

# **Oregon Personal Income Tax Statistics**

**Characteristics of Filers**

**2012 Edition**

**Tax Year 2010**



150-101-406 (Rev. 3-12)

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Tax Year 2010**

**Prepared by  
Research Section  
Oregon Department of Revenue  
Salem OR 97301-2555**

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# Contents

	Page
<b>INTRODUCTION.....</b>	<b>1</b>
Highlights.....	1
Structure of this Report.....	2
Personal Income Tax Calculation .....	3
<b>2010 SUMMARY AND HISTORICAL TRENDS .....</b>	<b>7</b>
1) Returns.....	7
2) Income and Tax.....	13
3) Adjustments.....	23
4) Additions and Subtractions .....	25
5) Deductions .....	27
6) Credits.....	29
7) Payments and Refunds .....	32
8) Part-Year Residents .....	34
9) County Data.....	37
<b>APPENDICES.....</b>	<b>41</b>
Appendix A – 2 Percent Surplus Refund (Kicker) History.....	41
Appendix B – Method.....	42
Appendix C – Glossary of Terms .....	44

# Exhibits

	Page
<b>Returns:</b>	
Exhibit 1	Income Tax Returns by Filing Status and Form Type .....7
Exhibit 2	Income Tax Returns - Historical .....8
Exhibit 3	Electronically Filed Income Tax Returns .....9
Exhibit 4	Electronic, 2-D and Paper Filers ..... 10
Exhibit 5	Percent of Returns Filed Electronically by Adjusted Gross Income ..... 11
Exhibit 6	Taxpayers by Age ..... 12
<b>Income and Tax:</b>	
Exhibit 7	Returns, Adjusted Gross Income, and Tax by Residence Type ..... 13
Exhibit 8	Total Adjusted Gross Income - Historical ..... 14
Exhibit 9	Total Personal Income - Historical ..... 15
Exhibit 10	Total Personal Income Tax Liability - Historical ..... 16
Exhibit 11	Effective Tax Rates from AGI and Taxable Income..... 17
Exhibit 12	Income, and Tax Liability by AGI Quintiles ..... 18
Exhibit 13	Returns and Tax Liability by AGI Levels ..... 19
Exhibit 14	Returns and Tax Liability by Oregon Tax Brackets .....20
Exhibit 15	Types of Gross Income .....21
Exhibit 16	Categories of Gross Income - Historical .....22
<b>Adjustments:</b>	
Exhibit 17	Federal Adjustments .....23
Exhibit 18	Total Federal Adjustments - Historical .....24
<b>Additions and Subtractions:</b>	
Exhibit 19	Oregon Additions - Historical .....25
Exhibit 20	Oregon Subtractions .....26
Exhibit 21	Oregon Subtractions - Historical .....26
<b>Deductions:</b>	
Exhibit 22	Oregon Deductions .....27

Exhibit 23	Oregon Deductions - Historical .....	28
------------	--------------------------------------	----

**Credits:**

Exhibit 24	Oregon Credits Claimed and Used .....	29
Exhibit 25	Oregon Credits Used - Historical .....	31

**Payments and Refunds:**

Exhibit 26	Reported Payments and Refunds .....	32
Exhibit 27	Refunds - Historical.....	33

**Part-Year Residents:**

Exhibit 28	Filers Moving to and from Oregon .....	34
Exhibit 29	Number of Filers Moving to Oregon by County of Destination .....	35
Exhibit 30	Number of Filers Moving from Oregon by Destination .....	36

**County Data:**

Exhibit 31	Distribution of Returns, AGI, and Tax Liability by County .....	38
Exhibit 32	Average Adjusted Gross Income by County.....	39
Exhibit 33	Average Tax Liability by County .....	39
Exhibit 34	Effective Tax Rates by County.....	40
Exhibit 35	Electronic Filing by County .....	40

The personal income tax, Oregon's largest source of revenue, is expected to account for 87 percent of the General Fund for the 2011-13 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, and taxpayers, as well as the general public.

The purpose of this publication is to provide a foundation for understanding the characteristics of Oregon personal income tax filers and to present statistical summaries of information about the personal income tax system. This edition of *Oregon Personal Income Tax Statistics* provides detailed statistics for tax year 2010 as well as historical tables and graphs.

The information is based on 2010 income tax returns received by the Oregon Department of Revenue in the 2011 calendar year. Actual tax receipts may vary from this report because some filers failed to pay their full tax liability or paid after 2011. The report does not include information from audits, amended tax returns, or returns received after 2011.

The *Introduction* highlights key statistics such as the number of filers, total income, and total tax liability for 2009 and 2010. It also outlines the structure of the report and explains how personal income tax is currently calculated, including a diagram outlining its main components. The next section provides a historical summary of returns and the following components: income and tax, adjustments, additions, subtractions, deductions, credits, payments and refunds.

Finally, the appendices provide a history of the two percent surplus refund (kicker), a description of how the data is compiled for this report, and a glossary of terms.

More detailed tables, a historical summary of significant federal and Oregon tax law changes, and background information are available on the Oregon Department of Revenue website at: [www.oregon.gov/DOR/STATS/statistics.shtml](http://www.oregon.gov/DOR/STATS/statistics.shtml)

## Highlights

### Oregon Personal Income Tax

#### Selected Statistics - 2009 and 2010

	Full-Year Resident			Part-Year and Nonresident			All Returns		
	2009	2010	% Change	2009	2010	% Change	2009	2010	% Change
<b>Number of Returns</b>	1,571,302	1,581,272	0.6%	197,095	210,408	6.8%	1,768,397	1,791,680	1.3%
<b>Oregon AGI* (\$ millions)</b>	\$78,717	\$82,656	5.0%	\$4,963	\$5,603	12.9%	\$83,680	\$88,259	5.5%
<b>Taxable Income* (\$ millions)</b>	\$58,828	\$62,440	6.1%	\$4,510	\$4,917	9.0%	\$63,338	\$67,357	6.3%
<b>Tax Liability* (\$ millions)</b>	\$4,338	\$4,646	7.1%	\$319	\$353	10.9%	\$4,656	\$4,999	7.4%
<b>Average Oregon AGI (\$)</b>	\$50,097	\$52,272	4.3%	\$25,180	\$26,628	5.7%	\$47,320	\$49,260	4.1%
<b>Average Tax Liability (\$)</b>	\$2,761	\$2,938	6.4%	\$1,616	\$1,679	3.9%	\$2,633	\$2,790	6.0%
<b>Effective Tax Rate**</b>	5.5%	5.6%	2.0%	6.4%	6.3%	-1.8%	5.6%	5.7%	1.8%

\* See glossary of terms in Appendix C

\*\* Tax liability divided by adjusted gross income

- For tax year 2010, the Oregon Department of Revenue received just under 1.8 million personal income tax returns, a 1.3 percent increase from tax year 2009.
- The total adjusted gross income (AGI) of 2010 Oregon filers grew to \$88.3 billion, up 5.5 percent from \$83.7 billion in 2009.
- The average AGI for all filers was \$49,260 in 2010, up 4.1 percent from \$47,320 in 2009.

- The 2010 total tax liability for all filers was \$5.0 billion, up 7.4 percent from \$4.7 billion in 2009.
- The average tax liability for all filers was \$2,790 in 2010, up 6.0 percent from \$2,663 in 2009.
- The number of taxpayers choosing to file their return electronically in 2010 grew 13.9 percent to 1.34 million. Electronic returns represented 75 percent of all returns in 2010 compared to 67 percent in 2009.

## 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, *2010 Summary and Historical Trends*, starting on page 7, 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. The total is gross income. Tax refers to the tax liability reported on Oregon tax forms.
- **Adjustments**—These elements on the federal form are deductions (often referred to as “above-the-line deductions”) that all filers are allowed to take, including those who claim the standard deduction. They reduce the amount of income that is taxed. Examples include IRA contributions, moving expenses, and student loan interest. Gross income reduced by adjustments is federal adjusted gross income (AGI).
- **Additions**—These elements represent income or disallowed deductions not taxed by the federal government but taxed by Oregon. 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 Social Security income and qualifying federal pension income.
- **Deductions**—Taxpayers may reduce the amount of income that is taxed by the total of their itemized deductions or the standard deduction, whichever is greater. Oregon allows the same itemized deductions as the federal government with two exceptions: (1) Oregon does not allow a deduction for Oregon income tax or sales tax; and (2) Oregon does allow a deduction of certain medical expenses for elderly taxpayers. 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 gross tax liability (tax before credits), then part of the nonrefundable credits remain unused. Some nonrefundable credits are eligible to be carried over to subsequent years. Refundable credits, on the other hand, are treated the same as payments by the taxpayer. The credits are first used to reduce tax, but if the tax is completely offset, any unused credits are refunded to the taxpayer. The two most common refundable credits are the Oregon earned income credit and the working family child care credit.

- **Payments and Refunds** – Oregon tax withheld, estimated payments, payments included with the return, refunds reported on the return and refund-of-credit payments are described.

Each of the components is discussed in a historical context. Key figures from tax year 2010 are compared to historical numbers to show trends and changes over time. This includes historical data about filers moving to and from Oregon and tax information by county. County maps with selected tax information are provided.

Most exhibits and tables in this publication are devoted to full-year resident returns because they represent approximately 88 percent of all returns filed and 93 percent of tax liability. Full-year resident returns constitute the most stable base for statistical inference. Part-year resident and nonresident returns may include significant income and deductions that are not related to economic activity in Oregon, and only part of the income is subject to Oregon taxation.

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 data 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.

*Appendix A* provides a discussion of the surplus refund (kicker) and historical data for 1979 through 2010. *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 and addresses of websites for additional information.

Detailed tables are available on the Oregon Department of Revenue website at: [www.oregon.gov/DOR/STATS/statistics.shtml](http://www.oregon.gov/DOR/STATS/statistics.shtml). The detail tables provide information for various groups of taxpayers for tax year 2010 only. For tables that include part-year resident and nonresident returns, only the Oregon portion of income is used.

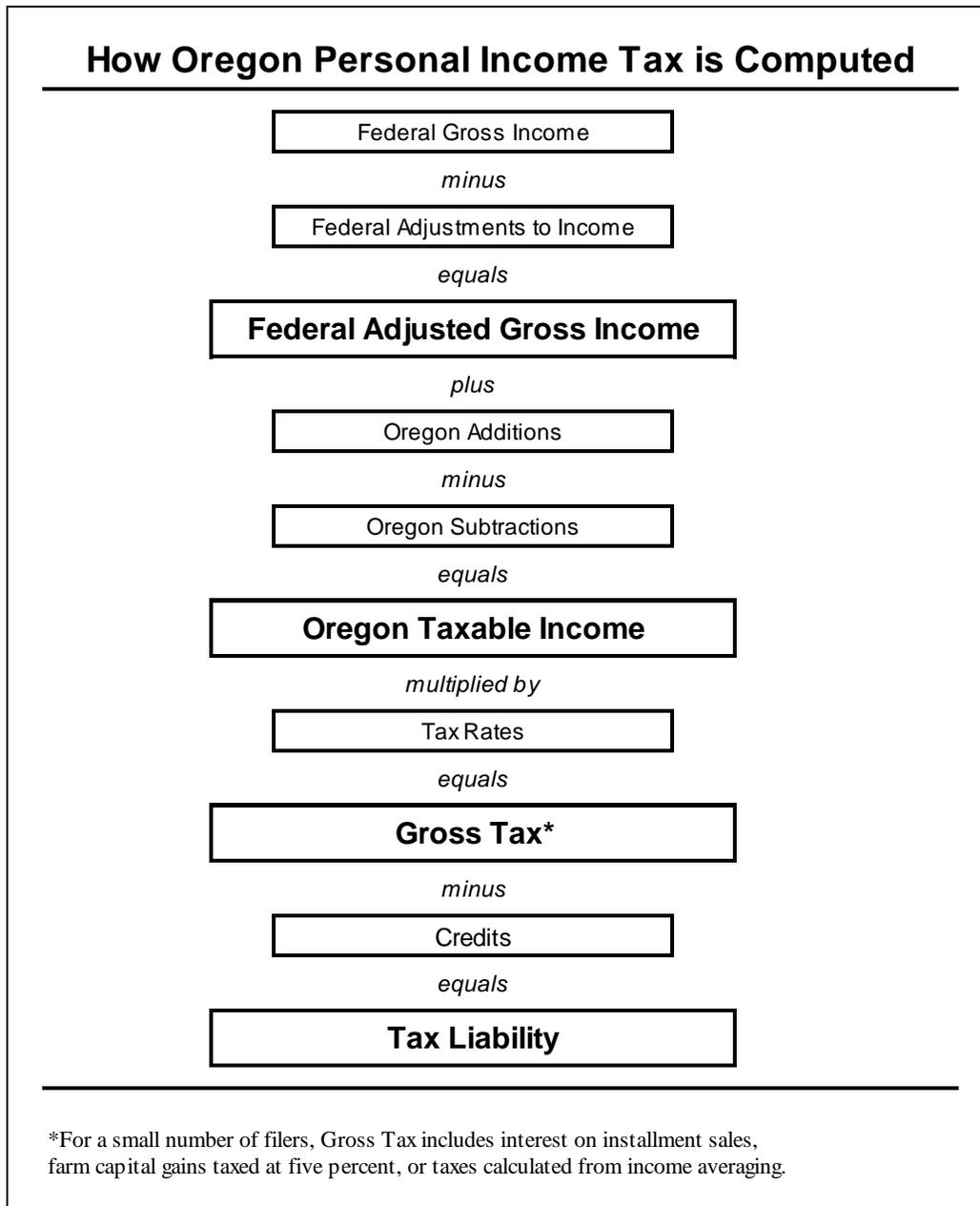
Visit the department's webpage for additional personal income tax information and tax forms at: [www.oregon.gov/DOR/PERTAX/formspit.shtml](http://www.oregon.gov/DOR/PERTAX/formspit.shtml)

## Personal Income Tax Calculation

Since 1969, Oregon's personal income tax has been closely tied to federal taxable income, but connected in different ways over time. 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). They 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.

The material in this publication is for tax year 2010 when Oregon was tied to the federal definition of taxable income with some exceptions, including those listed above. The following diagram shows the full-year resident tax computation.



**Gross 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 federally taxed
- Retirement plan distributions

**Adjustments to income 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

**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

**Subtractions include:**

- Oregon income tax refunds
- Social Security income
- Federal income tax (up to \$5,850 for 2009)
- Federal pension income
- U.S. bond interest
- Military active duty pay
- Scholarship awards used for housing expenses

**Deductions (standard or itemized):**

- **Standard deductions for 2010:**
  - \$3,900 if joint filer, or
  - \$3,140 if head of household filer, or
  - \$1,950 if single filer, or
  - \$1,950 if married/RDP filing separately (exception if spouse/RDP itemized), or
  - One of the listed four amounts plus an additional \$1,000 for each taxpayer at least age 65 or blind. The additional amount is \$1,200 for single and head-of-household filers and double for taxpayers who are both.
  - 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
  - Special medical deduction

**Tax credits include:**

- Personal exemption of \$58 to \$177 for 2010, depending on adjusted gross income
- 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 states

**Tax Rates**

The applicable tax rates and brackets are in the table below. The rates are applied to Oregon taxable income. Income for returns with filing status of single or married filing separately is subject to lower brackets. Income for returns with other filing statuses is subject to higher brackets. The 2009 legislature added the top two rates (subsequently confirmed by Oregon voters). The three lower tax rates have been in place since 1987 and have been indexed for inflation since 1993, currently using the U.S. City Average Consumer Price Index (CPI) as the gauge of inflation.

<b>For persons filing single or married/RDP filing separately</b>		
	If taxable income is: then tax is:	
<b>2010 Tax Rates</b>	Not over \$3,050.....	5% of taxable income
	Over \$3,050 but not over \$7,650 .....	\$153 plus 7% of excess over \$3,050
	Over \$7,650 but not over \$125,000 .....	\$475 plus 9% of excess over \$7,650
	Over \$125,000 but not over \$250,000....	\$11,036 plus 10.8% of excess over \$125,000
	Over \$250,000.....	\$24,536 plus 11% of excess over \$250,000
<b>For persons filing joint, head of household, or qualifying widow(er) with dependent child</b>		
	If taxable income is: then tax is:	
	Not over \$6,100.....	5% of taxable income
	Over \$6,100 but not over \$15,300 .....	\$305 plus 7% of excess over \$6,100
	Over \$15,300 but not over \$250,000 .....	\$949 plus 9% of excess over \$15,300
	Over \$250,000 but not over \$500,000...	\$22,072 plus 10.8% of excess over \$250,000
	Over \$500,000.....	\$49,072 plus 11% of excess over \$500,000

For part-year residents, tax rates are applied to federal income (the sum of Oregon and non-Oregon income). The resulting tax is apportioned to Oregon 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.

Some Oregon credits, such as the exemption credit, child and dependent care credit, and credit for the elderly or the disabled, are prorated for part-year residents and nonresidents.

A history of Oregon tax rates and brackets is available on the Oregon Department of Revenue website at: [www.oregon.gov/DOR/STATS/statistics.shtml](http://www.oregon.gov/DOR/STATS/statistics.shtml). For additional information on adjustments, deductions, subtractions, and credits, refer to:

The State of Oregon 2011–13 *Tax Expenditure Report*. This publication is available on the web at: [www.oregon.gov/DOR/STATS/tax-expenditure-report-2011-2013.shtml](http://www.oregon.gov/DOR/STATS/tax-expenditure-report-2011-2013.shtml)

The Oregon Department of Revenue's *Publication 17½, Oregon Individual Income Tax Guide*, 2010 edition. This publication is available on the web at: <http://www.oregon.gov/DOR/PERTAX/docs/2010Forms/101-431-10.pdf>

Section 1

# 2010 Summary and Historical Trends

## Returns

In this section, *2010 Summary and Historical Trends*, data for the 2010 tax year is summarized and compared to data from previous years. 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 2010 returns by form type and filing status. Full-year residents are required to use either Form 40 or Form 40S, part-year residents (PY) are to use Form 40P, and nonresidents (NR) are to use Form 40N. Of the nearly 1.8 million returns filed for tax year 2010, over 87 percent of filers used Oregon's Form 40. Full-year residents are allowed to use Form 40S only if they meet certain requirements, including using the standard deduction and having income from only wages, interest, ordinary dividends, or unemployment compensation.

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

All Returns - 2010

Filing Status	Long Form (40)	Short Form (40S)	Nonresident (40N)	Part-Year (40P)	Total
Single	578,988	125,890	50,693	35,717	791,288
Married Filing Jointly	647,219	30,165	83,042	20,885	781,311
RDP* Filing Jointly	1,220	62	49	46	1,377
Married Filing Separately	20,122	3,064	2,608	1,463	27,257
RDP* Filing Separately	587	98	18	16	719
Head-of-Household	136,277	36,693	11,220	4,562	188,752
Qualifying Widow(er)	837	50	57	32	976
<b>Total</b>	<b>1,385,250</b>	<b>196,022</b>	<b>147,687</b>	<b>62,721</b>	<b>1,791,680</b>

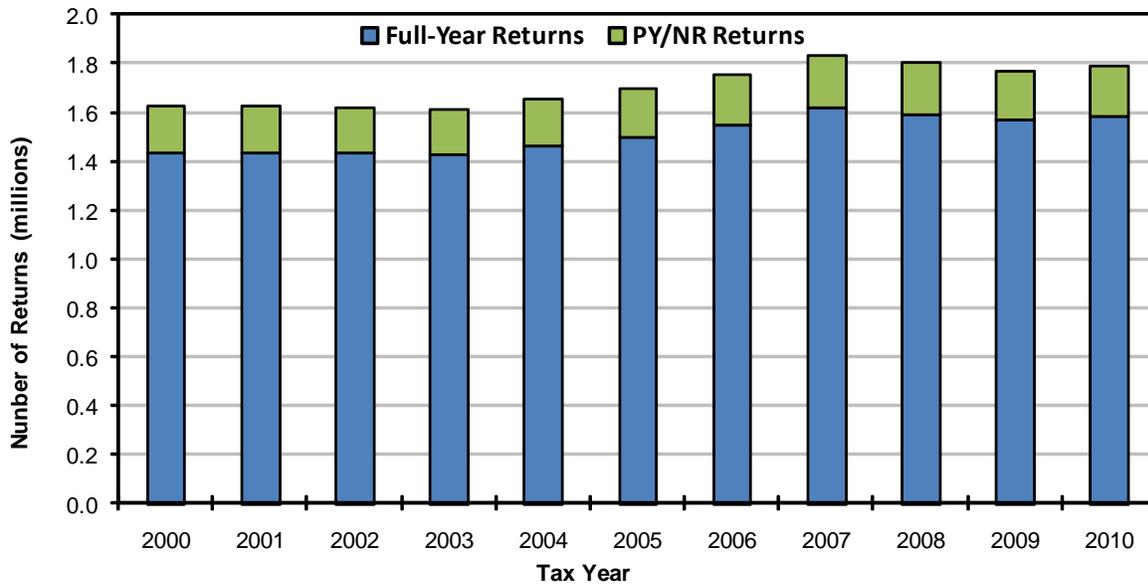
\* Registered domestic partners

## Returns—Historical Trends

Exhibit 2 shows the trend in returns filed since 2000 for full-year resident returns, the total of part-year resident and nonresident returns (PY/NR) and all returns. The number of returns filed generally increases each year following the growth in Oregon's population. In addition, the number of returns filed tends to fluctuate a small amount depending on the economic conditions. In times of a recession, the number of returns filed decreases slightly, as some people who filed the previous year may not have had enough income to require them to file in the current year. This trend was seen in the economic downturn of 2001 to 2003. In 2010, the number of returns increased slightly after two years of decrease due to the most recent recession.

**Exhibit 2 - Income Tax Returns - Historical**

**Full Year Resident and PY/NR Returns - 2000 to 2010**



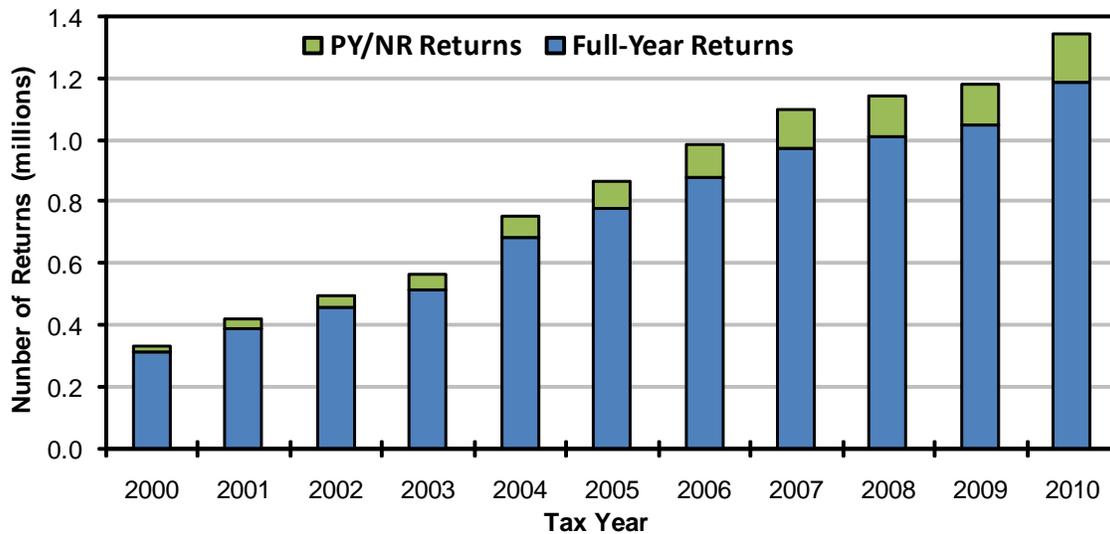
Tax Year	Oregon Population		Full-Year Returns		PY/NR Returns		All Returns	
	Number	% Change	Number	% Change	Number	% Change	Number	% Change
2000	3,430,530	1.1%	1,435,203	0.8%	193,210	0.8%	1,628,413	2.8%
2001	3,471,700	1.2%	1,434,864	0.0%	189,129	-2.1%	1,623,813	-0.3%
2002	3,504,700	1.0%	1,432,971	-0.1%	183,729	-2.9%	1,616,700	-0.4%
2003	3,541,500	1.1%	1,430,750	-0.2%	181,035	-1.5%	1,611,785	-0.3%
2004	3,582,600	1.2%	1,461,735	2.2%	191,468	5.8%	1,653,203	2.6%
2005	3,631,440	1.4%	1,495,091	2.3%	202,075	5.5%	1,697,166	2.7%
2006	3,690,500	1.6%	1,546,097	3.4%	209,471	3.7%	1,755,568	3.4%
2007	3,745,455	1.5%	1,617,135	4.6%	217,960	4.1%	1,835,095	4.5%
2008	3,791,075	1.2%	1,593,363	-1.5%	212,480	-2.5%	1,805,843	-1.6%
2009	3,823,465	0.9%	1,571,302	-1.4%	197,095	-7.2%	1,768,397	-2.1%
2010	3,837,300	0.4%	1,581,272	0.6%	210,408	6.8%	1,791,680	1.3%

**Electronic Returns**

Oregon started offering electronic filing with a limited pilot project in 1993. The growth in electronic returns over time is dramatic. This growth can be attributed to a number of factors. 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. In 1998, individuals who prepared their own returns were allowed to file electronically for the first time and growth was 45 percent. In 1999, nonresident and part-year resident filers were allowed to file electronically, and growth again increased. Strong growth in electronic filing for 2004 was likely prompted by the IRS introduction of ‘e-services,’ a web incentive service for tax preparers. In 2010, the strong growth in electronic filing is most likely due to the new requirement by the IRS that professional tax preparers, who prepare 100 or more returns, file federal returns electronically, even though Oregon will not have this requirement until the beginning of calendar year 2012. Exhibit 3 illustrates the growth in electronic filing from 2000 to 2010.

**Exhibit 3 - Electronically Filed Income Tax Returns**

**Full-Year Resident and PY/NR Returns - 2000 to 2010**



Tax Year	Full-Year Returns		PY/NR Returns		All Returns	
	Number	% Change	Number	% Change	Number	% Change
2000	307,235	31.7%	23,524	43.2%	330,759	32.5%
2001	382,973	24.7%	31,153	32.4%	414,126	25.2%
2002	457,403	19.4%	37,062	19.0%	494,465	19.4%
2003	514,299	12.4%	44,652	20.5%	558,951	13.0%
2004	678,001	31.8%	70,329	57.5%	748,330	33.9%
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%

In 2001, Oregon first offered 2-D barcode filing where tax return information is scanned from a barcode submitted on a paper form. The 2-D filing method is a hybrid of paper and electronic filing. Similar to paper forms, 2-D forms must be mailed to the Department of Revenue. Once received, 2-D returns are scanned into an electronic format without requiring manual data entry. Only full-year resident forms were available for 2-D filing until 2007 when nonresident and part-year resident forms were added. In the first year, only 2 percent of returns were filed using 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 filed returns from 12 to 21 percent and it stayed relatively constant until 2009. The increase in electronic filing for 2010 decreased 2-D filings to 14 percent and paper filings to 11 percent.

**Exhibit 4 - Electronic, 2-D and Paper Filers**

All Returns - 2001 to 2010

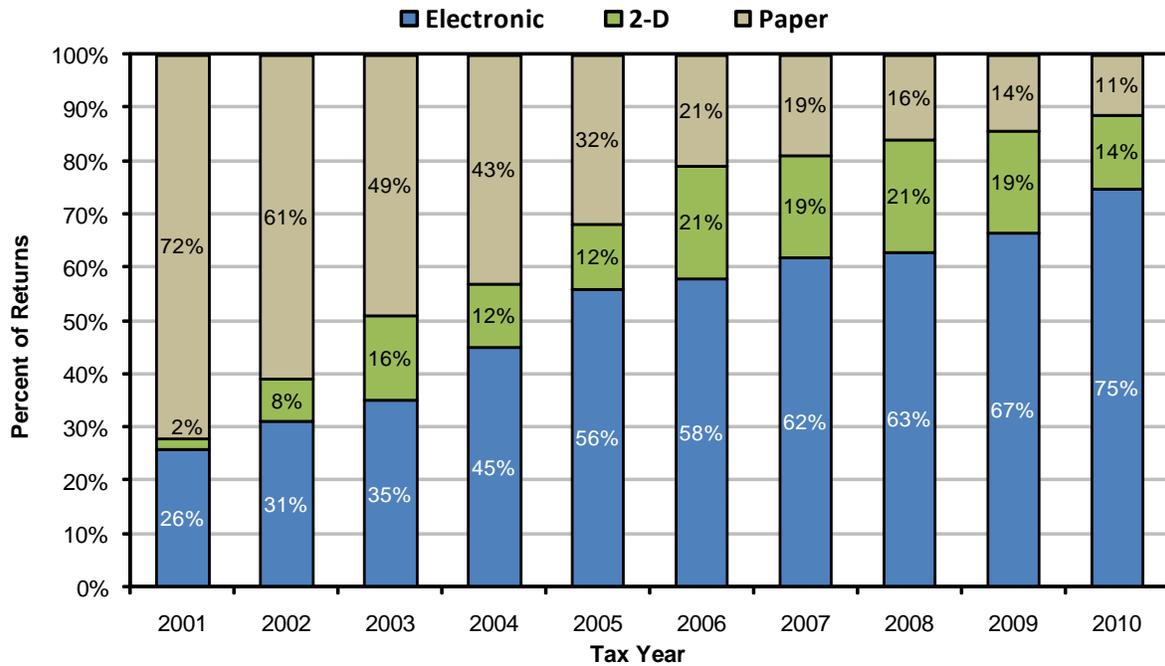
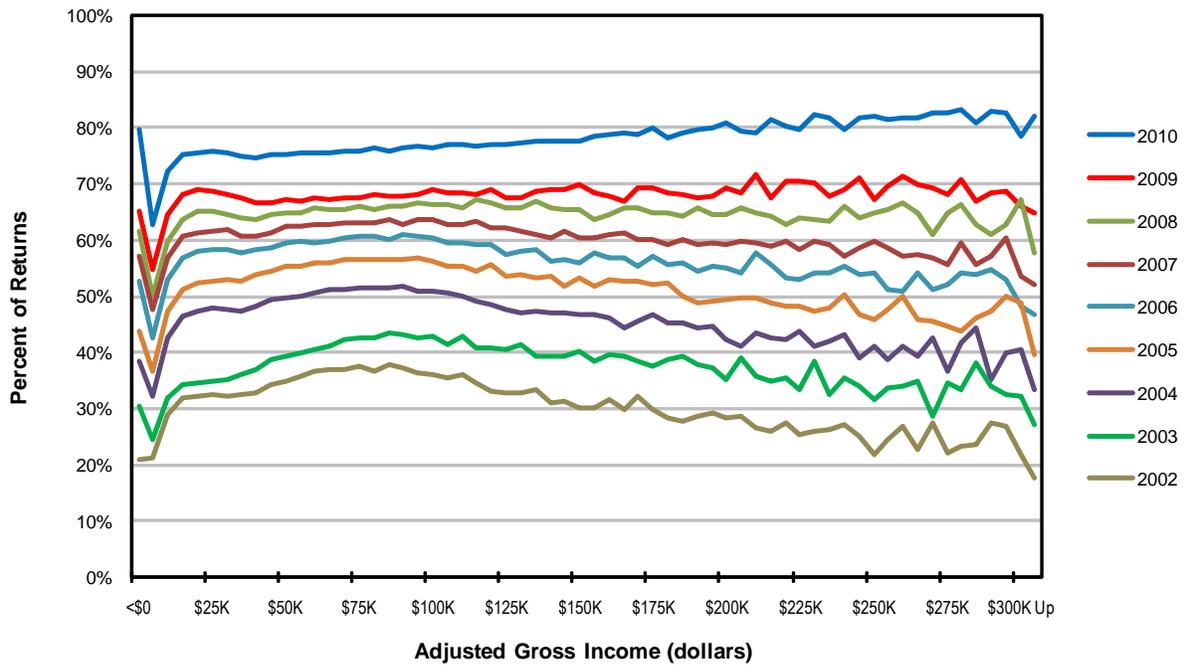


Exhibit 5 shows the percent of full-year resident electronic filers by income level for 2002 to 2010. The exhibit shows that the large increase in the percentage of electronic filers seen in 2010 occurred over all income levels. However, a proportionally higher increase is seen for very high income levels beginning at an adjusted gross income (AGI) of around \$150,000, which is most likely due to more high income tax returns prepared by professional preparers, and the new requirement by the IRS that professional tax preparers, who prepare 100 or more returns, file federal returns electronically.

**Exhibit 5 - Percent of Returns Filed Electronically by Adjusted Gross Income**

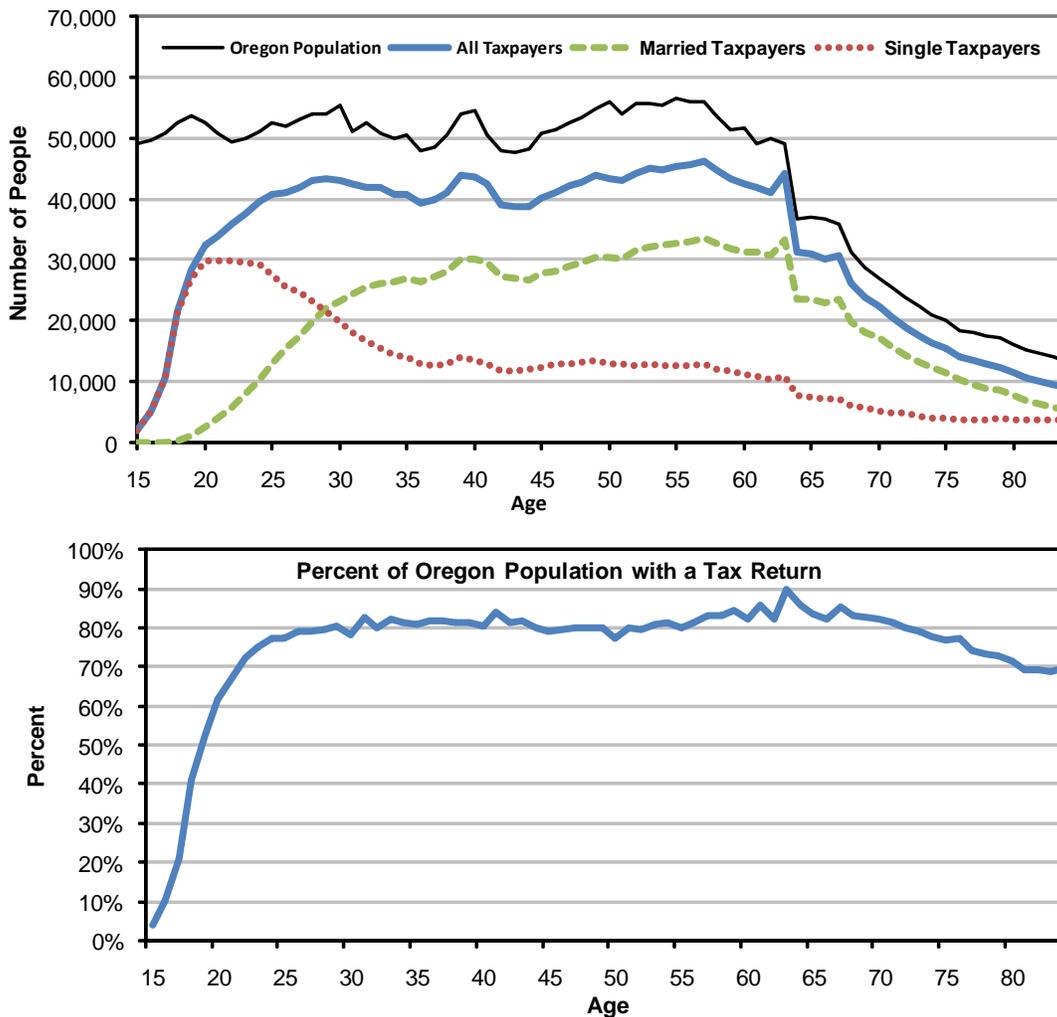
All Returns - 2002 to 2010



**Age of Taxpayers**

Exhibit 6 shows information on returns filed by Oregon residents (full-year and part-year) by age of the taxpayer represented (includes both the primary and spouse for joint returns). The top chart shows the Oregon population, all taxpayers, single taxpayers and married taxpayers by age. The bottom chart shows the percentage of Oregonians who filed a tax return. For Oregon residents who were ages 26 to 56 in 2010, 80 percent had an Oregon tax return. For those who were 57 to 69, 84 percent had an Oregon tax return. The percent with an Oregon tax return drops off to 70 percent at age 85.

**Exhibit 6 - Taxpayers by Age**  
**Resident (Full and Part-Year) Returns - 2010**



Notes: The chart represents 2.34 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 is based on Department of Administrative Services data.

Section 2  
**2010 Summary and Historical Trends**  
Income and Tax

Exhibit 7 is a summary of the number of returns, adjusted gross income (AGI), and Oregon tax liability by residency status. Full-year residents accounted for 88 percent of the tax returns, 94 percent of Oregon AGI and 93 percent of the tax liability in 2010.

**Exhibit 7 - Returns, Adjusted Gross Income, and Tax by Residence Type**

**All Returns - 2010**

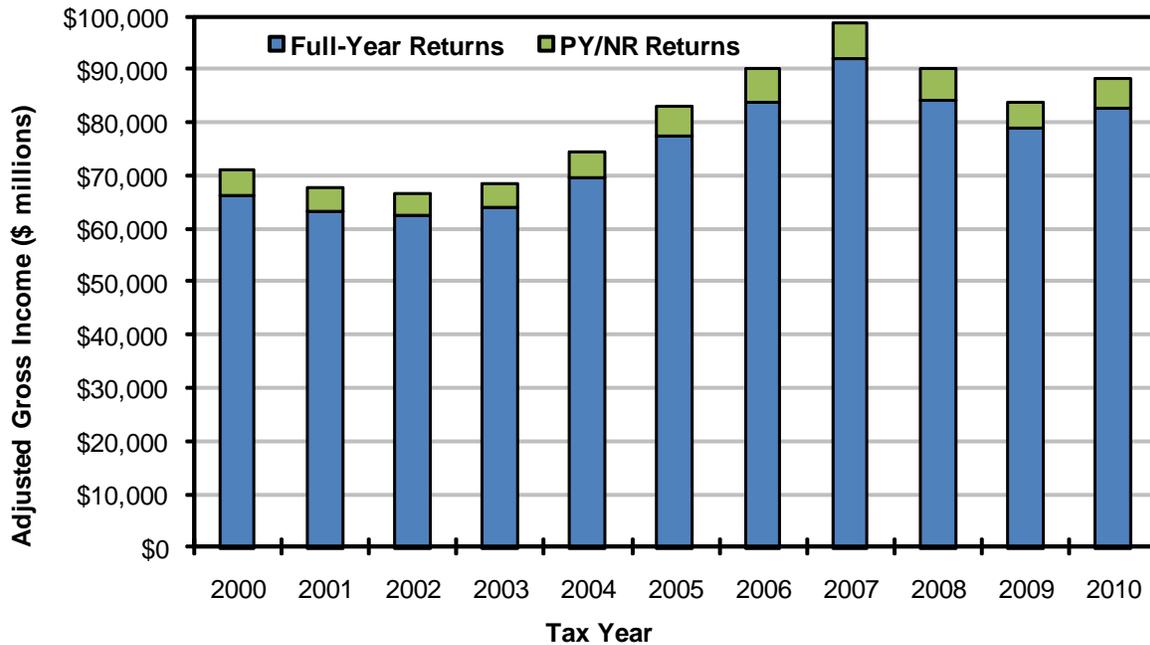
Return Type	Returns		Adjusted Gross Income		Tax Liability	
	Number	Share	\$ (millions)	Share	\$ (millions)	Share
<b>Full-Year (40 &amp; 40S)</b>	1,581,272	88.3%	\$82,656	93.7%	\$4,646	92.9%
<b>Nonresident (40N)</b>	147,687	8.2%	\$4,084	4.6%	\$257	5.1%
<b>Part-Year (40P)</b>	62,721	3.5%	\$1,518	1.7%	\$96	1.9%
<b>Total</b>	<b>1,791,680</b>	<b>100%</b>	<b>\$88,259</b>	<b>100%</b>	<b>\$4,999</b>	<b>100%</b>

**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. For part-year residents, Oregon AGI is derived from all income, while the taxpayer is a resident of Oregon and for nonresidents; Oregon AGI is derived from income sourced in Oregon. Exhibit 8 shows the trend in Oregon AGI since 2000 for full-year resident returns, the total of part-year resident and nonresident returns (PY/NR) and all returns. Oregon AGI grew each year with the exception of the economic downturn from 2001 to 2002 and again in 2008 to 2009. Oregon AGI declined by an average of 3 percent annually in 2001 and 2002 and began to recover in 2003. Growth from 2003 through 2007 was relatively strong with an average increase of about 8 percent annually. In 2008 and 2009, AGI declined by an average of 8 percent annually. Due to improving economic conditions, in 2010 the total Oregon AGI increased by 5.5 percent to \$88.3 billion.

**Exhibit 8 - Total Adjusted Gross Income - Historical**

**Full-Year Resident and PY/NR Returns - 2000 to 2010**



Tax Year	Full-Year Returns		PY/NR Returns		All Returns	
	AGI (\$ millions)	Percent Change	AGI (\$ millions)	Percent Change	AGI (\$ millions)	Percent Change
2000	\$66,259	7.2%	\$4,764	5.3%	\$71,023	7.1%
2001	\$63,351	-4.4%	\$4,455	-6.5%	\$67,806	-4.5%
2002	\$62,361	-1.6%	\$4,263	-4.3%	\$66,624	-1.7%
2003	\$63,958	2.6%	\$4,506	5.7%	\$68,464	2.8%
2004	\$69,415	8.5%	\$5,162	14.6%	\$74,577	8.9%
2005	\$77,248	11.3%	\$5,810	12.5%	\$83,058	11.4%
2006	\$83,831	8.5%	\$6,383	9.9%	\$90,213	8.6%
2007	\$91,795	9.5%	\$6,951	8.9%	\$98,746	9.5%
2008	\$84,059	-8.4%	\$6,005	-13.6%	\$90,064	-8.8%
2009	\$78,717	-6.4%	\$4,963	-17.4%	\$83,680	-7.1%
2010	\$82,656	5.0%	\$5,603	12.9%	\$88,259	5.5%

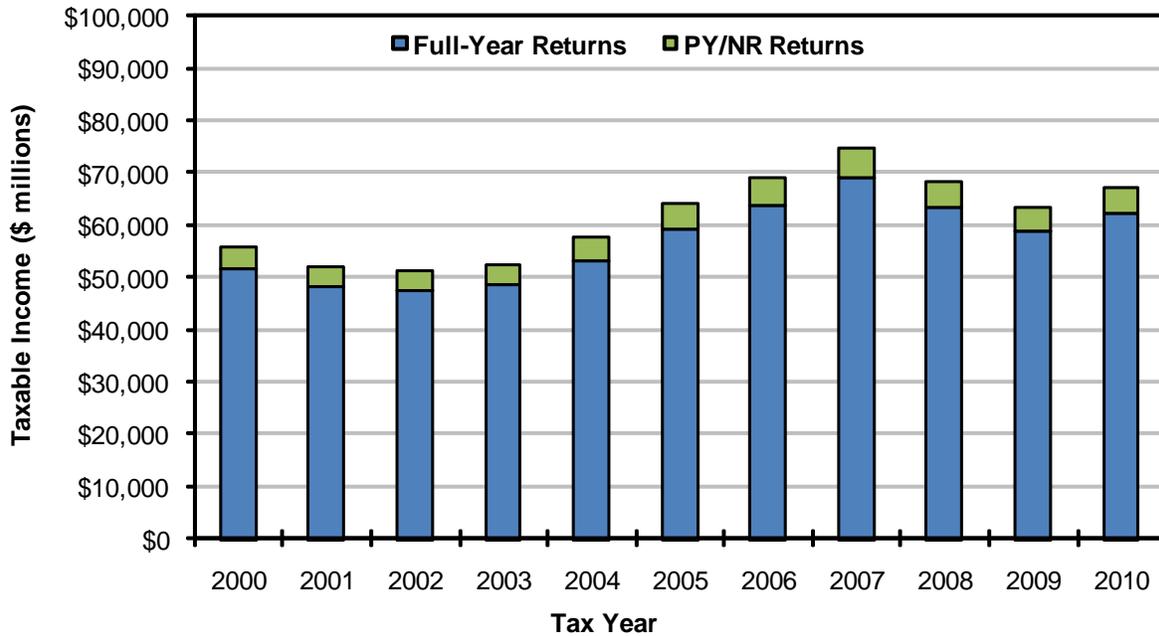
**Taxable Income—Historical Trends**

Taxable income is equal to taxable income plus additions, minus subtractions, minus allowable deductions and set to zero if it is negative. It is the amount of income subject to Oregon tax. Exhibit 9

shows the trend in Oregon AGI since 2000 for full-year resident returns, the total of part-year resident and nonresident returns (PY/NR) and all returns. The yearly trends in the total taxable income closely track the total Oregon AGI.

**Exhibit 9 - Total Taxable Income - Historical**

**Full-Year Resident and PY/NR Returns - 2000 to 2010**



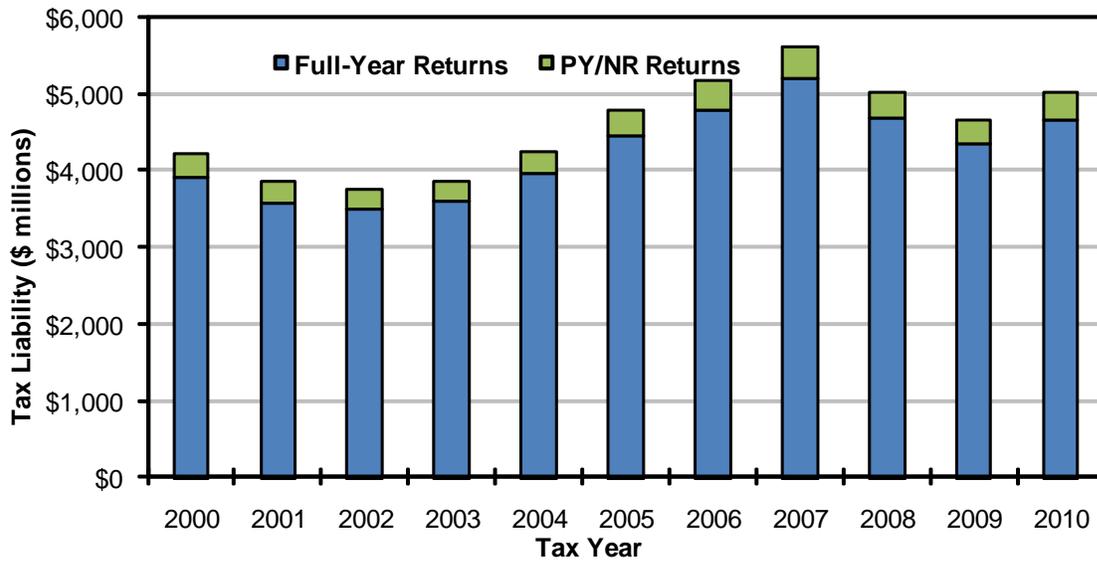
Tax Year	Full-Year Returns		PY/NR Returns		All Returns	
	Taxable Incom (\$ millions)	Percent Change	Taxable Incom (\$ millions)	Percent Change	Taxable Incom (\$ millions)	Percent Change
2000	\$51,730	7.2%	\$4,107	6.6%	\$71,023	7.1%
2001	\$48,274	-4.4%	\$3,827	-6.8%	\$67,806	-4.5%
2002	\$47,423	-1.6%	\$3,698	-3.4%	\$66,624	-1.7%
2003	\$48,693	2.6%	\$3,937	6.5%	\$68,464	2.8%
2004	\$53,181	8.5%	\$4,473	13.6%	\$74,577	8.9%
2005	\$59,232	11.3%	\$4,980	11.3%	\$64,211	11.4%
2006	\$63,648	7.5%	\$5,450	9.4%	\$69,098	7.6%
2007	\$69,035	8.5%	\$5,856	7.4%	\$74,892	8.4%
2008	\$63,312	-8.3%	\$5,108	-12.8%	\$68,420	-8.6%
2009	\$58,828	-7.1%	\$4,510	-11.7%	\$63,338	-7.4%
2010	\$62,440	6.1%	\$4,917	9.0%	\$67,357	6.3%

**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 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. In 2010, tax liability totaled \$5.0 billion, a 7.4 percent increase from the previous year. Exhibit 10 shows the trend in total tax liability since 2000 for full-year resident returns, the total of part-year resident and nonresident returns (PY/NR) and all returns. The yearly trends in the total tax liability closely track the total Oregon AGI.

**Exhibit 10 - Total Personal Income Tax Liability - Historical**

**Full-Year Resident and PY/NR Returns - 2000 to 2010**



Tax Year	Full-Year Returns		PY/NR Returns		All Returns	
	Tax (\$ millions)	Percent Change	Tax (\$ millions)	Percent Change	Tax (\$ millions)	Percent Change
2000	\$3,903	8.3%	\$293	8.9%	\$4,196	8.4%
2001	\$3,567	-8.6%	\$269	-8.3%	\$3,836	-8.6%
2002	\$3,484	-2.3%	\$257	-4.5%	\$3,741	-2.5%
2003	\$3,588	3.0%	\$269	4.8%	\$3,858	3.1%
2004	\$3,939	9.8%	\$306	13.5%	\$4,245	10.0%
2005	\$4,437	12.6%	\$348	13.9%	\$4,786	12.7%
2006	\$4,775	7.6%	\$376	7.9%	\$5,151	7.6%
2007	\$5,185	8.6%	\$415	10.3%	\$5,600	8.7%
2008	\$4,659	-10.1%	\$358	-13.8%	\$5,016	-10.4%
2009	\$4,338	-6.9%	\$319	-10.9%	\$4,656	-7.2%
2010	\$4,646	7.1%	\$353	10.9%	\$4,999	7.4%

**Effective Tax Rates**

Exhibit 11 shows two effective tax rates by adjusted gross income for full-year resident filers in 2010: tax as a percent of AGI, and tax as a percent of taxable income.

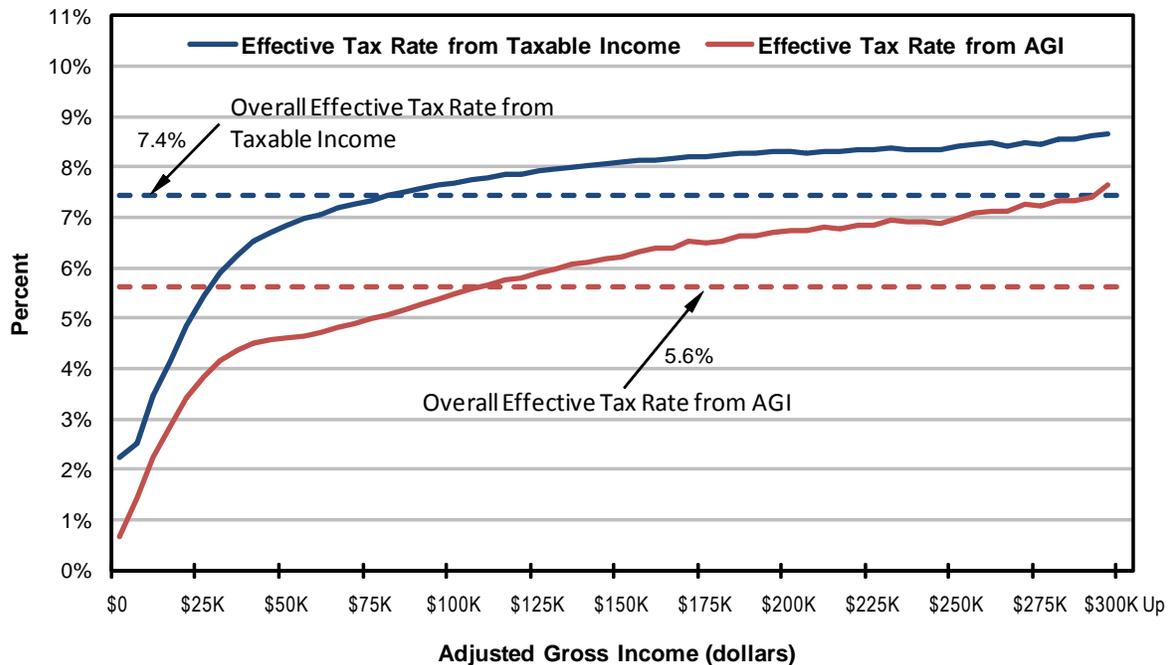
Tax as a percent of AGI (bottom curve) provides the tax rate necessary to apply to AGI to raise the same amount of revenue as current tax law. It essentially averages all deductions and credits used across all filers. The effective tax rate is influenced significantly by subtractions and deductions (standard and itemized), which lower it. 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 9 percent (or 10.8 or 11 percent if the taxpayer has a significant amount of income in either of those brackets). The rate climbs quickly from zero to about 4.4 percent for filers with income of roughly \$40,000. After this point, the rate continues to increase more gradually.

The top curve 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 to about 7 percent, and then gradually approaches 11 percent, beyond the limits of this chart. The effective rate cannot reach 11 percent, because even the highest income taxpayers have some income taxed at the 5, 7, 9 and 10.8 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. An overall effective tax rate derived from AGI of 5.6 percent, and an overall effective tax rate derived from taxable income of 7.4 percent are shown in Exhibit 11 for reference.

**Exhibit 11 - Effective Tax Rates from AGI and Taxable Income**

**Full-Year Resident Returns - 2010**



**Distribution of Returns, Income, and Tax by AGI Level**

Exhibit 12 shows the total Oregon AGI and the amount of tax liability by AGI quintile for 2009 and 2010. The fifth quintile is broken into the first 15 percent of the fifth quintile, the next four percent and top one percent. In 2010, the top one percent accounted for 21 percent of the total tax liability.

**Exhibit 12 - Income and Tax Liability by AGI Quintiles****Full-Year Resident Returns - 2009 and 2010**

Quintile	Approximate AGI Range (dollars)	Total AGI (\$ millions)		Total Tax Liability (\$ millions)		% Total Tax Liability	
		2009	2010	2009	2010	2009	2010
<b>Lowest 20%</b>	Below \$12K	-\$290	-\$26	\$24	\$29	0.6%	0.6%
<b>Second 20%</b>	\$12K-\$25K	\$5,575	\$5,789	\$162	\$176	3.7%	3.8%
<b>Middle 20%</b>	\$25K-\$45K	\$10,349	\$10,675	\$428	\$450	9.9%	9.7%
<b>Fourth 20%</b>	\$45K-\$75K	\$18,051	\$18,645	\$843	\$882	19.4%	19.0%
<b>Next 15%</b>	\$75K-\$145K	\$23,304	\$24,149	\$1,264	\$1,329	29.1%	28.6%
<b>Next 4%</b>	\$145K-\$300K	\$11,550	\$12,236	\$756	\$817	17.4%	17.6%
<b>Top 1%</b>	above \$300K	\$10,178	\$11,189	\$861	\$963	19.8%	20.7%
<b>Total</b>		<b>\$78,717</b>	<b>\$82,656</b>	<b>\$4,338</b>	<b>\$4,646</b>	<b>100.0%</b>	<b>100.0%</b>

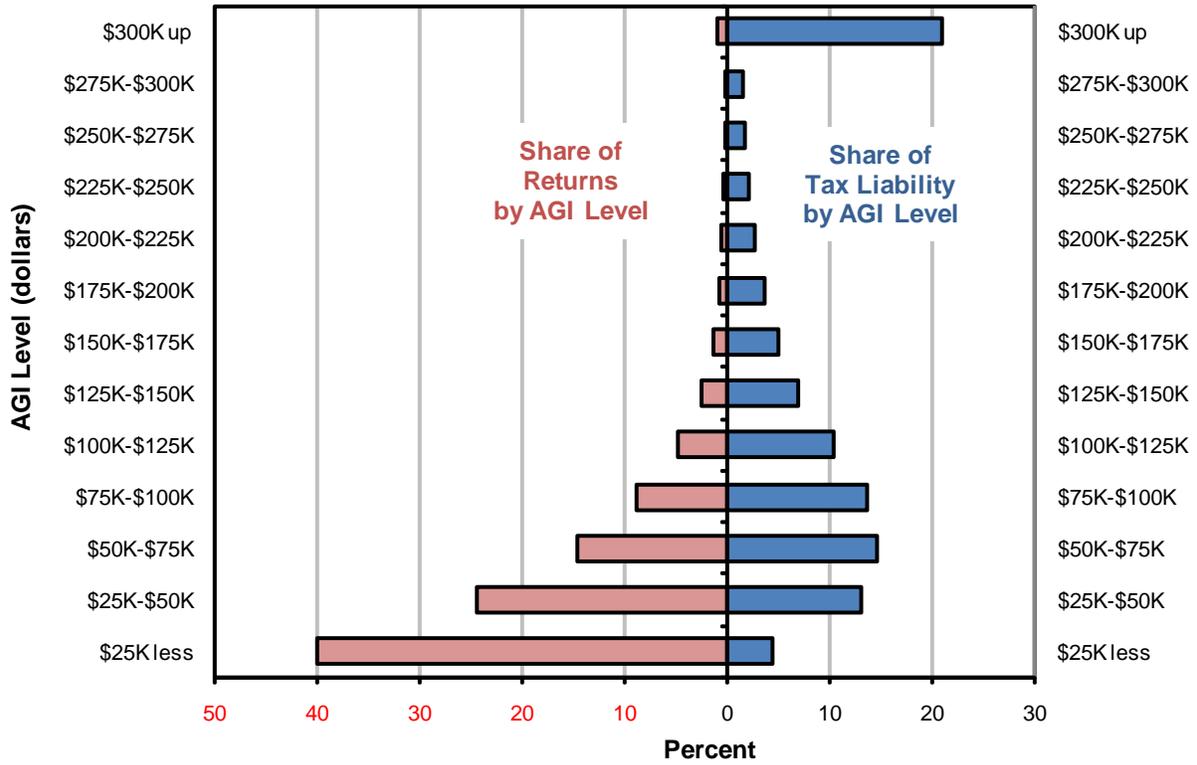
Notes: Each quintile contains one-fifth of the total number of full-year resident returns, which is approximately 315,000.  
The exact AGI breakpoints between the quintiles varies slightly between tax year 2009 and 2010.

Exhibit 13 shows the percentages of full-year resident returns (left chart) and the percentages of total tax liability (right chart) by AGI levels for 2010.

Nearly 65 percent of filers reported AGI less than \$50,000 in 2010. This group contributed less than 18 percent of the total tax liability. Filers with AGI above \$300,000 represent about 1 percent of total returns, but contributed 21 percent of total tax liability in 2010.

**Exhibit 13 - Returns and Tax Liability by AGI Level**

**Full-Year Resident Returns - 2010**



AGI Level (dollars)	Number	Returns		Tax Liability	
		Share	\$ (millions)	Share	
<b>Below \$25,000</b>	632,021	40.0%	\$204	4.4%	
<b>\$25,000 - \$50,000</b>	387,917	24.5%	\$604	13.0%	
<b>\$50,000 - \$75,000</b>	230,484	14.6%	\$673	14.5%	
<b>\$75,000 - \$100,000</b>	141,647	9.0%	\$632	13.6%	
<b>\$100,000 - \$125,000</b>	76,315	4.8%	\$479	10.3%	
<b>\$125,000 - \$150,000</b>	39,234	2.5%	\$323	6.9%	
<b>\$150,000 - \$175,000</b>	22,048	1.4%	\$226	4.9%	
<b>\$175,000 - \$200,000</b>	13,342	0.8%	\$164	3.5%	
<b>\$200,000 - \$225,000</b>	8,695	0.5%	\$125	2.7%	
<b>\$225,000 - \$250,000</b>	5,964	0.4%	\$97	2.1%	
<b>\$250,000 - \$275,000</b>	4,154	0.3%	\$77	1.7%	
<b>\$275,000 - \$300,000</b>	3,123	0.2%	\$66	1.4%	
<b>Above \$300,000</b>	16,328	1.0%	\$975	21.0%	
<b>Total</b>	<b>1,581,272</b>	<b>100.0%</b>	<b>\$4,646</b>	<b>Total</b>	

### Distribution of Returns and Tax by Oregon Tax Brackets

The 2009 legislature created two new income brackets, which took effect for tax year 2009 after Oregon voters approved the tax increase in January 2010 (Measure 66). The marginal tax rates are now 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). Exhibit 14 shows the number of filers in each tax bracket and the total tax liability by those filers in each tax bracket. A portion of the income of a taxpayer who falls in a tax bracket with a rate of 7 percent or above is taxed at the lower rate(s).

#### Exhibit 14 - Returns and Tax by Oregon Tax Brackets

##### Full-Year Resident Returns - 2010

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	137,968	8.7%	\$0	0%
\$1- \$3,050	5%	117,981	7.5%	\$2	0.04%
\$3,051-\$7,650	7%	208,944	13.2%	\$30	0.6%
\$7,650-\$125,000	9%	1,093,270	69.1%	\$3,519	75.7%
\$125,001-\$250,000	10.8%	16,711	1.1%	\$419	9.0%
Over \$250,000	11%	6,398	0.4%	\$677	14.6%
<b>Total</b>		<b>1,581,272</b>	<b>100.0%</b>	<b>\$4,646</b>	<b>100.0%</b>

### Types of Gross Income

Exhibit 15 shows the types of gross income from the federal tax forms for 2009 and 2010 with their corresponding number of times reported, average and total amount for full-year resident filers. As shown in Exhibit 15, wages are the dominant source of income, representing \$57.5 billion of the \$84.1 billion of total gross income, or 68 percent of the total in 2010. Nearly all types of income showed an increase in 2010 from 2009 due to improving economic conditions. Several observations can be seen due to the lingering conditions of the recent economic recession. Even though other types of income increased, interest income declined over 18 percent due to the low interest rates, and possibly due to a reduction in taxpayers' savings. There was a significant increase in IRA distributions, which may be due to taxpayers making early withdrawals from their IRA accounts. Unemployment compensation increased by over 30 percent. However most of this increase in 2010 was due to the requirement that all unemployment compensation be included in taxable income. Whereas in 2009 the first \$2,400 of employment compensation per recipient was excluded from both federal and Oregon taxable income.

**Exhibit 15 - Types of Gross Income****Full-Year Resident Returns - 2009 and 2010**

Income Type	Number of Returns		Average (\$)		Gross Income (\$ millions)		% Change
	2009	2010	2009	2010	2009	2010	
<b>Wages, Salaries, Tips</b>	1,259,019	1,258,989	\$44,837	\$45,707	\$56,450	\$57,545	1.9%
<b>Interest</b>	675,385	639,589	\$2,638	\$2,308	\$1,781	\$1,476	-17.2%
<b>Dividends</b>	354,349	337,411	\$4,648	\$5,664	\$1,647	\$1,911	16.0%
<b>Capital Gains</b>	269,920	285,588	\$7,965	\$9,341	\$2,150	\$2,668	24.1%
<b>Other Gains</b>	27,935	29,336	-\$4,714	-\$5,358	-\$132	-\$157	-19.3%
<b>Business</b>	242,602	242,506	\$10,937	\$11,831	\$2,653	\$2,869	8.1%
<b>Rent, Partnership, S Corp</b>	216,805	219,654	\$16,588	\$19,154	\$3,596	\$4,207	17.0%
<b>IRA distributions</b>	131,863	173,049	\$13,979	\$15,055	\$1,843	\$2,605	41.3%
<b>Pensions</b>	312,302	315,234	\$21,342	\$22,178	\$6,665	\$6,991	4.9%
<b>Social security benefits</b>	200,904	215,707	\$11,243	\$11,705	\$2,259	\$2,525	11.8%
<b>Unemployment compensation</b>	187,028	244,385	\$7,884	\$8,078	\$1,474	\$1,974	33.9%
<b>Farm</b>	32,154	31,836	-\$8,473	-\$7,119	-\$272	-\$227	16.8%
<b>State tax refunds</b>	411,550	408,333	\$1,320	\$1,249	\$543	\$510	-6.1%
<b>Alimony</b>	8,137	8,007	\$15,078	\$15,896	\$123	\$127	3.7%
<b>Other/Unclassified</b>	120,498	128,894	-\$5,816	-\$6,944	-\$701	-\$895	-27.7%
<b>Total</b>					<b>\$80,081</b>	<b>\$84,129</b>	<b>5.1%</b>

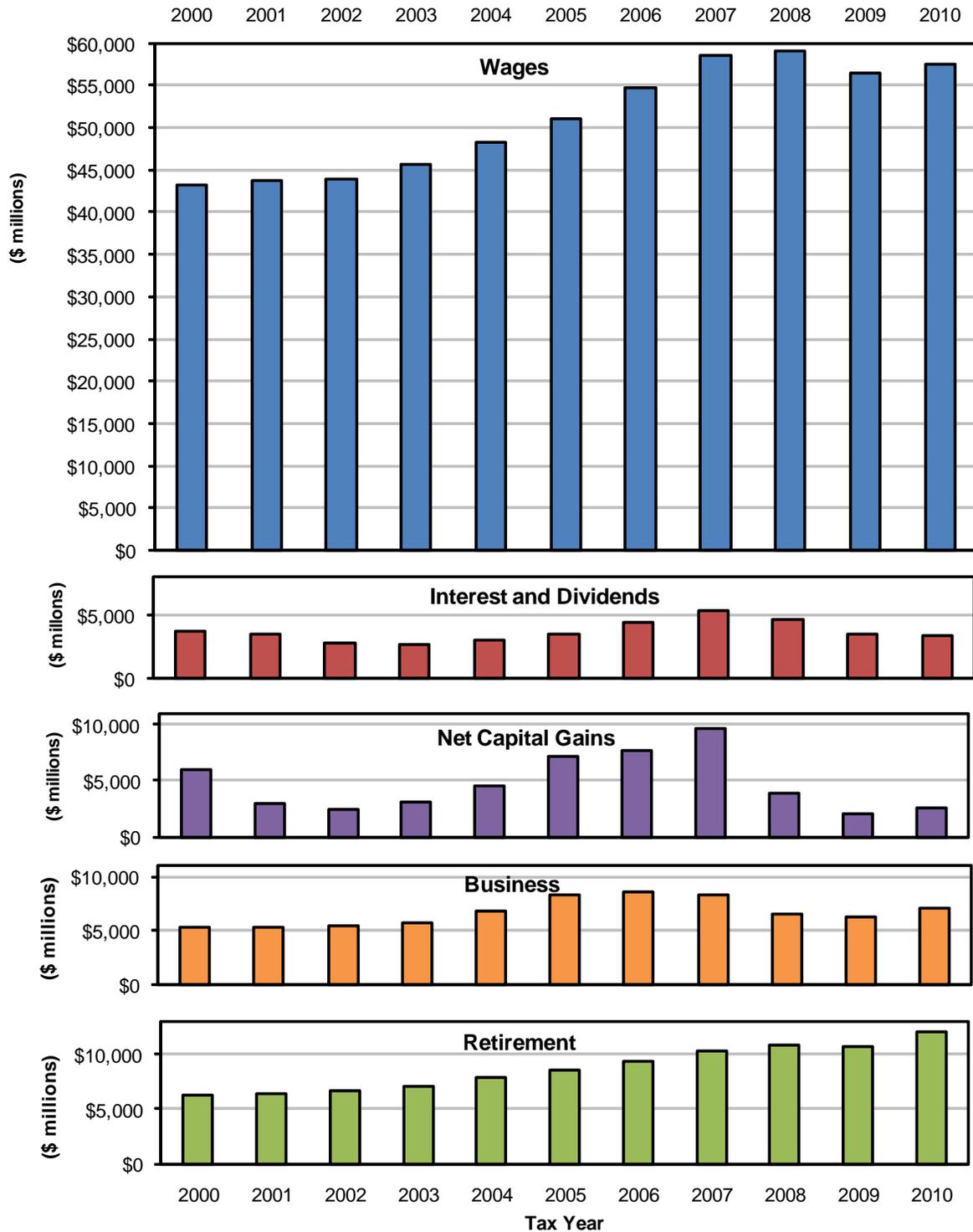
**Categories of Gross Income—Historical**

This section discusses federal gross income historically for similar income types grouped into categories. Exhibit 16 shows these income categories for tax years 2000 through 2010 for full-year resident filers. The interest and dividend income category is comprised of passive type investments. The category 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 types of income, unemployment, farm, state tax refunds, alimony and other/unclassified income account for less than \$1.2 billion (or less than 2 percent) of the total gross income in 2010 and are not included in this exhibit.

Wage income, investment income, capital gains and business income, in general, follow the trends of the 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 2010, capital gains accounted for 3.0 percent of the total gross income, but that amount has varied since 2000 from a low of 2.5 percent in 2009 to a high of 10.3 percent in 2007. Retirement income shows a fairly steady increase. Retirement income's share of total income has slowly increased from 9.4 percent in 2000 to 14.4 percent in 2010.

**Exhibit 16 - Categories of Gross Income - Historical**

**Full-Year Resident Returns - 2000 to 2010**



Section 3  
**2010 Summary and Historical Trends**  
**Adjustments**

Adjustments are deductions that all filers may take if they qualify, regardless of whether they itemize deductions. They are found on federal Forms 1040 and 1040A and are subtracted from gross income when computing federal AGI. Oregon ties to federal AGI with a few exceptions. For example, the domestic production activities deduction allowed on federal returns is not permitted for Oregon.

**Types of Adjustments**

Exhibit 17 shows the types of federal adjustments to gross income (above-the-line deductions) claimed on full-year returns in 2009 and 2010 with their corresponding number claimed, average and total amount for full-year resident filers.

<b>Exhibit 17 - Federal Adjustments</b>							
<b>Full-Year Resident Returns - 2000 to 2010</b>							
<b>Adjustment</b>	<b>Number of Returns</b>		<b>Average (\$)</b>		<b>Total (\$ millions)</b>		
	2009	2010	2009	2010	2009	2010	% Change
<b>Self-Emp Health Insurance</b>	60,488	66,158	\$5,519	\$5,581	\$333.8	\$369.2	10.6%
<b>Self-Employment Tax</b>	183,285	181,247	\$1,428	\$1,426	\$261.7	\$258.5	-1.2%
<b>SEP, SIMPLE</b>	12,124	11,969	\$17,766	\$17,960	\$215.4	\$215.0	-0.2%
<b>IRA Contributions</b>	38,273	38,132	\$4,238	\$4,292	\$162.2	\$163.7	0.9%
<b>Alimony Paid</b>	9,799	9,877	\$13,566	\$14,121	\$132.9	\$139.5	4.9%
<b>Student Loan Interest</b>	130,755	135,227	\$880	\$890	\$115.1	\$120.3	4.6%
<b>Domestic Production</b>	8,241	9,133	\$8,513	\$11,011	\$70.2	\$100.6	43.3%
<b>Tuition and Fees</b>	29,184	24,069	\$2,111	\$2,040	\$61.6	\$49.1	-20.3%
<b>Health Savings Accounts</b>	10,447	10,794	\$2,826	\$2,947	\$29.5	\$31.8	7.7%
<b>Moving Expenses</b>	5,773	6,042	\$1,766	\$1,813	\$10.2	\$11.0	7.4%
<b>Educator Expenses</b>	35,086	33,646	\$240	\$241	\$8.4	\$8.1	-3.8%
<b>Employee Business Expenses</b>	1,421	1,456	\$2,702	\$2,647	\$3.8	\$3.9	0.4%
<b>Penalty on Early Withdrawal</b>	12,330	10,595	\$230	\$204	\$2.8	\$2.2	-24%
<b>Other/Unknown</b>	771	574	\$1,291	\$1,229	\$1.0	\$0.7	-29%
<b>Total</b>					<b>\$1,408.7</b>	<b>\$1,473.4</b>	<b>4.6%</b>

The three adjustments associated with self-employment (self-employment tax, self-employment health insurance, and tax deferred SEP and SIMPLE plans) together account for 57 percent of total dollar amount of adjustments claimed. About 13 percent of full-year resident returns claimed at least one of these adjustments.

The most frequently claimed deduction was for federal self-employment taxes. Taxpayers who are self-employed are required to pay their own Social Security and Medicare taxes. These payments, called self-employment taxes, are the taxes that are shared between an employer and employee for those who aren't self-employed. The deduction allows self-employed taxpayers to subtract half of these taxes (the employer portion) from their gross income. Oregonians deducted \$258.5 million of self-employment taxes for tax year 2010.

For full year returns, the total adjustments in 2010 increased by 4.5 percent from the total adjustments in 2009.

**Adjustments—Historical**

Exhibit 18 shows the trend in total federal adjustments since 2000 for full-year resident returns. The yearly trend in the total federal adjustments closely track the total Oregon AGI. Since 2003, the percentage of the total federal adjustments compared to the Oregon AGI has remained fairly constant, around 1.6 percent to 1.7 percent.

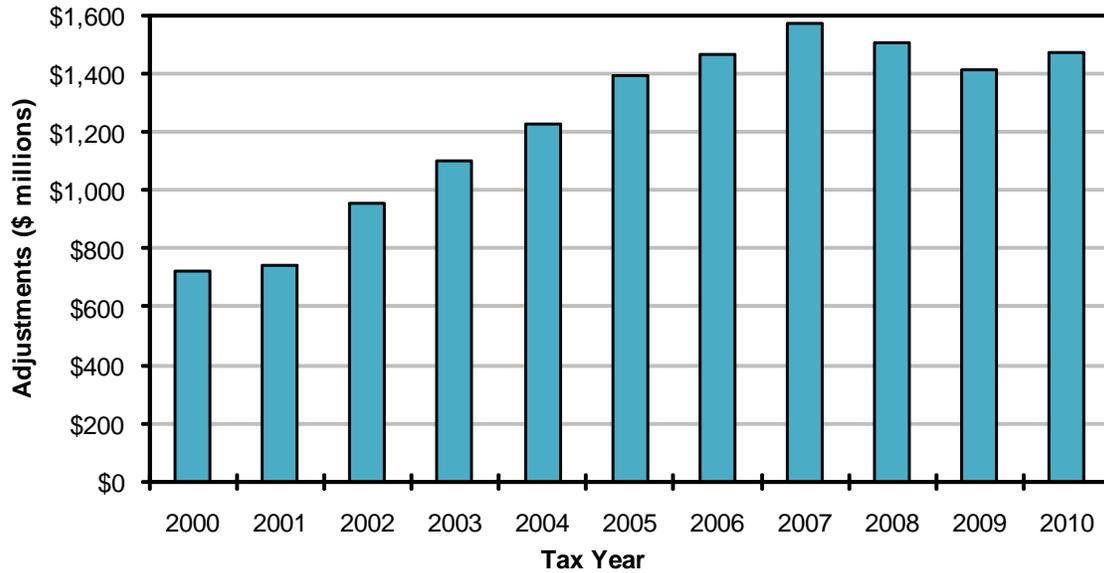
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**Exhibit 18 - Total Federal Adjustments - Historical**

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**Full-Year Resident Returns - 2000 to 2010**

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Section 4

## 2010 Summary and Historical Trends

### Additions and Subtractions

Additions represent income or disallowed deductions not taxed by the federal government but taxed by Oregon. Subtractions represent income taxed by the federal government but not taxed by Oregon.

#### Additions

Exhibit 19 shows that additions over the decade have increased more than five times from \$144 million in 2000 to \$792 million in 2010. Before 2009, the largest addition had been from income on interest and dividends on state and local government bonds outside Oregon. In 2009, total additions increased significantly due mostly to a new addition, because Oregon disconnected 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 the federal AGI. This new addition accounted for approximately \$230 million of the total additions in 2009 and for approximately \$350 million in 2010. This new addition is included in the “other” additions in Exhibit 19.

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.

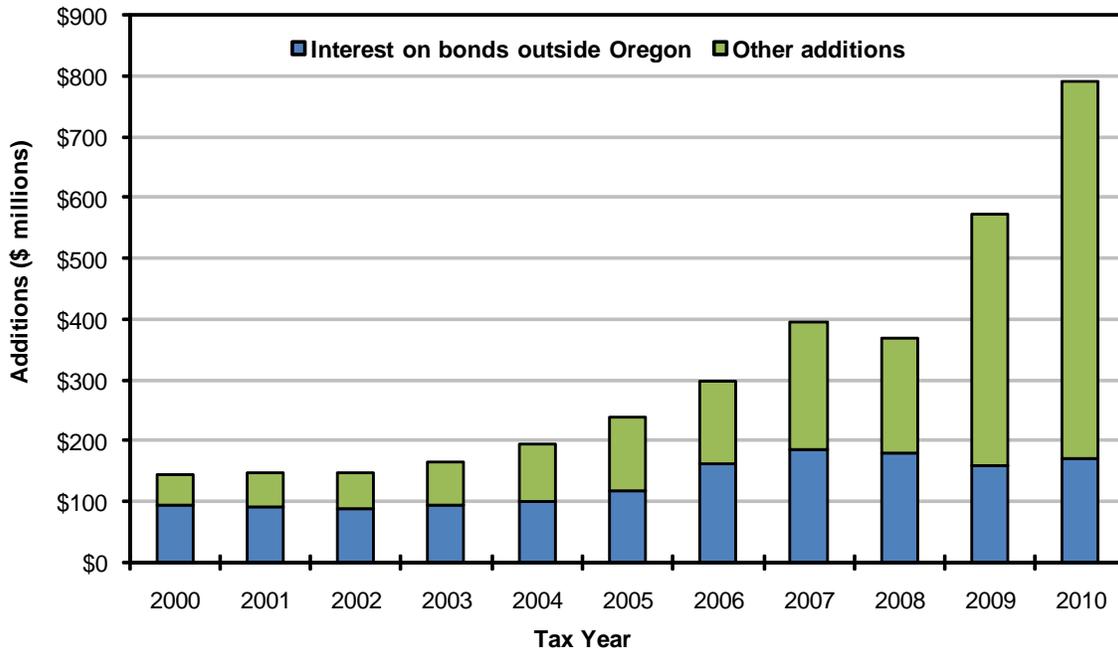
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#### Exhibit 19 - Oregon Additions - Historical

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##### Full-Year Resident Returns - 2000 to 2010

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**Subtractions**

For each major subtraction, Exhibit 20 shows the number claimed, average and total amount of the subtraction claimed in 2009 and 2010.

**Exhibit 20 - Oregon Subtractions**

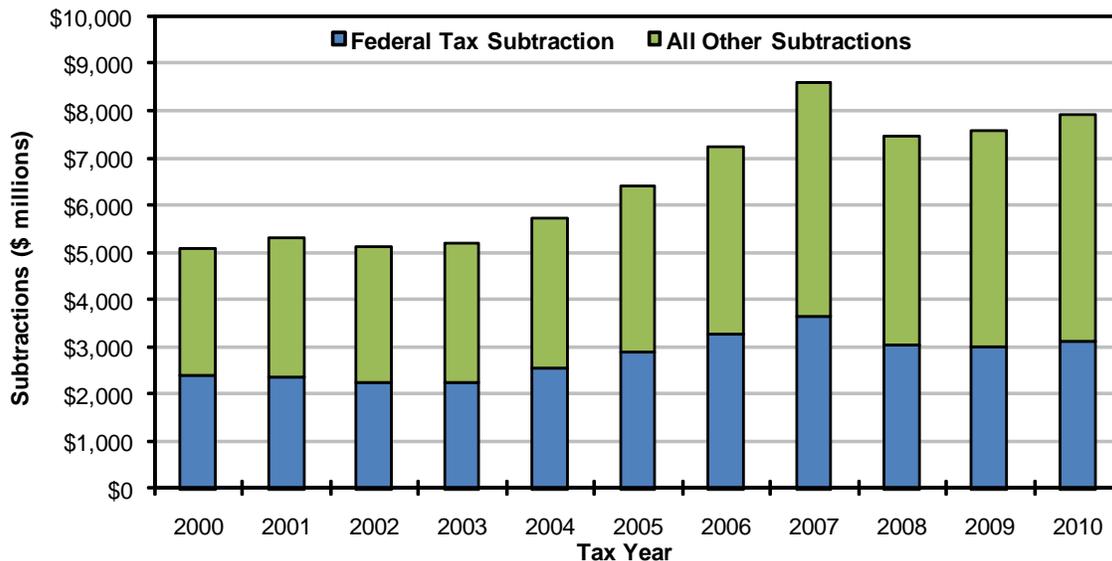
**Full-Year Resident Returns - 2009 and 2010**

Subtraction	Number of Returns		Average (\$)		Total (\$ millions)		% Change
	2009	2010	2009	2010	2009	2010	
<b>Federal Tax</b>	918,085	944,793	\$3,268	\$3,321	\$3,000	\$3,138	4.6%
<b>Social Security</b>	200,492	215,345	\$11,256	\$11,717	\$2,257	\$2,523	11.8%
<b>Federal Pension</b>	42,857	42,382	\$23,228	\$23,094	\$995	\$979	-1.7%
<b>Income Tax Refunds</b>	401,432	398,490	\$1,293	\$1,228	\$519	\$489	-5.8%
<b>U.S. Bonds</b>	62,260	54,333	\$1,955	\$1,839	\$122	\$100	-17.9%
<b>Other</b>	166,925	157,069	\$4,075	\$4,448	\$680	\$699	2.7%
<b>Total</b>					<b>\$7,574</b>	<b>\$7,928</b>	<b>4.7%</b>

Exhibit 21 shows Oregon total subtractions generally increasing since 2000. 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 2010 of 4.7 percent. The federal tax subtraction increased 4.6 percent from 2009 to 2010, even though there was no change in maximum federal tax subtraction amount of \$5,850. The increase in the federal tax subtraction is due to 2.7 percent more filers eligible to use this subtraction, and the average amount subtracted increasing by 1.6 percent.

**Exhibit 21 - Oregon Subtractions - Historical**

**Full-Year Resident Returns - 2000 to 2010**



Section 5  
**2010 Summary and Historical Trends**  
**Deductions**

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, their federal and Oregon deductions equal each other, with two exceptions. First, Oregon does not allow a deduction for Oregon state income taxes. Second, Oregon allows a special medical deduction for taxpayers age 62 or older. This deduction is the amount of medical and dental expenses that could not be deducted on federal Schedule A.

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 is much lower than the federal standard deduction, some filers itemized their deductions for Oregon only, especially those claiming the special medical deduction.

In 2010, 51.0 percent of filers itemized their deductions, accounting for about 87 percent of the approximately \$16 billion in total deductions. The remaining filers claimed their allowed standard deduction.

Exhibit 22 shows the number, total and average amount of the deduction claimed in 2009 and 2010.

**Exhibit 22 - Oregon Deductions**

**Full-Year Resident Returns - 2009 and 2010**

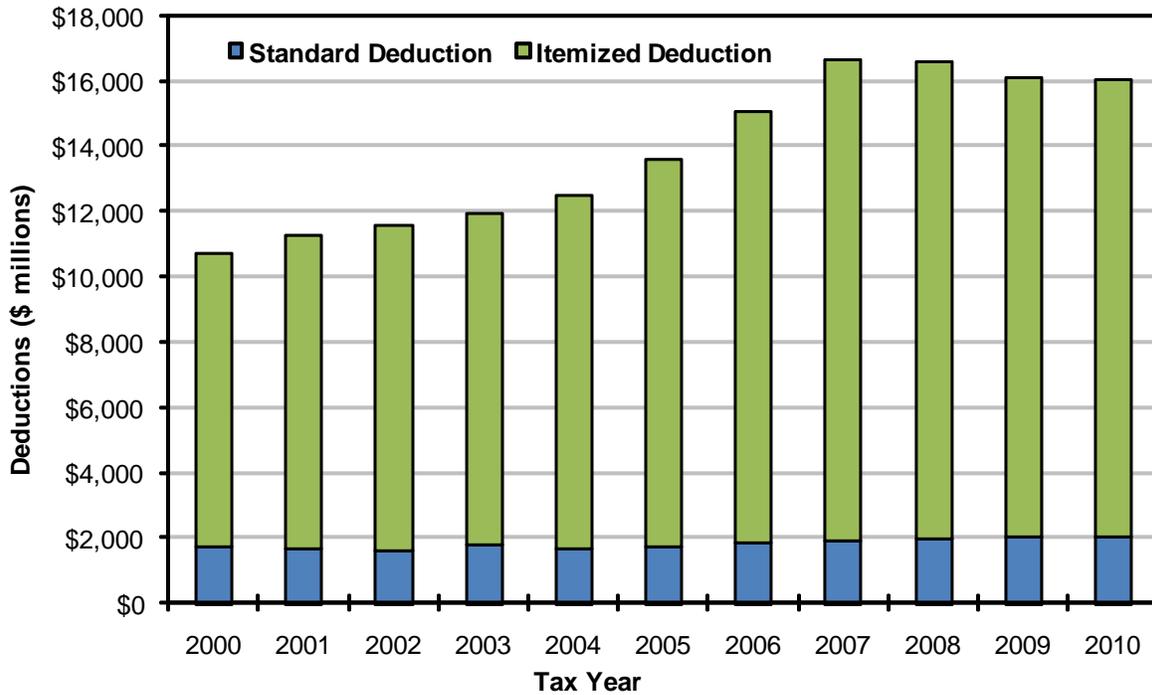
Deduction	Number of Returns		Average (\$)		Total (\$ millions)		% Change
	2009	2010	2009	2010	2009	2010	
<b>Standard</b>	764,079	773,723	\$2,662	\$2,671	\$2,034	\$2,067	1.6%
<i>Itemized</i>							
<b>From federal form*</b>	806,562	806,835	\$16,511	\$16,258	\$13,317	\$13,118	-1.5%
<b>Special Medical</b>	234,772	245,459	\$3,204	\$3,400	\$752	\$835	10.9%
<b>Total itemized</b>	807,223	807,549	\$17,429	\$17,277	\$14,069	\$13,952	-0.8%
<b>Total</b>					<b>\$16,104</b>	<b>\$16,019</b>	<b>-0.5%</b>

\*Does not include any state income tax claimed as a deduction, as that deduction, if taken must be subtracted on the Oregon return.

Exhibit 23 shows the total amount filers claim as either a standard deduction or itemized deductions on their Oregon return. Previous to 2004, less than half of filers itemized their deduction for Oregon. Since 2004, the percentage of filers who itemized has fluctuated close to 51 percent.

**Exhibit 23 - Oregon Deductions - Historical**

**Full-Year Resident Returns - 2000 to 2010**



Tax Year	Standard Deduction		Itemized Deduction		Total Deductions (\$ millions)
	Total (\$ millions)	Share of Filers	Total (\$ millions)	Share of Filers	
2000	\$1,735	53.2%	\$8,986	46.8%	\$10,721
2001	\$1,691	51.5%	\$9,549	48.5%	\$11,241
2002	\$1,631	50.3%	\$9,950	49.7%	\$11,581
2003	\$1,793	50.4%	\$10,147	49.6%	\$11,940
2004	\$1,695	49.2%	\$10,791	50.8%	\$12,486
2005	\$1,770	49.0%	\$11,797	51.0%	\$13,567
2006	\$1,899	49.3%	\$13,122	50.7%	\$15,021
2007	\$1,965	49.3%	\$14,640	50.7%	\$16,606
2008	\$1,987	49.2%	\$14,604	50.8%	\$16,591
2009	\$2,034	48.6%	\$14,069	51.4%	\$16,104
2010	\$2,067	49.0%	\$13,952	51.0%	\$16,019

Section 6  
**2010 Summary and Historical Trends**  
Credits

Most credits are not refundable which means they can only be used to reduce tax liability to zero. If a filer has more nonrefundable credits than tax liability, the excess credits are not used unless they can be carried forward to the next tax year. Refundable credits are used after all nonrefundable credits and may reduce tax liability to zero or below. When tax liability goes below zero due to refundable credits and other payments, a refund is issued to the taxpayer.

**Credits Claimed, Credits Used**

Exhibit 24 shows the credits claimed and used by full-year return filers in 2010 categorized by nonrefundable and refundable credits. All nonrefundable credits with a total amount claimed of at least \$0.5 million are shown. Credits with a total amount claimed of less than \$0.5 million, such as the elderly and disabled credit, are included in the ‘other’ category.

**Exhibit 24 -Oregon Credits Claimed and Used**

**Full-Year Resident Returns - 2010**

	Number of Claims	Average (\$)		Total (\$ millions)		Percent Used
		Amount Claimed	Amount Used	Amount Claimed	Amount Used	
<b>Nonrefundable Credits:</b>						
Personal Exemption	1,508,772	\$374	\$331	\$564.1	\$499.0	88.5%
Business Energy*	2,565	\$13,744	\$11,519	\$35.3	\$29.5	83.8%
Income Taxes Paid to Another State	13,856	\$2,208	\$2,200	\$30.6	\$30.5	99.6%
Residential Energy*	55,960	\$261	\$242	\$14.6	\$13.5	92.6%
Child and Dependent Care*	43,248	\$279	\$207	\$12.1	\$8.9	74.1%
Long-term Care Insurance	32,905	\$304	\$246	\$10.0	\$8.1	80.6%
Oregon Production Investment Fund*	247	\$37,453	\$33,656	\$9.3	\$8.3	89.9%
Rural Medical Practice	1,644	\$5,089	\$4,802	\$8.4	\$7.9	94.4%
Business Tax from Flow-through Entity	827	\$9,770	\$7,077	\$8.1	\$5.9	72.4%
Biomass Production/Collection*	266	\$27,087	\$25,940	\$7.2	\$6.9	95.8%
Political Contributions	99,947	\$69	\$64	\$6.9	\$6.4	92.9%
IDA Donation*	797	\$7,547	\$6,687	\$6.0	\$5.3	88.6%
Oregon Cultral Trust Donation	6,446	\$514	\$491	\$3.3	\$3.2	95.7%
Pollution Control Facilities*	280	\$7,362	\$5,049	\$2.1	\$1.4	68.6%
Retirement	6,171	\$278	\$135	\$1.7	\$0.8	48.4%
TRICARE Provider	755	\$1,350	\$1,284	\$1.0	\$1.0	95.1%
Biofuel Consumer	5,233	\$138	\$112	\$0.7	\$0.6	81.7%
Child care fund contributions	121	\$5,307	\$4,778	\$0.6	\$0.6	90.0%
Other	2,843	\$794	\$511	\$2.3	\$1.5	64.4%
<b>Total</b>	<b>1,782,883</b>			<b>\$724.2</b>	<b>\$639.3</b>	<b>88.3%</b>
<b>Refundable Credits**:</b>						
Earned Income	251,716	\$118	\$118	\$29.7	\$29.7	100.0%
Working Family Child Care	25,346	\$795	\$795	\$20.1	\$20.1	100.0%
Mobile Home Park Closure	37	\$347	\$347	\$0.01	\$0.01	100.0%
<b>Total</b>	<b>277,099</b>			<b>\$49.8</b>	<b>\$49.8</b>	<b>100.0%</b>
<b>Total</b>	<b>2,059,982</b>			<b>\$774.0</b>	<b>\$689.1</b>	<b>89.0%</b>

\* Any unused portion may be carried forward to succeeding tax years (up to 3-8 years depending on the particular credit).

\*\* Does not include approximately 20 filers who claimed the Claim of right income repayment credit.

The personal exemption credit was the most widely claimed credit with over 1.5 million full-year filers claiming a total of \$564 million. The personal exemption credit is available to nearly all filers, except those who are claimed as a dependent on another tax return. About 88.5 percent of the credit amount was used with the remaining 11.5 percent unused because credits claimed exceeded the tax liability.

The business energy tax credit (\$35.3 million claimed and \$29.5 million used) and credit for income tax paid to another state (\$30.6 million claimed and \$30.5 million used) were the next two highest credits in terms of total dollar amount claimed and used. The political contribution credit with nearly 100,000 claims was the next highest in terms of number of claims after the personal exemption credit.

### **Refundable Credits**

The working family child care credit, Oregon earned income credit, and involuntary mobile home move credit are the only credits that are refundable. The working family child care credit is a credit for low income families with child care expenses. The credit is based on qualifying child care expenses, household size, and AGI. To qualify in 2010, a filer must have at least \$7,900 of earned income from Oregon, have \$3,100 or less of investment income, meet AGI requirements, and pay qualifying child care expenses.

The Oregon earned income credit is allowed for those who qualify for the federal Earned Income Credit. The Oregon credit is six percent of the federal earned income credit.

The involuntary mobile home move credit is a credit for \$5,000. To be eligible, filers must rent space in a park, own a mobile home, occupy it as their principal residence, receive notice that the park is closing, and move out along with all members of their household. The credit is claimed the year they move out of the closing park.

Exhibit 24 shows that the amount claimed for refundable credits equals the amount used because filers use all of the refundable credit. In 2010, there were 277,106 claims for refundable credits totaling \$49.8 million. Payments issued for refundable credits are described in the next section.

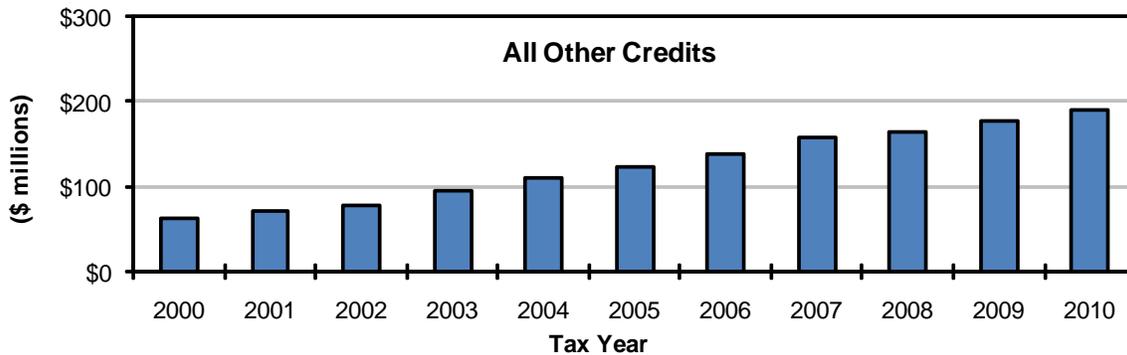
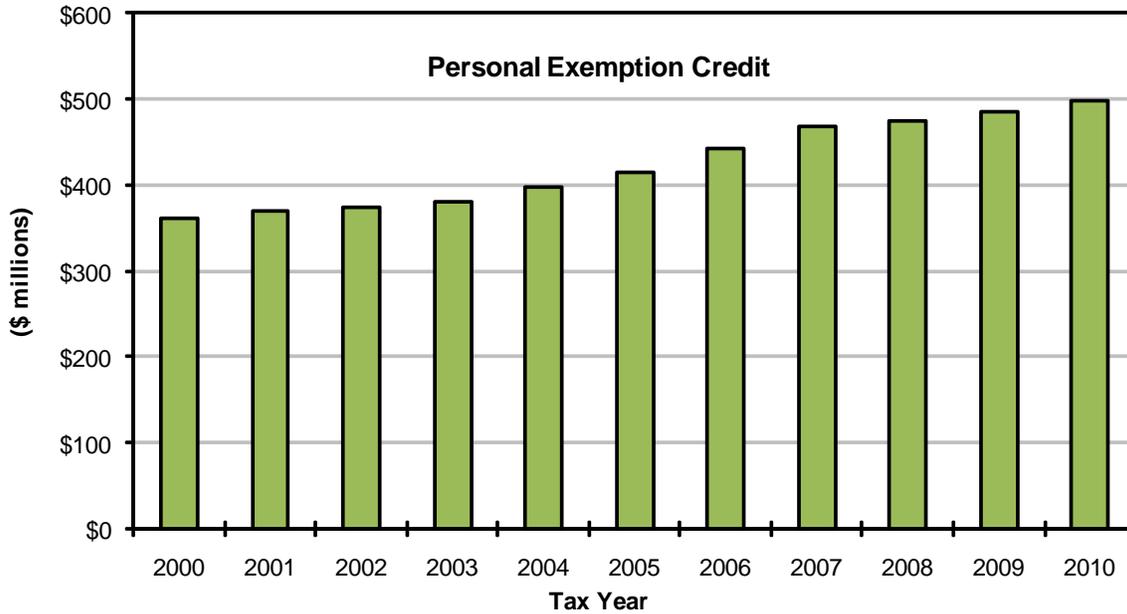
### **Credits—Historical Trends**

Exhibit 25 shows the recent history of Oregon credits used by full-year resident filers and the steady growth over time. Because most of the total is due to the personal exemption credit, it is shown separately.

The Oregon earned income and working family child care credits were first allowed in 1997 and accounted for \$14.8 million in credits. The two credits have since more than tripled to nearly \$50 million in 2010. In total, full-year resident filers used \$689 million in credits for 2010, an increase of 63 percent since 2000. The personal exemption credit accounted for \$499 million in 2010, an increase of 38 percent since 2000.

**Exhibit 25 - Oregon Credits Used - Historical**

**Full-Year Resident Returns - 2000 to 2010**



Tax Year	Personal Exemption Credit		All Other Credits		Total Credits	
	(\$ millions)	% Change	(\$ millions)	% Change	(\$ millions)	% Change
2000	\$361	4.6%	\$61	2.6%	\$423	4.3%
2001	\$369	2.2%	\$72	16.8%	\$441	4.3%
2002	\$374	1.4%	\$78	8.7%	\$452	2.6%
2003	\$380	1.7%	\$96	22.6%	\$476	5.3%
2004	\$397	4.5%	\$109	14.0%	\$507	6.5%
2005	\$415	4.3%	\$124	13.2%	\$538	6.2%
2006	\$443	7.0%	\$138	12.0%	\$582	8.1%
2007	\$468	5.6%	\$158	14.4%	\$627	7.7%
2008	\$475	1.4%	\$165	3.9%	\$640	2.1%
2009	\$486	2.4%	\$177	7.2%	\$663	3.6%
2010	\$499	2.6%	\$190	7.6%	\$689	3.9%

## Section 7

# 2010 Summary and Historical Trends

### Payments and Refunds

The amount a taxpayer is required to pay with the tax return is typically less than the final tax liability (the gross tax minus all credits, which cannot be less than zero). This is because most taxpayers have already made payments by having Oregon tax withheld from their paycheck or 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 had refundable credits exceeding the tax liability (after subtracting non-refundable credits), the taxpayer received a refund for the excess portion of the refundable credit. This is in addition to any refund due to excess withholding and/or estimated payments. In 2010, there were 114,272 full-year resident filers that received refunds averaging \$205, compared to 119,293 filers that received an average refund of \$201 in 2009.

Exhibit 26 shows payments from Oregon tax withheld and estimated payments for the 2009 and 2010 tax years as reported on the tax return along with those who made no pre-payments. This exhibit also shows details on the final payment category: 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 refunds that come from refundable credits.

#### Exhibit 26 - Reported Payments and Refunds

##### Full-Year Resident Returns - 2009 and 2010

	Number of Returns		Average (\$)		Total (\$ millions)		
	2009	2010	2009	2010	2009	2010	% Change
<b>Pre-Payments</b>							
Oregon Income tax withheld	1,300,020	1,313,144	\$3,004	\$3,084	\$3,906	\$4,050	3.7%
Estimated tax payments for the current year	144,371	136,610	\$5,932	\$6,595	\$856	\$901	5.2%
No Pre-payments	204,149	207,882	\$0	\$0	\$0	\$0	0.0%
<b>Final Payment Category</b>							
Tax to pay with return	426,923	473,178	\$939	\$971	\$401	\$459	14.6%
Zero balance	116,102	113,857	\$0	\$0	\$0	\$0	0.0%
Refund	1,028,277	994,237	\$826	\$792	\$849	\$787	-7.3%
Part or all of refund includes refund-of-credit payment	119,293	114,272	\$201	\$205	\$24	\$23	-2.6%

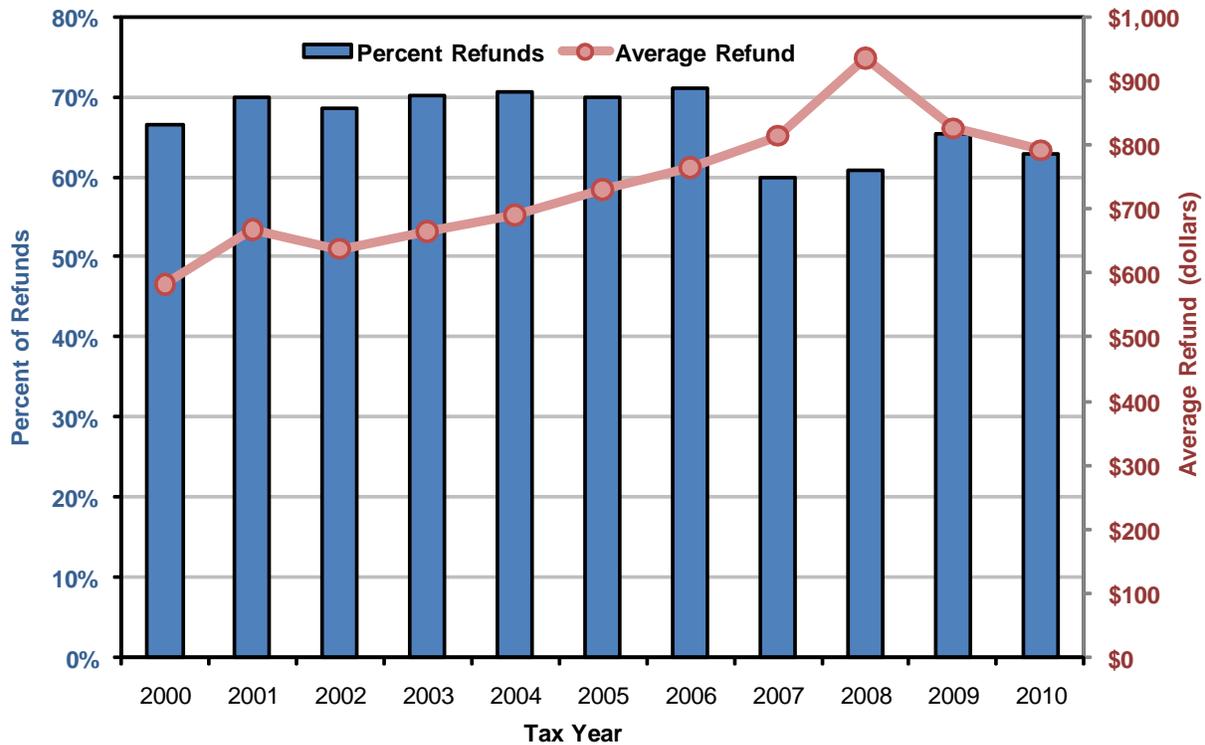
Notes: Tax to pay amounts do not include any penalty and interest.

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

Exhibit 27 shows the percent of full-year resident filers who received a refund and the average amount of their refund for tax years 2000-2010. The refund amounts include refunds received due to a refundable credit.

**Exhibit 27 - Refunds**

**Full-Year Resident Returns - 2000-2010**



Tax Year	Number of Full-Year Returns	Number of Refunds	Percent of Returns with Refund	Total Refunded (\$ millions)	Average Refund (\$)
2000	1,435,203	954,934	66.5%	\$556	\$583
2001	1,434,684	1,004,081	70.0%	\$671	\$668
2002	1,432,971	983,631	68.6%	\$627	\$638
2003	1,430,750	1,002,609	70.1%	\$667	\$665
2004	1,461,735	1,031,989	70.6%	\$713	\$691
2005	1,495,091	1,046,222	70.0%	\$765	\$731
2006	1,546,097	1,098,683	71.1%	\$839	\$764
2007	1,617,135	968,689	59.9%	\$788	\$814
2008	1,593,363	967,673	60.7%	\$905	\$935
2009	1,571,302	1,028,277	65.4%	\$849	\$826
2010	1,581,272	994,237	62.9%	\$787	\$792

Section 8

# 2010 Summary and Historical Trends

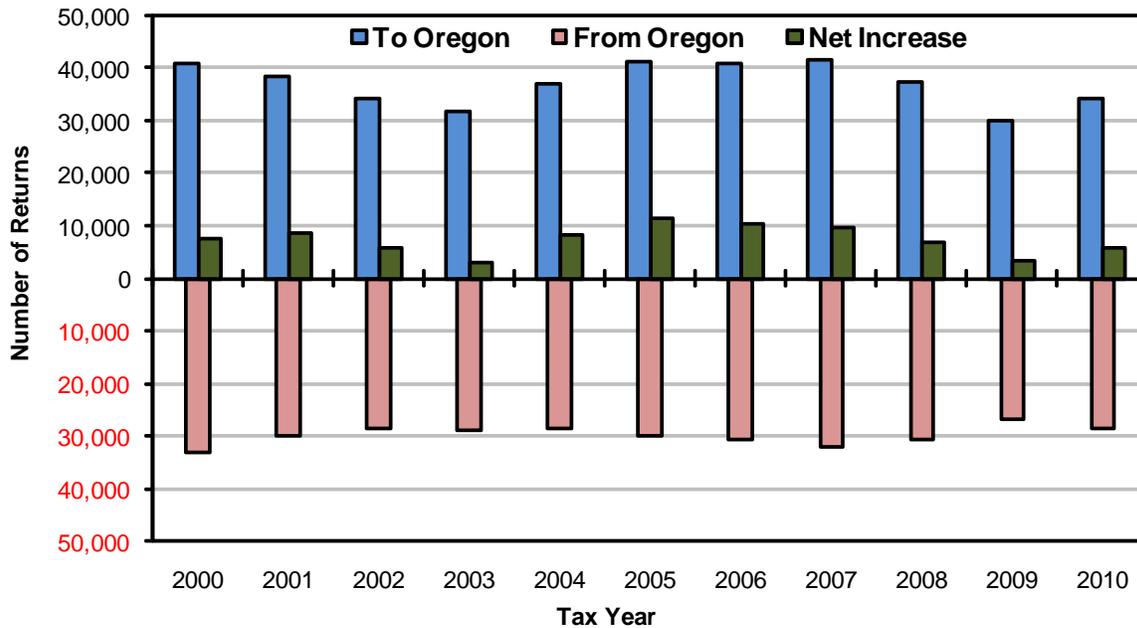
## Part-Year Residents

The number of part-year resident return filers moving to Oregon (based on the address reported on the return) ranged between roughly 31,000 and 42,000 from 2000 to 2010. Exhibits 28, 29, and 30 show information on part-year residents entering or leaving Oregon.

Exhibit 28 shows the total number of filers moving to and from Oregon between 2000 and 2010. In every year, the number of filers moving into Oregon exceeded the number moving out.

**Exhibit 28 - Filers Moving To and From Oregon**

**Part-Year Resident Returns - 2000-2010**



Tax Year	To Oregon		From Oregon		Net Increase	
	Filers	% Change	Filers	% Change	Filers	% Change
2000	40,651	8.0%	33,159	0.6%	7,492	59.8%
2001	38,466	-5.4%	30,052	-9.4%	8,414	12.3%
2002	34,196	-11.1%	28,523	-5.1%	5,673	-32.6%
2003	31,695	-7.3%	28,840	1.1%	2,855	-49.7%
2004	36,989	16.7%	28,643	-0.7%	8,346	192.3%
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%

Exhibit 29 shows the number and percent of in-migrants by county of destination for selected tax years. In 2010, as in previous years, in-migrants were drawn to counties roughly in proportion to current county populations. The three counties of the Portland metropolitan area—Multnomah, Washington, and Clackamas—contain 43 percent of the state’s population and attracted 52 percent of in-migrant taxpayers. Lane and Deschutes Counties were the next most popular destinations.

Exhibit 30 shows the number of income tax filers moving from Oregon for selected tax years by state of destination. In 2010, 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 42 percent of all out-migrants.

<b>Exhibit 29 - Number of Filers Moving to Oregon by County of Desitnation</b>							
<b>Part-Year Resident Returns with Oregon Address - 2000, 2009 and 2010</b>							
<b>County</b>	<b>2000</b>		<b>2009</b>		<b>2010</b>		<b>County Share of State Population</b>
	<b>Number</b>	<b>Share</b>	<b>Number</b>	<b>Share</b>	<b>Number</b>	<b>Share</b>	
<b>Baker</b>	153	0.4%	121	0.4%	138	0.4%	0.4%
<b>Benton</b>	882	2.2%	730	2.4%	879	2.6%	2.2%
<b>Clackamas</b>	3,737	9.2%	2,312	7.7%	2,615	7.7%	9.8%
<b>Clatsop</b>	360	0.9%	345	1.2%	351	1.0%	1.0%
<b>Columbia</b>	392	1.0%	231	0.8%	281	0.8%	1.3%
<b>Coos</b>	558	1.4%	427	1.4%	437	1.3%	1.6%
<b>Crook</b>	152	0.4%	80	0.3%	132	0.4%	0.5%
<b>Curry</b>	308	0.8%	214	0.7%	269	0.8%	0.6%
<b>Deschutes</b>	2,000	4.9%	1,524	5.1%	1,825	5.3%	4.1%
<b>Douglas</b>	819	2.0%	647	2.2%	676	2.0%	2.8%
<b>Gilliam</b>	11	0.03%	14	0.05%	23	0.07%	0.05%
<b>Grant</b>	69	0.2%	51	0.2%	56	0.2%	0.2%
<b>Harney</b>	48	0.1%	49	0.2%	53	0.2%	0.2%
<b>Hood River</b>	198	0.5%	221	0.7%	225	0.7%	0.6%
<b>Jackson</b>	2,226	5.5%	1,571	5.3%	1,836	5.4%	5.3%
<b>Jefferson</b>	86	0.2%	86	0.3%	133	0.4%	0.6%
<b>Josephine</b>	840	2.1%	594	2.0%	621	1.8%	2.2%
<b>Klamath</b>	690	1.7%	419	1.4%	514	1.5%	1.7%
<b>Lake</b>	68	0.2%	59	0.2%	68	0.2%	0.2%
<b>Lane</b>	3,326	8.2%	2,442	8.2%	2,784	8.1%	9.2%
<b>Lincoln</b>	461	1.1%	373	1.2%	426	1.2%	1.2%
<b>Linn</b>	737	1.8%	554	1.9%	612	1.8%	3.0%
<b>Malheur</b>	293	0.7%	208	0.7%	209	0.6%	0.8%
<b>Marion</b>	2,142	5.3%	1,406	4.7%	1,579	4.6%	8.2%
<b>Morrow</b>	70	0.2%	69	0.2%	51	0.1%	0.3%
<b>Multnomah</b>	10,161	25.0%	8,249	27.6%	9,322	27.3%	19.2%
<b>Polk</b>	436	1.1%	359	1.2%	405	1.2%	2.0%
<b>Sherman</b>	9	0.02%	14	0.05%	< 10	< 0.1%	0.05%
<b>Tillamook</b>	189	0.5%	148	0.5%	164	0.5%	0.7%
<b>Umatilla</b>	647	1.6%	509	1.7%	521	1.5%	2.0%
<b>Union</b>	220	0.5%	199	0.7%	207	0.6%	0.7%
<b>Wallowa</b>	52	0.1%	46	0.2%	51	0.1%	0.2%
<b>Wasco</b>	206	0.5%	198	0.7%	198	0.6%	0.7%
<b>Washington</b>	7,501	18.5%	4,880	16.3%	5,956	17.4%	13.8%
<b>Wheeler</b>	7	0.02%	8	0.03%	< 10	< 0.1%	0.04%
<b>Yamhill</b>	597	1.5%	497	1.7%	553	1.6%	2.6%
<b>Total</b>	<b>40,651</b>	<b>100%</b>	<b>29,854</b>	<b>100.0%</b>	<b>34,183</b>	<b>100%</b>	<b>100%</b>

**Exhibit 30 - Number of Filers Moving from Oregon by Destination****Part-Year Resident Returns with Non-Oregon Address - 2000, 2009 and 2010**

State	2000		2009		2010	
	Number	Share	Number	Share	Number	Share
Alabama	70	0.2%	90	0.3%	94	0.3%
Alaska	426	1.3%	469	1.8%	461	1.6%
Arizona	1,786	5.5%	1,468	5.6%	1,532	5.5%
Arkansas	139	0.4%	124	0.5%	128	0.5%
California	7,001	21.4%	4,753	18.1%	5,146	18.3%
Colorado	1,300	4.0%	890	3.4%	974	3.5%
Connecticut	116	0.4%	74	0.3%	110	0.4%
Delaware	24	0.1%	14	0.1%	26	0.1%
Florida	634	1.9%	555	2.1%	660	2.3%
Georgia	291	0.9%	258	1.0%	265	0.9%
Hawaii	342	1.0%	370	1.4%	428	1.5%
Idaho	1,626	5.0%	1,180	4.5%	1,352	4.8%
Illinois	481	1.5%	406	1.5%	456	1.6%
Indiana	235	0.7%	197	0.7%	238	0.8%
Iowa	169	0.5%	181	0.7%	183	0.7%
Kansas	149	0.5%	171	0.7%	191	0.7%
Kentucky	107	0.3%	93	0.4%	123	0.4%
Louisiana	107	0.3%	159	0.6%	119	0.4%
Maine	88	0.3%	63	0.2%	85	0.3%
Maryland	227	0.7%	220	0.8%	242	0.9%
Massachusetts	418	1.3%	294	1.1%	300	1.1%
Michigan	317	1.0%	283	1.1%	315	1.1%
Minnesota	459	1.4%	338	1.3%	401	1.4%
Mississippi	32	0.1%	56	0.2%	60	0.2%
Missouri	319	1.0%	300	1.1%	297	1.1%
Montana	625	1.9%	471	1.8%	507	1.8%
Nebraska	109	0.3%	134	0.5%	124	0.4%
Nevada	965	3.0%	714	2.7%	751	2.7%
New Hampshire	82	0.3%	78	0.3%	72	0.3%
New Jersey	223	0.7%	132	0.5%	144	0.5%
New Mexico	300	0.9%	320	1.2%	304	1.1%
New York	592	1.8%	537	2.0%	664	2.4%
North Carolina	355	1.1%	290	1.1%	398	1.4%
North Dakota	53	0.2%	78	0.3%	117	0.4%
Ohio	328	1.0%	295	1.1%	296	1.1%
Oklahoma	188	0.6%	227	0.9%	205	0.7%
Pennsylvania	316	1.0%	305	1.2%	352	1.3%
Rhode Island	32	0.1%	21	0.1%	28	0.1%
South Carolina	112	0.3%	129	0.5%	134	0.5%
South Dakota	65	0.2%	88	0.3%	100	0.4%
Tennessee	200	0.6%	216	0.8%	200	0.7%
Texas	1,104	3.4%	1,213	4.6%	1,261	4.5%
Utah	785	2.4%	643	2.4%	654	2.3%
Vermont	73	0.2%	59	0.2%	74	0.3%
Virginia	395	1.2%	349	1.3%	331	1.2%
Washington	8,364	25.6%	6,428	24.5%	6,587	23.4%
West Virginia	43	0.1%	40	0.2%	40	0.1%
Wisconsin	297	0.9%	239	0.9%	256	0.9%
Wyoming	162	0.5%	173	0.7%	214	0.8%
Other	55	0.2%	92	0.4%	100	0.4%
<b>Total</b>	<b>32,686</b>	<b>100.0%</b>	<b>26,277</b>	<b>100%</b>	<b>28,099</b>	<b>100%</b>

Section 9  
**2010 Summary and Historical Trends**  
County Data

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This section provides tax information by county to show how taxpayer characteristics vary by region. Exhibit 31 shows a breakdown of the number of returns filed, total Oregon AGI, and total tax liability by county, and the percent change from 2009 to 2010. Exhibits 32 and 33 are maps showing average AGI and tax liability for all returns in each county, and Exhibit 34 shows effective tax rates by 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: Gilliam, Washington and Lake
- Adjusted gross income: Gilliam, Lake, Yamhill and Deschutes
- Tax liability: Gilliam, Yamhill and Malheur

The map in Exhibit 32 shows that the counties with the highest average AGI were Clackamas (\$65,103), Washington (\$64,667), Benton (\$58,697), and Multnomah (\$56,194).

The map in Exhibit 33 shows that counties with the highest AGI also had the highest tax liabilities. The largest average of \$3,899 was in Washington County followed by \$3,873 in Clackamas County. The statewide average was \$2,938.

The map in Exhibit 34 shows effective tax rates (tax divided by AGI) for each county. Gilliam, Multnomah, and Washington counties had the highest effective tax rate at 6.0 percent. Jefferson County had the lowest rate at 4.3 percent.

The map in Exhibit 35 shows electronic filing rates for each county. Malheur County had the highest electronic filing rate at 83.2 percent. Morrow County had the lowest rate at 65.4 percent.

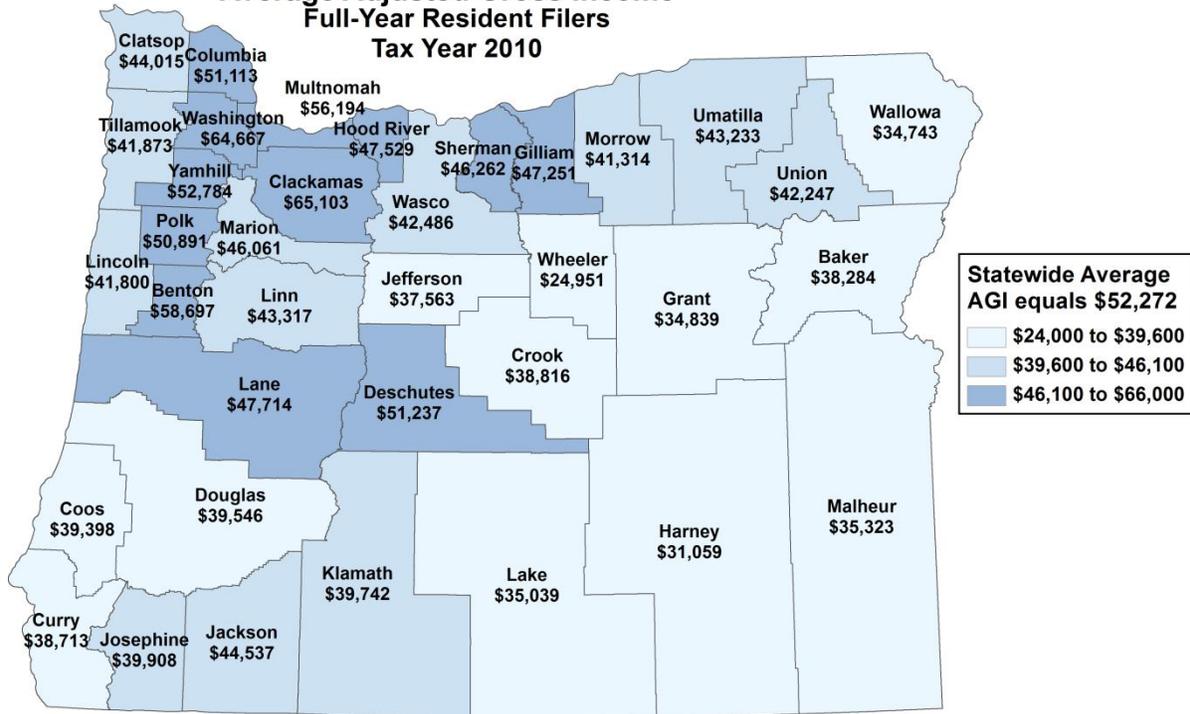
## Exhibit 31 - Distribution of Returns, AGI, and Tax Liability by County

## All Returns - 2010

County or Area	Returns		Adjusted Gross Income		Total Tax Liability		% Change 2009 to 2010		
	Number	Share	(\$ millions)	Share	(\$ millions)	Share	No. of Returns	Total AGI	Total Tax
Baker	6,432	0.4%	\$243	0.3%	\$12	0.2%	-0.2%	5.9%	8.8%
Benton	34,143	1.9%	\$1,950	2.2%	\$112	2.2%	0.3%	4.1%	5.5%
Clackamas	163,996	9.2%	\$10,565	12.0%	\$629	12.6%	1.1%	5.8%	7.5%
Clatsop	15,407	0.9%	\$666	0.8%	\$33	0.7%	-0.8%	5.3%	7.0%
Columbia	19,902	1.1%	\$1,006	1.1%	\$53	1.1%	0.3%	2.9%	4.2%
Coos	24,867	1.4%	\$966	1.1%	\$47	0.9%	-0.3%	3.3%	4.6%
Crook	8,061	0.4%	\$310	0.4%	\$15	0.3%	-1.2%	1.1%	3.6%
Curry	9,405	0.5%	\$357	0.4%	\$17	0.3%	-0.6%	3.0%	6.1%
Deschutes	67,934	3.8%	\$3,417	3.9%	\$193	3.9%	1.5%	7.6%	11.0%
Douglas	41,755	2.3%	\$1,634	1.9%	\$79	1.6%	-0.8%	2.9%	2.8%
Gilliam	830	0.0%	\$39	0.0%	\$2.3	0.0%	3.1%	15.6%	25.8%
Grant	2,923	0.2%	\$101	0.1%	\$5.3	0.1%	-0.9%	2.7%	4.1%
Harney	2,907	0.2%	\$89	0.1%	\$4.4	0.1%	0.2%	4.6%	3.2%
Hood River	10,140	0.6%	\$476	0.5%	\$26	0.5%	1.4%	-1.7%	-7.7%
Jackson	85,967	4.8%	\$3,779	4.3%	\$197	3.9%	1.0%	3.3%	5.3%
Jefferson	8,391	0.5%	\$312	0.4%	\$14	0.3%	1.1%	3.3%	6.1%
Josephine	32,318	1.8%	\$1,273	1.4%	\$62	1.2%	-0.6%	1.2%	2.1%
Klamath	25,581	1.4%	\$1,002	1.1%	\$51	1.0%	0.3%	4.5%	5.8%
Lake	3,017	0.2%	\$104	0.1%	\$5.6	0.1%	2.0%	8.5%	10.2%
Lane	144,118	8.0%	\$6,770	7.7%	\$364	7.3%	0.1%	3.8%	4.8%
Lincoln	19,306	1.1%	\$794	0.9%	\$38	0.8%	-1.0%	1.7%	2.5%
Linn	46,779	2.6%	\$2,007	2.3%	\$101	2.0%	1.0%	4.2%	4.5%
Malheur	9,900	0.6%	\$343	0.4%	\$17	0.3%	-0.7%	6.0%	12.6%
Marion	123,993	6.9%	\$5,659	6.4%	\$293	5.9%	0.3%	2.7%	2.9%
Morrow	4,242	0.2%	\$174	0.2%	\$10	0.2%	0.0%	1.8%	3.0%
Multnomah	328,431	18.3%	\$18,086	20.5%	\$1,084	21.7%	1.5%	6.9%	10.0%
Polk	29,580	1.7%	\$1,490	1.7%	\$76	1.5%	0.1%	3.0%	4.4%
Sherman	831	0.0%	\$38	0.0%	\$2.2	0.0%	-0.2%	-6.3%	-13.5%
Tillamook	10,740	0.6%	\$444	0.5%	\$22	0.4%	1.0%	3.2%	6.3%
Umatilla	28,365	1.6%	\$1,211	1.4%	\$64	1.3%	1.6%	3.0%	2.3%
Union	10,708	0.6%	\$445	0.5%	\$23	0.5%	0.1%	4.3%	4.7%
Wallowa	3,182	0.2%	\$109	0.1%	\$5.5	0.1%	-1.1%	1.8%	7.1%
Wasco	10,100	0.6%	\$423	0.5%	\$21	0.4%	0.9%	4.9%	4.7%
Washington	227,510	12.7%	\$14,467	16.4%	\$874	17.5%	2.1%	6.2%	9.0%
Wheeler	547	0.0%	\$14	0.0%	\$0.8	0.0%	-1.3%	-10.4%	6.3%
Yamhill	38,485	2.1%	\$2,005	2.3%	\$112	2.2%	0.5%	7.7%	15.0%
Clark Co., Wa.	57,266	3.2%	\$2,242	2.5%	\$131	2.6%	2.6%	1.7%	3.5%
Other Wash.	35,123	2.0%	\$1,011	1.1%	\$70	1.4%	4.2%	44.8%	8.2%
California	29,446	1.6%	\$599	0.7%	\$30	0.6%	5.2%	-3.3%	-2.8%
Idaho	11,528	0.6%	\$277	0.3%	\$17	0.3%	6.3%	11.2%	13.9%
Other	57,524	3.2%	\$1,360	1.5%	\$88	1.8%	7.7%	12.7%	17.1%
<b>Total</b>	<b>1,791,680</b>	<b>100.0%</b>	<b>\$88,259</b>	<b>100.0%</b>	<b>\$4,999</b>	<b>100.0%</b>	<b>1.3%</b>	<b>5.5%</b>	<b>7.4%</b>

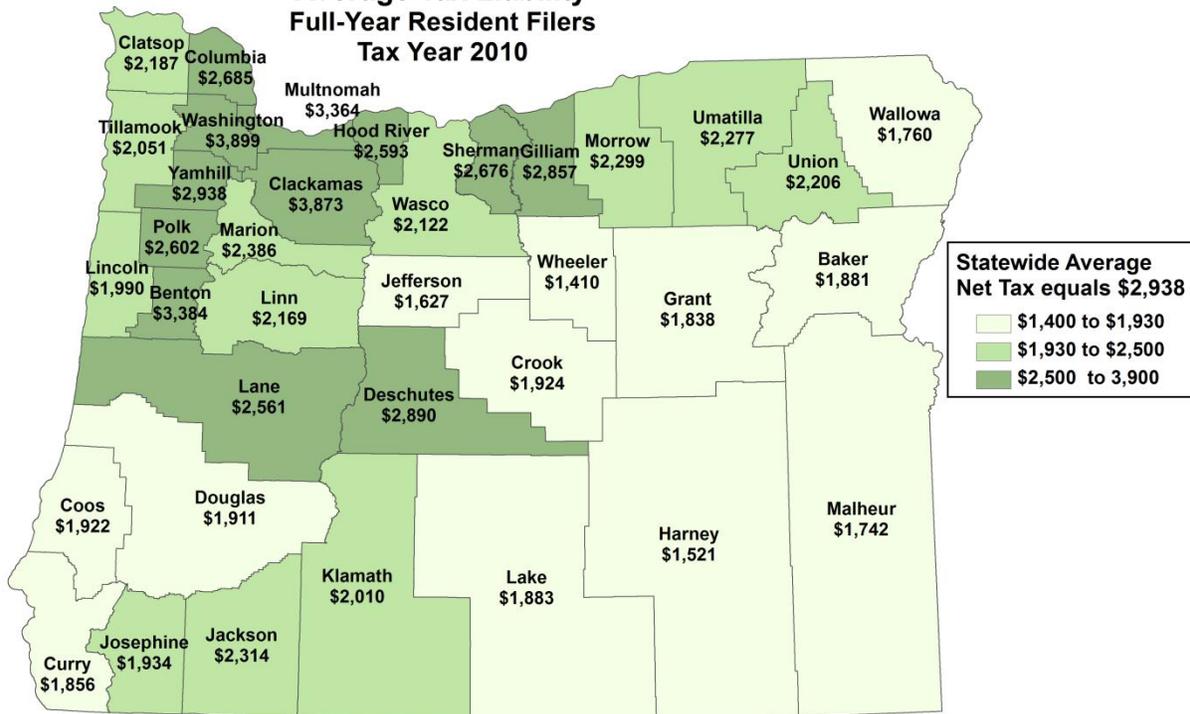
**Exhibit 32**

**Average Adjusted Gross Income  
Full-Year Resident Filers  
Tax Year 2010**

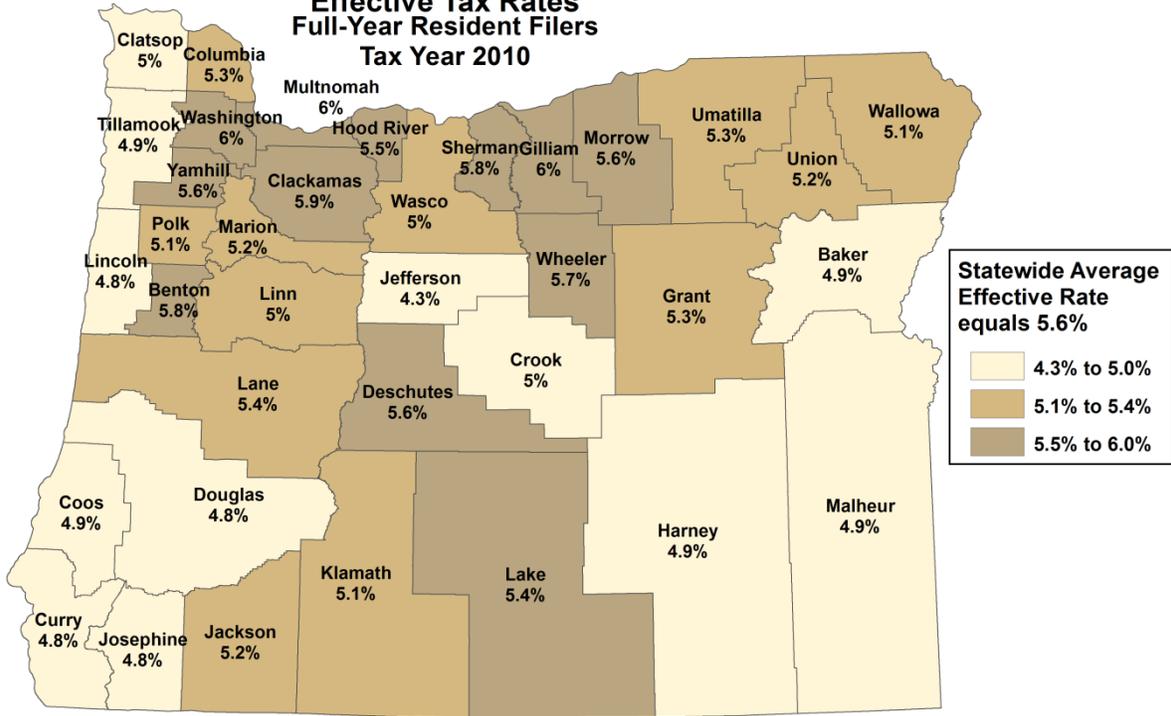


**Exhibit 33**

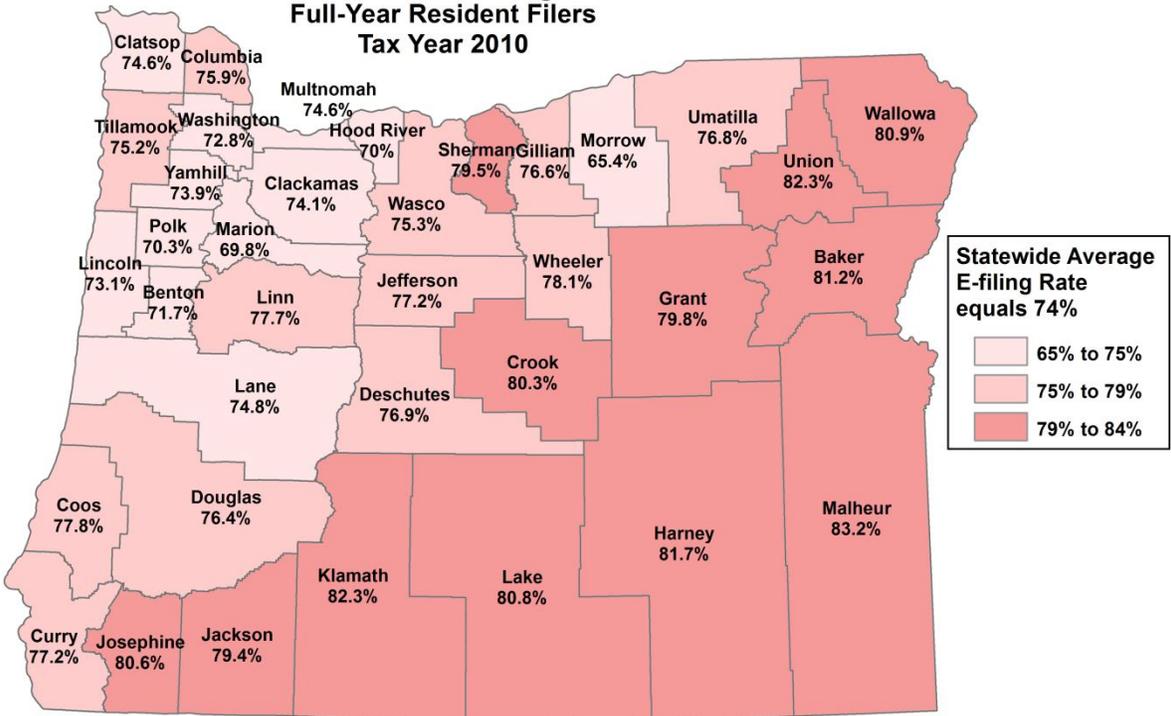
**Average Tax Liability  
Full-Year Resident Filers  
Tax Year 2010**



**Exhibit 34**  
**Effective Tax Rates**  
**Full-Year Resident Filers**  
**Tax Year 2010**



**Exhibit 35**  
**Electronic Filing**  
**Full-Year Resident Filers**  
**Tax Year 2010**



# Appendix A

## 2 Percent Surplus Refund (Kicker) History

The 1979 Oregon Legislature passed the “2 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 2 percent.

This limitation is applied separately to corporate income tax revenue, and the sum of personal income tax revenue and all other General Fund revenue. If revenues from the corporation income tax exceed their forecast by more than 2 percent, then all revenue in excess of the forecast is refunded to corporations. If revenues from all other General Fund sources exceed their forecast by more than 2 percent, the total excess is refunded to individuals through the personal income tax program. The information included here pertains only to the personal income tax kicker.

Prior to 1994, these refunds were made 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 the credit was allowed on 1989 tax returns.

The 1995 Oregon Legislature changed the method by which the refund was issued to taxpayers. Since 1995, the refunds have been made as direct payments to taxpayers via a check. Prior to the 2007 kicker, 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.

The 2011 Legislature changed the return mechanism for the personal income tax kicker from a refund back to a credit. This means that the next time a personal kicker is triggered, taxpayers will receive their kicker through a credit on their income tax return rather than through a mailed refund check.

For the 1989–91 biennium, the surplus of \$186 million would have resulted in a credit of approximately 10 percent, but the Legislature voted to suspend the kicker. The 2005–07 biennium had revenues that exceeded the forecast by \$1.07 billion, resulting in a refund of 18.6 percent of pre-credit liability. Since the inception of the kicker law, refunds have been issued for seven of the 14 biennia.

### 2 Percent Personal Income Kicker History

Biennium	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	1995	163	6.3%	111	55
1995-97	1997	432	14.4%	287	140
1997-99	1999	167	4.6%	103	49
1999-01	2001	254	6.0%	155	70
2001-03	2003	-1,249	None	---	---
2003-05	2005	-401	None	---	---
2005-07	2007	1,071	18.6%	609	295
2007-09	2009	-1,113	None	---	---
2009-11	2011	-1,050	None	---	---

\* Prior to 1995, the kicker was returned to taxpayers via a credit on the tax return, so "Year" corresponds to the tax year. Since 1995, refund checks have been mailed directly to taxpayers. In these cases, "Year" reflects the year when the kicker was distributed.

# Appendix B

## Method

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Information presented in this publication comes primarily from Oregon tax returns that were received by the Oregon Department of Revenue (DOR) during the calendar year following the tax year. Amended returns and returns received later are not included.

Aside from initial adjustments made during return processing, data concerning return adjustments (e.g., from audit activity) is not included nor accounted for. Considerable data validation is used in an attempt to maintain accuracy of reported information and ensure the internal consistency of individual returns.

### Data Handling

As returns are received, initial screening is performed to identify obvious errors. Following that, the return data are independently double entered into the DOR computer system and processed through a system that identifies tax amount errors.

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

To the extent that it is possible, inconsistent data are modified 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, the reported amount is replaced with the corrected amount.
- If the return claims a credit or subtraction that is larger than what is statutorily allowed, 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.)
- To determine counties and cities accurately, address standardization software is used.
- If a line on a return is blank, the associated value is set to zero.
- Missing data concerning the federal tax is imputed using data provided by the IRS.
- 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, statistical summaries are created. 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 2000 to 2010) 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 what quintile each return is placed. Due to ties in ranks, the number of returns represented by each quintile differs slightly.

# Appendix C

## Glossary

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**Additions.** Amounts added to federal AGI to reflect differences between Oregon and federal tax laws.

**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 gross 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, 2007 to June 30, 2009 is referred to as the 2007–2009 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 child 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 2010, the exemption credit was \$177 or \$58 per exemption. 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 2010, 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 election on interest and dividends of a minor child.** The amount of interest and dividend income earned by a minor child that is subject to federal tax.

Beginning in 1989, parents can elect to report the child’s income on their own return. This addition was combined with other additions beginning on

1996 returns.

**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 deduction.** An Oregon deduction for federal income tax liability. For 2010, the deduction is limited to \$5,850 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 15. The Social Security subtraction is reported in Exhibit 20.

**Full-year returns.** Returns filed by full-year Oregon residents (Form 40 or Form 40S).

**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*.

**Minor child income addition.** See *Federal election on interest and dividends of a minor child*.

**Miscellaneous income.** Positive and negative income reported on the federal return as alimony, unemployment 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.

**Oregon special medical deduction.** Beginning with 1991 returns, filers who itemized and met the age requirement were entitled to an additional deduction of the lesser of Schedule A line 1 or line 3.

The age eligibility was 58 or older for 1991 and 1992 returns, and increased by one year every two tax years until it reached age 62. It has been fixed at age 62 since 1999.

**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).

**Property sales.** The sum of capital gains/losses and other gains/losses (lines 13 and 14 on federal Form 1040) from selling property.

**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.

**Real property.** Land and land improvements, including buildings, timber, and orchard trees.

**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 2 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.

**Subtractions.** Amounts subtracted from federal AGI to reflect differences between Oregon and federal tax laws.

**Tangible property.** Any capital asset having physical existence, including real property.

**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.

**Unknown income.** Total adjusted gross income is listed as “unknown” when the taxpayer does not identify the specific component(s) of income.

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