
During the late 1960s and 1970s, the economy of Oregon experienced moderate growth. Between 1967 and 1983 total per capita personal income increased at an annual rate of 8.3 percent (from $3,043 to $11,977; see figure 1).

The annual inflation rate during this period averaged 6.6 percent; a dollar in 1983 was worth about one-third of what it was worth in 1967. At the same time, Oregon's population grew from 2,006,000 residents in 1967 to 2,635,000 in 1983, an average annual increase of 1.6 percent.

In Oregon, real personal income (that is, nominal personal income adjusted for inflation) per capita grew slightly each year until 1978 (figure 1). Between 1979 and 1982, real per capita income decreased. A slight increase took place in 1983, caused in part by a real increase in the state's total income and in part by a small decrease in total state population (from 2,656,000 in 1982 to 2,635,000 in 1983).

Growth and balance

State and local governments in Oregon rely heavily on income taxes and property taxes. The property tax provided 44 percent of local government's revenues in 1983, while the

Figure 1.—Oregon per capita total personal income, 1967-1983, and Oregon per capita income adjusted for inflation. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
personal income tax provided 33 percent of the Oregon state government revenues. Oregon is one of five states that does not have a general sales tax.

**Personal income tax**

During the expansion years of 1967-78, real personal income taxes per capita increased steadily (figure 2), because of real income increases, inflation, and consequent "bracket creep."

"Bracket creep" occurs when personal income tax rates remain constant and nominal incomes increase on account of inflation. As this happens, taxpayers move into higher tax brackets, and a greater proportion of personal income is taxed at higher rates. The result is that income tax revenues increase at a faster pace than income.

Real per capita incomes increased 34 percent from 1967 to 1978 (figure 1). Real per capita income taxes increased from $95 in 1967 to $190 in 1978, an increase of 100 percent (figure 2). Between 1978 and 1983, when the economy slowed and inflation decreased, real per capita incomes declined by 6 percent. Real per capita income taxes declined to $151, a decrease of 21 percent.

One of the causes of this tax revenue decline was what we might term "bracket slump," where taxpayers with reduced incomes slid back into lower tax brackets.

Also, there was a change in total personal income composition, away from salary and wages toward dividends, interest, and transfer payments (unemployment, social security, etc.). Since a portion of these are not taxed, or may be excluded or deferred, revenues collected from personal income taxes continued to shrink.

Between 1967 and 1983, real per capita income taxes increased a total of 59 percent. Real per capita income in the same period increased by 21 percent.

**Property tax**

Real per capita property taxes, after accounting for property tax relief, generally declined over the period between 1967 and 1980 (figure 2).

The state inaugurated a low-income Homeowner and Renter Refund Program (HARRP) in 1973. In 1979, the state launched a broader program of Property Tax Relief (PTR), under which the state paid a portion of the property taxes of all homeowners and made payments to renters.

Accounting for inflation and property tax relief, per capita property taxes in constant dollars declined from $181 in 1967 to $144 in 1980. This downward trend reversed between 1980 and 1983, in part because of reduction in the property tax relief programs and because voters approved increased local tax levies as Federal payments to local governments declined.

Overall, between 1967 and 1983, per capita real property taxes, after accounting for property tax relief, increased 1 percent from $181 to $183.

**Personal income and property taxes combined**

The real per capita tax burden from income and property taxes increased 21 percent between 1967 and 1983. Real per capita income also increased by 21 percent (figures 1 and 2).

Income and property taxes as a percent of personal income have remained quite constant over the 1967-83 period, at about 9 percent (figure 3).

**Balance between personal income and property taxes**

The composition of the personal income/property tax package has shifted back and forth over the 1967-83 period. In 1967 the property tax was dominant, yielding 1.6 times as much revenue as the income tax.

By 1978, income tax revenues were 1.3 times property taxes. This trend reversed in 1981 so that in subsequent years property tax revenues have become greater than income tax revenues.
Progressivity

The "total" package of all major Federal, state, and local taxes is progressive; that is, the proportion of one's income paid in taxes increases as one's income increases. The Federal income tax takes the largest share of the taxes collected as well as the most progressive (figure 4).

The Oregon income tax, while less progressive than the Federal income tax, is progressive as well (figure 4).

Because of property tax relief for low income taxpayers, the property tax is progressive, at least up to the $17,500 maximum income for participation in the HARRP program.

Property taxes in Oregon are imposed mainly on the value of real property, which consists of land and permanent fixtures such as buildings. According to information gathered by the Oregon Legislative Revenue Office, the value of housing above a certain level usually does not increase in direct proportion to increases in personal income. The result is that the property tax in Oregon is slightly regressive above $25,000 of adjusted gross income (figure 4).

The total Oregon state-local income and property tax package is a progressive system up to about $25,000 in income and a proportional system for taxpayers above this income level (figure 4). In 1982, the 59 percent of the taxpayers reporting adjusted gross income of less than $15,287 received 25 percent of the total income in Oregon. They paid 20 percent of the state's personal income taxes and 25 percent of the local property taxes (after accounting for property tax relief). See table 1.

Summary

The sum of state income taxes and local property taxes is a percent of personal income over this 17-year period, remaining quite constant (around 9 percent). The mix of the two tax sources has shifted from heavier reliance on property taxes in the early years to greater reliance on income taxes during the late 1970s, and back to greater reliance on property taxes during the most recent period. The income-property tax system in Oregon is progressive up to about $25,000 of adjusted gross income and proportional thereafter.

For further reading

The Oregon State University Extension Service has several publications describing Oregon's tax and revenue system. Available from your local Extension office or from the Bulletin Mailing Office, Oregon State University, Corvallis, OR 97331-4202:

- Extension Circular 906, Oregon's 6 Percent Limitation, 25 cents each
- Extension Circular 907, How Your Property Tax Bill is Computed, no charge

When ordering priced publications or quantities of no charge publications, call the Bulletin Mailing Office for a postage and handling quotation (754-2967).

Table 1.—Percentage of returns, percentage of state personal income tax collected, and percentage of net property tax collected from homeowners in selected income groups (1982)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of returns</td>
<td>36</td>
<td>23</td>
<td>21</td>
<td>13</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Percentage of total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon personal income</td>
<td>8</td>
<td>17</td>
<td>26</td>
<td>25</td>
<td>25</td>
<td>14</td>
</tr>
<tr>
<td>Percentage of state personal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income tax collected</td>
<td>5</td>
<td>15</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>Percentage of net property</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tax collected</td>
<td>6</td>
<td>19</td>
<td>30</td>
<td>26</td>
<td>26</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Estimates based on data from Oregon Legislative Revenue Office.
Figure 4.—Progressivity in Oregon's tax system (taxes as a percent of adjusted gross income). Estimates are based on a hypothetical family of two with typical home values and standard or itemized deductions, for five income levels. Source: Estimates based on data from Oregon Legislative Revenue Office.

Available from the Department of Agricultural and Resource Economics, Oregon State University, Corvallis, OR 97331-3601:
Special Report 649, Oregon's Fiscal Crisis: An Historical Perspective, single copies at no charge.

The Oregon Department of Revenue also has a number of publications on Oregon's system of taxation. You can obtain a list and copies of the publications by writing to Publications, Oregon Department of Revenue, State Office Building, Salem, OR 97310.

This publication was prepared by Hans D. Radtke, associate professor of agricultural and resource economics, on temporary assignment, and Bruce A. Weber, Extension economist, Oregon State University. The assistance of James Scherzinger and Terry Drake of the Legislative Revenue Office, Oregon State Legislature, and Bruce Mackey, Extension economist, Oregon State University, is gratefully acknowledged.

Extension's community development program helps Oregonians to resolve locally determined problems with objective information and assistance with its application on issues concerning economic development and the management of local government, land, and natural resources.

The Oregon State University Extension Service provides education and information based on timely research to help Oregonians solve problems and develop skills related to youth, family, community, farm, forest, energy, and marine resources.

Extension work is a cooperative program of Oregon State University, the U.S. Department of Agriculture, and Oregon counties.

Oregon State University Extension Service offers educational programs, activities, and materials without regard to race, color, national origin, sex, or disability as required by Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, and Section 504 of the Rehabilitation Act of 1973. Oregon State University Extension Service is an Equal Opportunity Employer.