From: salem_update-bounces@lists.oregonstate.edu on behalf of Mills, Jock
To: CAS DeanStaff; CAS Unit Leaders; Salem Update Listserv
Subject: [Salem Update] A flat September revenue forecast
Date: Friday, August 31, 2007 11:24:10 AM
Attachments: ATT17904921.txt

Today the State Office of Economic Analysis issued the September revenue forecast. This forecast incorporates the final calculations used to close the state's books on the 2005-07 biennium, and so is used to set the final amount of kicker checks due to taxpayers this November. (Because actual tax receipts for the 2005-07 biennium exceeded the May 2005 forecast by more than 2%, under the state's kicker law, the entire amount collected over the May forecast is due to be refunded to taxpayers this November.)

The September forecast showed a very slight erosion in the amount of personal income taxes that were collected during the last biennium and some changes in state spending, resulting in the total amount available for kicker checks to be **$1.071 billion**, about $93 million lower than was projected in May. The size of an individual taxpayer's check depends how much he or she paid in taxes over the last biennium. Because higher income individuals pay more taxes, they get bigger kicker checks.

The average kicker check will be $612. The median check amount will be $297. The significant difference between median and mean indicates that half of Oregonians are getting fairly small kicker checks while a relatively few Oregonians are getting very large checks. This fact has led some policy makers to advocate for a cap on kicker checks. In essence by capping a few checks, the state could create a lot of money to be available for a rainy day fund or to meet pressing state needs. When the legislature kept $300 million of the corporate kicker during the 2007 legislative session, it included provisions that retained the kicker for smaller businesses – lots of small businesses benefited without costing the state a lot of money.

With regard to whether the September forecast is tracking with the May forecast: it is as close as it can get, despite varying concerns that are emerging over housing starts, housing values, a credit crunch, interest rates, oil and gas prices, the stock market, and the global economy. No significant changes have occurred over the last three months that would show any significant changes in personal income tax receipts over the next two years.

This makes for a calm atmosphere as legislators contemplate what they will do during the February 2008 special month-long legislative session. The next forecast, due in December, will either confirm or confound the numbers identified by State Economist in today's forecast.

For the economically advanced, here is a link to the complete report:

http://www.oregon.gov/DAS/OEA/revenue.shtml#Most_Recent_Forecast

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