2009	$1,288	$38.5	-36.2%	$1,492	$39.8	-21.9%	$1,384	$78.3	-28.9%
2010	$1,398	$47.8	19.5%	$1,692	$48.3	17.6%	$1,532	$96.1	18.5%
2011	$1,473	$54.1	11.6%	$1,667	$52.2	7.5%	$1,562	$106.3	9.6%
2012	$1,516	$58.3	7.2%	$1,911	$64.5	19.1%	$1,700	$122.8	13.4%
2013	$1,620	$71.3	18.2%	$1,776	$62.8	-2.8%	$1,689	$134.0	8.4%
2014	$1,604	$78.4	9.1%	$2,105	$77.1	18.6%	$1,819	$155.5	13.8%
2015	$1,723	$96.4	18.7%	$2,018	$78.0	1.2%	$1,844	$174.4	10.9%
2016	$1,821	$100.4	4.0%	$2,092	$88.1	11.5%	$1,938	$188.6	7.5%

Exhibit 34 shows the number and percent of in-migrants by county of destination for selected tax years. In 2016, as in previous years, in-migrants move to counties roughly in proportion to current county populations. The three counties of the Portland metropolitan area, Multnomah, Washington, and Clackamas contain 44 percent of the state's population and attracted 51 percent of in-migrant taxpayers. Lane and Deschutes Counties were the next most popular destinations.

Exhibit 34 - Number of Filers Moving to Oregon by County of Destination
Part-Year Resident Returns with Oregon Address - 2006, 2015 and 2016

	2006		2015		2016		County Share of 2016
County	Number	Share	Number	Share	Number	Share	State Population
Baker	164	0.4%	165	0.3%	178	0.3%	0.4%
Benton	989	2.4%	1,247	2.2%	1,361	2.5%	2.2%
Clackamas	3,069	7.5%	4,443	7.9%	4,397	8.0%	9.9%
Clatsop	403	1.0%	657	1.2%	576	1.0%	0.9%
Columbia	361	0.9%	424	0.8%	415	0.8%	1.2%
Coos	566	1.4%	741	1.3%	690	1.3%	1.6%
Crook	186	0.5%	198	0.4%	200	0.4%	0.5%
Curry	281	0.7%	414	0.7%	400	0.7%	0.6%
Deschutes	2,417	5.9%	3,339	6.0%	3,531	6.4%	4.3%
Douglas	824	2.0%	987	1.8%	1,016	1.8%	2.7%
Gilliam	11	<0.1%	17	<0.1%	16	<0.1%	<0.1%
Grant	66	0.2%	80	0.1%	75	0.1%	0.2%
Harney	57	0.1%	72	0.1%	45	0.1%	0.2%
Hood River	246	0.6%	285	0.5%	343	0.6%	0.6%
Jackson	2,199	5.4%	2,774	5.0%	2,702	4.9%	5.2%
Jefferson	162	0.4%	161	0.3%	165	0.3%	0.6%
Josephine	791	1.9%	990	1.8%	989	1.8%	2.1%
Klamath	670	1.6%	751	1.3%	806	1.5%	1.7%
Lake	64	0.2%	80	0.1%	80	0.1%	0.2%
Lane	3,546	8.7%	4,657	8.3%	4,736	8.6%	9.0%
Lincoln	533	1.3%	695	1.2%	758	1.4%	1.2%
Linn	865	2.1%	1,022	1.8%	1,047	1.9%	3.0%
Malheur	293	0.7%	319	0.6%	314	0.6%	0.8%
Marion	2,033	5.0%	2,597	4.6%	2,678	4.9%	8.2%
Morrow	60	0.1%	91	0.2%	80	0.1%	0.3%
Multnomah	10,584	25.8%	15,850	28.3%	15,064	27.3%	19.4%
Polk	581	1.4%	785	1.4%	811	1.5%	2.0%
Sherman	15	<0.1%	21	<0.1%	16	<0.1%	<0.1%
Tillamook	210	0.5%	277	0.5%	296	0.5%	0.6%
Umatilla	620	1.5%	675	1.2%	672	1.2%	2.0%
Union	223	0.5%	287	0.5%	246	0.4%	0.7%
Wallowa	72	0.2%	74	0.1%	83	0.2%	0.2%
Wasco	215	0.5%	275	0.5%	317	0.6%	0.7%
Washington	6,806	16.6%	9,587	17.1%	9,253	16.8%	14.3%
Wheeler	14	<0.1%	3	<0.1%	10	<0.1%	<0.1%
Yamhill	766	1.9%	924	1.7%	791	1.4%	2.6%
Total	**40,962**	**100%**	**55,964**	**100%**	**55,157**	**100%**	**100%**

Exhibit 35 (on the following page) shows the number of income tax filers moving from Oregon for selected tax years by state of destination. In 2016, 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 45 percent of all out-migrants.

Exhibit 35 - Number of Filers Moving from Oregon by Destination
Part-Year Resident Returns with Non-Oregon Address - 2006, 2015 and 2016

	2006		2015		2016	
State	**Number**	**Share**	**Number**	**Share**	**Number**	**Share**
Alabama	84	0.3%	137	0.4%	121	0.3%
Alaska	426	1.4%	492	1.3%	479	1.1%
Arizona	1,775	5.8%	2,019	5.2%	2,246	5.3%
Arkansas	131	0.4%	151	0.4%	156	0.4%
California	5,137	16.7%	6,998	18.1%	7,331	17.4%
Colorado	1,028	3.3%	1,310	3.4%	1,415	3.4%
Connecticut	94	0.3%	119	0.3%	133	0.3%
Delaware	19	0.1%	29	0.1%	33	0.1%
Florida	645	2.1%	929	2.4%	1,111	2.6%
Georgia	320	1.0%	394	1.0%	410	1.0%
Hawaii	407	1.3%	561	1.5%	546	1.3%
Idaho	1,646	5.4%	1,826	4.7%	2,155	5.1%
Illinois	480	1.6%	609	1.6%	618	1.5%
Indiana	242	0.8%	269	0.7%	353	0.8%
Iowa	178	0.6%	202	0.5%	248	0.6%
Kansas	156	0.5%	201	0.5%	200	0.5%
Kentucky	140	0.5%	136	0.4%	186	0.4%
Louisiana	115	0.4%	129	0.3%	180	0.4%
Maine	76	0.2%	96	0.2%	133	0.3%
Maryland	191	0.6%	246	0.6%	266	0.6%
Massachusetts	312	1.0%	401	1.0%	436	1.0%
Michigan	292	0.9%	464	1.2%	529	1.3%
Minnesota	414	1.3%	470	1.2%	581	1.4%
Mississippi	59	0.2%	73	0.2%	84	0.2%
Missouri	322	1.0%	320	0.8%	420	1.0%
Montana	603	2.0%	694	1.8%	783	1.9%
Nebraska	133	0.4%	154	0.4%	181	0.4%
Nevada	950	3.1%	990	2.6%	1,123	2.7%
New Hampshire	65	0.2%	89	0.2%	96	0.2%
New Jersey	149	0.5%	186	0.5%	192	0.5%
New Mexico	315	1.0%	340	0.9%	321	0.8%
New York	569	1.9%	830	2.1%	964	2.3%
North Carolina	340	1.1%	501	1.3%	599	1.4%
North Dakota	80	0.3%	156	0.4%	140	0.3%
Ohio	330	1.1%	411	1.1%	505	1.2%
Oklahoma	233	0.8%	231	0.6%	248	0.6%
Pennsylvania	292	0.9%	448	1.2%	485	1.2%
Rhode Island	35	0.1%	44	0.1%	48	0.1%
South Carolina	124	0.4%	208	0.5%	219	0.5%
South Dakota	101	0.3%	104	0.3%	112	0.3%
Tennessee	219	0.7%	334	0.9%	350	0.8%
Texas	1,223	4.0%	1,689	4.4%	1,890	4.5%
Utah	858	2.8%	916	2.4%	1,000	2.4%
Vermont	69	0.2%	106	0.3%	101	0.2%
Virginia	389	1.3%	436	1.1%	428	1.0%
Washington	7,985	26.0%	10,048	26.0%	10,701	25.4%
West Virginia	32	0.1%	53	0.1%	36	0.1%
Wisconsin	266	0.9%	352	0.9%	410	1.0%
Wyoming	222	0.7%	185	0.5%	186	0.4%
Washington, D.C.	72	0.2%	106	0.3%	123	0.3%
Outside U.S.	406	1.3%	454	1.2%	523	1.2%
Total	**30,749**	**100%**	**38,646**	**100%**	**42,134**	**100%**

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This section provides tax information by county to demonstrate how taxpayer characteristics vary by region. Exhibit 36 (on the following page) shows a breakdown of the number of returns filed, total Oregon AGI, and total tax liability by county, and the percent change from 2015 to 2016. Exhibits 37 and 38 are maps showing average AGI and tax liability for full-year returns in each county. Exhibit 39 shows effective tax rates by county. Exhibit 40 shows electronic filing rates for each county.

Most 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: Crook (6.5 percent) and Deschutes (4.9 percent)
- Adjusted gross income: Crook (17.0 percent), Deschutes (11.0 percent)
- Tax liability: Crook (22.6 percent), Deschutes (12.9 percent), Jefferson (11.9) and Tillamook (11.8 percent)

The map in Exhibit 37 (p. 46) shows the counties with the highest average AGI were Clackamas ($84,969) and Washington ($81,507). The counties with the lowest average AGI were Wheeler ($31,140), Harney ($38,314) and Malheur ($41,019).

The map in Exhibit 38 (p. 46) shows that the counties with the highest AGI also had the highest tax liabilities. The largest average of $5,412 was in Clackamas County followed by $5,152 in Washington County. The counties with the lowest average tax liability were Wheeler County ($1,704), Malheur County ($1,988), and Harney County ($2,026).

The map in Exhibit 39 (p. 47) shows effective tax rates (tax divided by AGI) for each county. The counties with the highest effective tax rates were Multnomah (6.4 percent), Clackamas (6.4 percent), and Washington (6.3 percent). The counties with the lowest effective tax rates were Jefferson County (4.8 percent), Malheur (4.8 percent), and Curry County (5.0 percent). Because of Oregon's progressive tax bracket structure, populations with a greater income have a higher effective tax rate. Populations with relatively more subtractions, deductions and credits have a lower effective tax rate.

The map in Exhibit 40 (p. 47) shows electronic filing rates for each county. Sherman County (90.4 percent), Malheur County (90.3 percent), Baker County (90.3 percent), and (Union County (90.2 percent) had the highest electronic filing rates, which are all in the eastern part of Oregon. The counties with the lowest rates were Marion County (82.0 percent) and Polk County (82.4 percent) which are both in the western part.

Exhibit 36 - Distribution of Returns, AGI, and Tax Liability by County and Selected Areas
All Returns - 2016

County or Area	Returns		Adjusted Gross Income		Total Tax Liability		% Change 2015 to 2016		
	Number	Share	($ millions)	Share	($ millions)	Share	No. of Returns	Total AGI	Total Tax
Baker	6,572	0.3%	$290.8	0.2%	$15.1	0.2%	1.5%	3.5%	4.9%
Benton	37,408	1.8%	$2,569.7	2.0%	$155.8	2.1%	2.0%	7.0%	8.9%
Clackamas	187,506	9.2%	$15,682.2	12.5%	$999.3	13.2%	2.9%	6.4%	6.6%
Clatsop	16,989	0.8%	$885.3	0.7%	$47.8	0.6%	2.8%	6.7%	7.5%
Columbia	22,020	1.1%	$1,317.8	1.0%	$74.2	1.0%	4.1%	7.1%	9.0%
Coos	25,331	1.2%	$1,189.9	0.9%	$62.1	0.8%	0.6%	2.3%	2.2%
Crook	9,641	0.5%	$499.5	0.4%	$27.0	0.4%	6.5%	17.0%	22.6%
Curry	9,612	0.5%	$446.4	0.4%	$22.2	0.3%	0.6%	2.9%	3.4%
Deschutes	85,260	4.2%	$5,839.1	4.6%	$357.7	4.7%	4.9%	11.0%	12.9%
Douglas	42,988	2.1%	$2,090.5	1.7%	$110.3	1.5%	1.5%	4.8%	7.2%
Gilliam	769	<0.1%	$42.4	<0.1%	$2.4	<0.1%	1.2%	5.7%	8.8%
Grant	2,879	0.1%	$125.3	0.1%	$7.0	0.1%	0.5%	-1.0%	2.4%
Harney	2,887	0.1%	$109.5	0.1%	$5.8	0.1%	0.6%	-5.6%	-8.4%
Hood River	11,170	0.5%	$699.7	0.6%	$42.6	0.6%	2.0%	8.1%	9.8%
Jackson	94,148	4.6%	$5,164.5	4.1%	$287.6	3.8%	1.9%	3.7%	3.6%
Jefferson	9,153	0.4%	$396.5	0.3%	$19.0	0.3%	4.2%	8.4%	11.9%
Josephine	34,413	1.7%	$1,635.1	1.3%	$84.9	1.1%	1.1%	2.7%	1.5%
Klamath	26,214	1.3%	$1,198.4	1.0%	$65.6	0.9%	1.3%	4.6%	7.1%
Lake	2,967	0.1%	$130.7	0.1%	$7.2	0.1%	0.8%	0.7%	1.2%
Lane	158,269	7.8%	$9,155.9	7.3%	$526.7	6.9%	2.1%	3.3%	2.8%
Lincoln	20,532	1.0%	$1,009.6	0.8%	$51.8	0.7%	2.2%	5.2%	5.3%
Linn	52,212	2.6%	$2,664.3	2.1%	$143.7	1.9%	3.6%	6.6%	9.2%
Malheur	9,987	0.5%	$398.0	0.3%	$19.3	0.3%	0.7%	-2.1%	-1.5%
Marion	139,786	6.8%	$7,615.1	6.1%	$418.3	5.5%	2.9%	5.1%	6.1%
Morrow	4,295	0.2%	$217.2	0.2%	$12.3	0.2%	-2.9%	1.7%	5.9%
Multnomah	371,216	18.2%	$26,223.6	20.9%	$1,679.6	22.2%	1.1%	4.2%	4.3%
Polk	33,991	1.7%	$2,006.0	1.6%	$110.5	1.5%	3.6%	6.3%	7.2%
Sherman	768	<0.1%	$45.4	<0.1%	$2.7	<0.1%	-0.5%	2.3%	1.1%
Tillamook	11,541	0.6%	$591.0	0.5%	$31.8	0.4%	2.8%	7.0%	11.8%
Umatilla	29,844	1.5%	$1,501.1	1.2%	$82.3	1.1%	1.7%	6.3%	8.8%
Union	10,868	0.5%	$538.5	0.4%	$28.6	0.4%	1.1%	0.5%	-0.6%
Wallowa	3,274	0.2%	$148.8	0.1%	$7.8	0.1%	2.0%	3.7%	5.4%
Wasco	11,043	0.5%	$546.8	0.4%	$29.3	0.4%	3.7%	6.7%	8.6%
Washington	261,716	12.8%	$20,889.9	16.6%	$1,323.7	17.5%	2.0%	5.1%	5.1%
Wheeler	513	<0.1%	$15.8	<0.1%	$0.9	<0.1%	0.8%	-13.4%	-11.1%
Yamhill	43,577	2.1%	$2,692.7	2.1%	$151.6	2.0%	3.2%	7.1%	7.9%
Clark Co., Wa.	69,465	3.4%	$3,295.1	2.6%	$206.2	2.7%	-3.6%	1.1%	1.1%
Other Wash.	45,741	2.2%	$1,590.5	1.3%	$105.6	1.4%	11.2%	24.8%	19.2%
California	40,745	2.0%	$1,213.0	1.0%	$50.7	0.7%	3.5%	6.9%	3.6%
Idaho	13,712	0.7%	$409.2	0.3%	$26.2	0.3%	3.4%	11.3%	15.4%
Other	79,716	3.9%	$2,604.1	2.1%	$178.5	2.4%	6.5%	14.7%	16.7%
Total	**2,040,738**	**100%**	**$125,684.9**	**100%**	**$7,581.7**	**100%**	**2.4%**	**5.6%**	**6.0%**

Exhibit 37
Average Adjusted Gross Income
Full-Year Resident Filers
Tax Year 2016

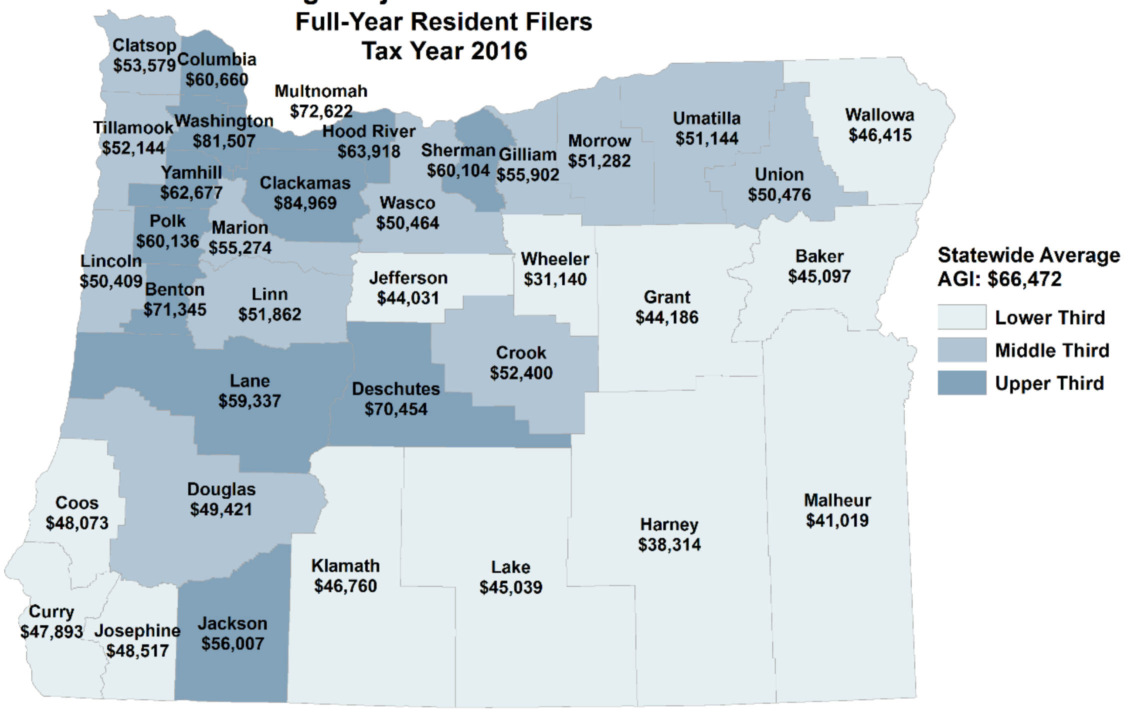


Exhibit 38
Average Tax Liability
Full-Year Resident Filers
Tax Year 2016

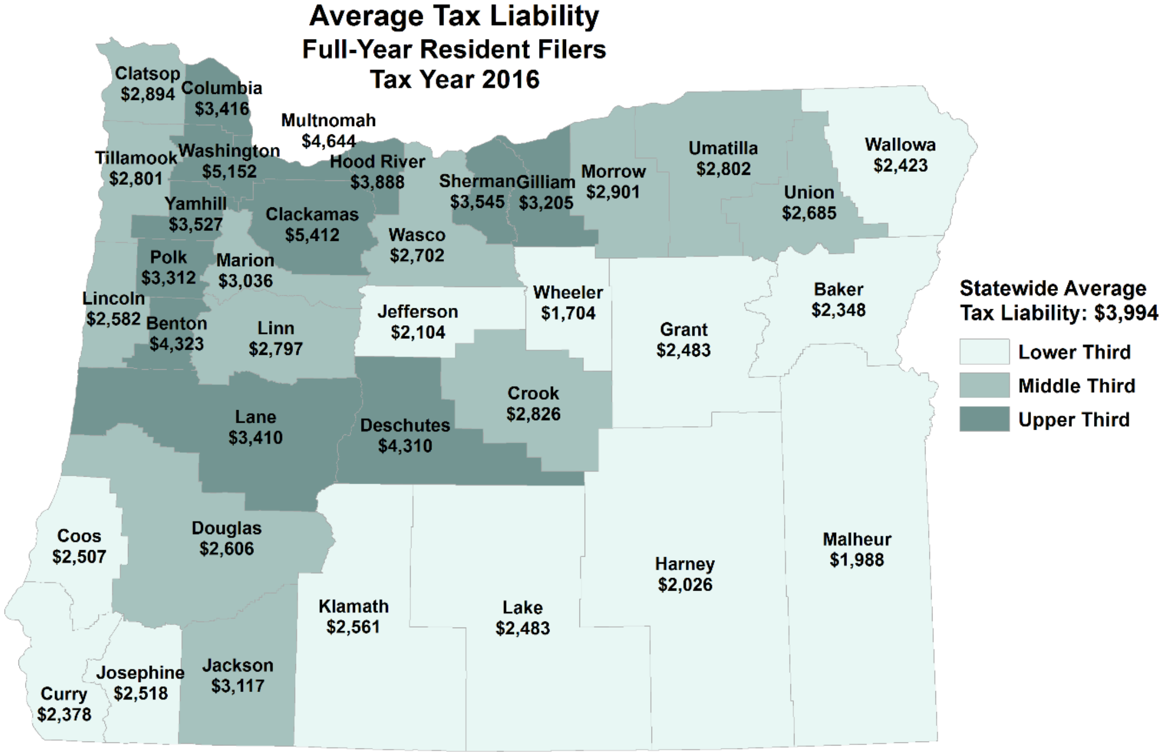
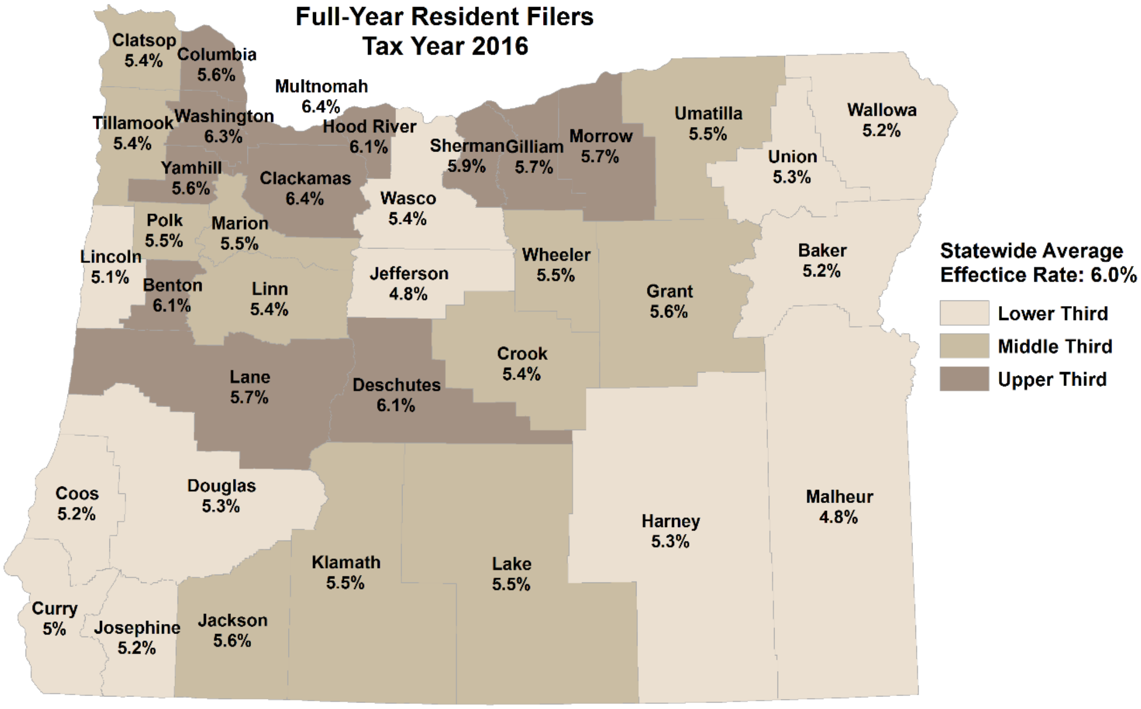
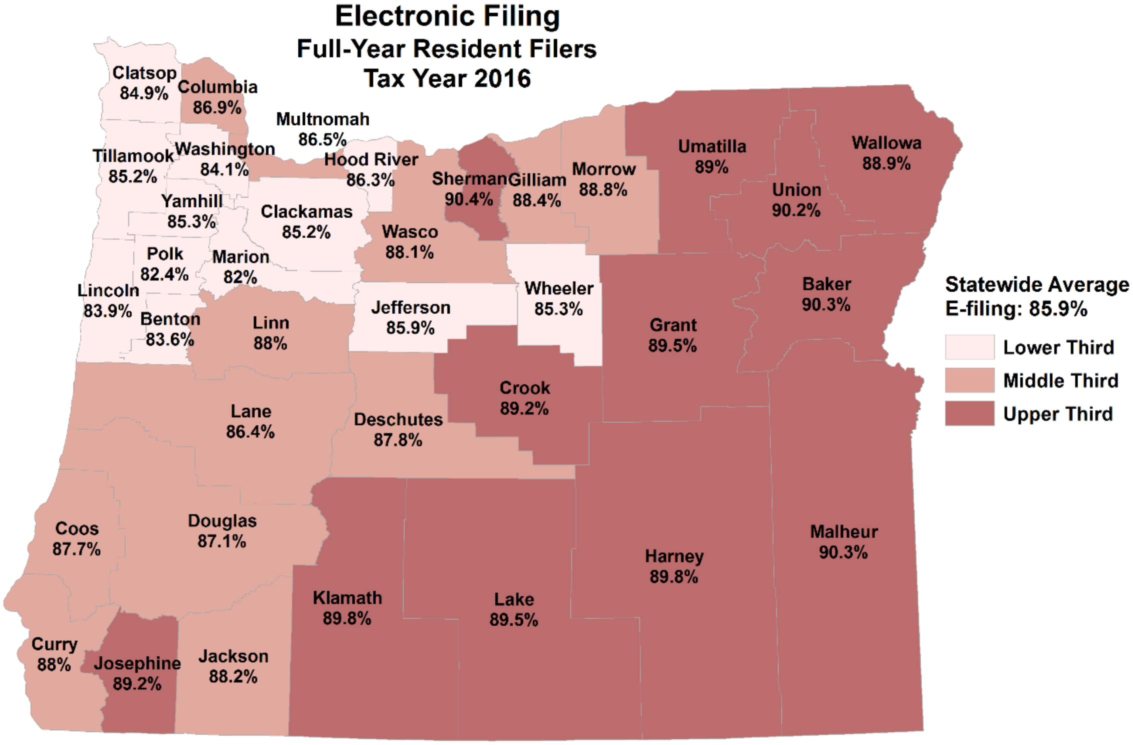


Exhibit 39
Effective Tax Rates*
Full-Year Resident Filers
Tax Year 2016



*Effective tax rate using AGI. See section 2, p.20.

Exhibit 40
Electronic Filing
Full-Year Resident Filers
Tax Year 2016



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The 1979 Oregon Legislature passed the "Two 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 two percent.

Unlike for individuals, corporations do not receive a kicker refund. With the passage of Measure 85 in 2012, corporation kicker amounts go to the General Fund to provide additional funding for K through 12 public education beginning with the 2013-15 biennium. The information included here pertains only to the personal income tax kicker.

Prior to 1995, taxpayers claimed the refund 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 taxpayers received the credit on their tax year 1989 returns. The Legislature voted to suspend the kicker for the 1989-91 biennium.

The 1995 Oregon Legislature decided to issue taxpayers a check for the refund instead of as a tax credit on the Oregon tax form. 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 Legislature based the refund on tax before credits except for the credit for taxes paid to another state.

Two Percent Personal Income Kicker History*

Biennium	Tax 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	1994/5	163	6.3%	111	55
1995-97	1996/7	432	14.4%	287	140
1997-99	1998/9	167	4.6%	103	49
1999-01	2000/1	254	6.0%	155	70
2001-03	2002/3	-1,249	None	---	---
2003-05	2004/5	-401	None	---	---
2005-07	2006/7	1,071	18.6%	609	295
2007-09	2008	-1,113	None	---	---
2009-11	2010	-1,050	None	---	---
2011-13	2012	124	None	---	---
2013-15	2014	402	5.6%	212	99
2015-17	2016	464	5.6%		

** 2018 Oregon Public Finance Basic Facts, Research Report #1-16, Legislative Revenue Office*

The 2011 Legislature changed the return mechanism for the kicker from a refund check back to a credit on the Oregon return. Most recently, revenues for the 2015-2017 biennium exceeded the forecast by $464 million, resulting in a refund of 5.6 percent of the taxpayer's 2016 pre-credit liability. Taxpayers claimed the refundable credit on their 2017 tax return.

Appendix B
Data Validation and Statistical Reporting

Information presented in this publication comes from Oregon tax returns the Oregon Department of Revenue (DOR) received during calendar year 2017 following tax year 2016. If an amended return for tax year 2016 was received by the end of calendar year 2017, any information from the amended return that changed from that of the original return is used in the data for the publication. Late original or amended returns received later than calendar year 2017 are not included.

Aside from initial adjustments made during return processing, data concerning return adjustments from audit activity is not included nor accounted for. The department uses considerable data validation in an attempt to maintain accuracy of reported information and ensure the internal consistency of individual returns.

Data Validation

The department performs initial screening on returns to identify obvious errors. They independently double enter information from paper returns into the DOR computer system that processes the return and identifies tax amount errors. The system automatically processes electronic returns.

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

To the extent that it is possible, the department modifies inconsistent data 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, they replace the reported amount with the corrected amount.
- If the return claims a credit or subtraction that is larger than the allowance, 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.
- 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, the DOR Research Section creates statistical summaries. 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 2005 to 2016) 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

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, 2015 to June 30, 2017 is referred to as the 2015–2017 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 household and dependent 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 2016, the exemption credit was $195 per exemption, however it was not allowed for an AGI above $200,000 for married/RDP filing jointly, head of household, or qualifying widow(er) filers or above $100,000 for single or married/RDP filing separately filers. 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 2016, 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 2016, the deduction is limited to $6,500 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 16. The Social Security subtraction is reported in Exhibit 21.

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 and in 2015, the percentage was increased further to 8 percent of the federal credit.

Oregon medical subtraction for elderly. Depending on adjusted gross income, elderly taxpayers may subtract up to $1,800 in eligible medical expenses from their taxable income.

The age eligibility was 62 or older for tax years 2014 and 2015, and increases by one year every two tax years until it reaches age 66 for 2020.

The subtraction replaces a deduction beginning in tax year 2013.

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).

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.

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 two 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. Beginning in 2011, taxpayers again receive any kicker refund through a credit on their income tax return rather than through a mailed refund check.

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