Oregon State and Local Tax Burdens

Prepared for

Oregon Business and Industry

November 2020

EY Building a better working world

STRI State Tax Research Institute

Contents

Executive summary

This study, prepared by Ernst & Young LLP in conjunction with the State Tax Research Institute (STRI) presents detailed estimates of the change in business tax burdens for businesses located in Oregon due to state tax changes, which have occurred since January 2020, and the impact of local tax changes for businesses in the Portland metro region. Business taxes included in this study are property taxes, corporate income taxes, gross receipts taxes, individual income taxes on pass-through business income, insurance taxes, excise taxes, payroll taxes, and license fees. In most cases, taxes are allocated to business and households based on their initial incidence. For some consumption-based taxes, such as lodging and motor vehicle taxes, the analysis apportions the tax between households and businesses even though businesses are legally responsible for remitting the tax.

The state tax changes included in this study are shown in Table ES-1 below and include:

- The newly enacted Corporate Activity Tax (CAT)
- Reductions to individual income tax (IIT) rates for the lowest three brackets
- Extension and rate increase of the insurer tax on health plan premiums (healthcare provider tax)
- A new Paid Family and Medical Leave (PFML) program funded through a payroll tax.

The business share of state tax changes is shown in Table ES-1. Businesses are assumed to bear 100% of the tax burden for the Corporate Activity Tax and the insurer premiums tax, while the business portion of the individual income tax rate changes is limited to the tax on pass-through business income, estimated to be 10% of the total incremental tax revenue resulting from this change. The PFML program will be funded through a payroll tax with employers responsible for 40% of the tax and employees contributing 60%.

Table ES-1. Summary of state tax changes analyzed in this study

Tax change	Short description	Effective date	Business share	Annual total revenue estimate (FY 19 levels)
Corporate Activity Tax	$250 + 0.57% of taxable gross receipts	1/1/2020	100%	+$1.1 billion
Individual income tax	Reduction in rates for three lower brackets to 4.75%, 6.75%, and 8.75%	1/1/2020	10%	($253 million)
Insurer premiums tax	Extension of tax and rate increase from 1.5% to 2.0%	1/1/2020	100%	+$267 million
Paid Family Medical Leave	1% payroll tax	1/1/2022	40%	+$1.12 billion

Source: EY summary based on public documents of enacted tax changes

Local taxes include several City of Portland, Multnomah County, and Metro taxes summarized in Table ES-2:

- City of Portland tax changes include the recently enacted gross receipts tax that is funding the Portland Clean Energy Community Benefits Fund and two property tax levies that passed on the November 2020 ballot – one that will fund the maintenance of Portland's public parks and one that is a renewal of a current debt millage for Portland Public Schools.
- Three Multnomah County tax changes are also included in this study: an increase in the Multnomah County business income tax rate, a personal income tax on high-earners to fund preschool

programs that passed on the November ballot and a library property tax to renovate and construct libraries, which also passed on the November 2020 ballot.

- One Metro tax is included that consists of a combined personal income and business income tax that was approved by voters in May of 2020 to fund supportive housing services. We also analyzed a proposed payroll tax of up to 0.75% that would fund transit investments in the Metro region, but this tax is not included in the findings since it was rejected by voters.

As shown in Table ES-2, the business share for the gross receipts and business income tax changes are assumed to be 100% based on the statutory liability for the tax, while the property tax increases would be shared between residential and business taxpayers. Business property is estimated to be 39% of the assessed value of property in the tri-county Portland region. The state PFML payroll tax is split between employers and employees.

Table ES-2. Summary of Portland area tax changes analyzed in this study

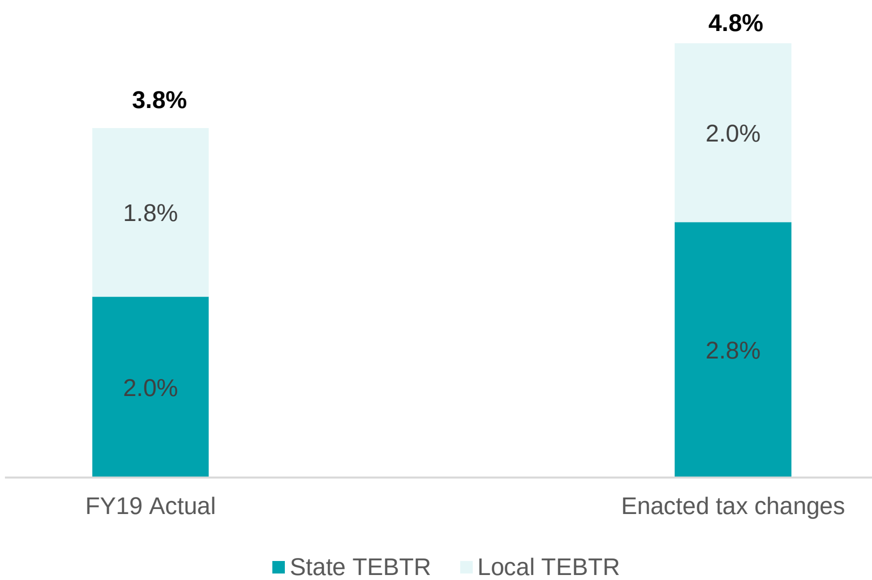
Tax change	Short description	Effective date	Business share	Annual total revenue estimate (FY 19 levels)
Portland gross receipts tax	1% gross receipts tax on large businesses	1/1/2019	100%	$50 million
Portland property tax - parks	$0.80 per $1,000 of assessed property value	1/1/2021	39%	$48 million
Portland public school property tax	$2.50 per $1,000 of assessed property value	1/1/2021	39%	$125 million
Multnomah County business income tax	Increase in business income tax rate from 1.45% to 2.0%	1/1/2020	100%	$137 million
Multnomah County individual income tax	1.5% tax on income above $125K for single filers and $200K for joint filers; 3.0% tax on income over $250K for single filers and $400K for joint filers	1/1/2021	10.1%	$133 million
Multnomah County property tax - library	$0.61 per $1,000 of assessed property value	1/1/2021	39%	$47 million
Metro income tax	1.0% tax on income above $125K for single filers and $200K for joint filers; Large businesses pay 1% tax on business profit	1/1/2021	10.1% of individual income taxes 100% business income taxes	$169 million – personal income tax $79 million – business income tax
Metro payroll tax	Up to 0.75% payroll tax	Rejected by voters in Nov. 2020	100%	$300 million

Source: EY summary based on public documents of enacted and proposed tax changes

Key findings

The changes summarized in Tables ES-1 and ES-2 increase business tax burdens. One way to measure a state and local area's tax burden is to compare the level of business taxes to the level of economic activity. This ratio—the total effective business tax rate (TEBTR) – is measured as the ratio of state and local business taxes to private-sector gross state product (GSP). In FY19, the state and local TEBTR for Oregon businesses was 3.8%. With the state-enacted tax changes, plus the enacted Portland area local tax changes, the TEBTR is estimated to increase to 4.8% once all currently passed taxes have been fully implemented. This includes local tax changes that were approved in the November 2020 ballot. See Figure ES-1 below.

Figure ES-1. Total Oregon state and local TEBTR for businesses before and after tax changes (FY19 levels)



Source: EY analysis

The results shown in Figures ES-1 are based on FY19 levels of tax, before the start of the COVID-19 pandemic. This approach isolates the impact of tax changes on business tax burdens using the most recent available state and local data. However, the current pandemic is creating serious disruptions in revenue for state and local governments. Using forecasts at the state level from the Oregon Office of Economic Analysis (OEA), EY evaluated the impact of COVID-19 on expected revenue in FY22 from the new business taxes. The results for FY22 were similar to the analysis at FY19 levels.

Other key findings of the analysis include:

- Once fully implemented, the state tax changes add $1.8 billion in state business taxes—a 41% increase—which increase business taxes as a share of economic activity (gross state product) from 2.0% to 2.8%.
- Prior to state tax changes, Oregon's state effective tax rate of 2.0% was below the US average of 2.4%. After full implementation of state tax changes, Oregon's state effective tax rate will be the 19th highest (where in FY19 it was 40th highest) and above the US average.
- Given the various tax changes at the city, county, and Metro level, Portland businesses are estimated to experience a 23% increase in local taxes due to the enacted tax changes.
- Local business tax burdens statewide in Oregon would increase from 1.8% of gross state product to 2.0% for a 6% increase over pre-tax levels.

1. Oregon business taxes

1.1 Overview of business taxes and methodology

The purpose of this study is to assess the impact that statewide and Portland area tax changes will have on the tax burdens faced by Oregon businesses. This study generally defines business taxes as those that are the legal liability of businesses. Certain taxes collected by businesses, such as taxes on tobacco, marijuana and alcohol, are not included as they are borne by individuals purchasing the products. Other taxes, such as motor fuel and transient lodging taxes, are split between household and businesses since taxes paid by business travelers or for business purposes, are included in our study. In addition, individual income tax on pass-through business income is included as a legal tax liability of business owners. There are no state and local sales taxes in Oregon.

The business taxes included in this analysis are:

- **Property taxes** paid by businesses on real and personal property; taxes on income-generating, residential rental property are treated as business taxes. The share of property taxes paid by business is estimated using county-level data on assessed values by property class. The business share of property taxes is 46% statewide and approximately 39% in the tri-county Portland metro area.
- **Excise taxes** - A portion of excise taxes, such as businesses' share of motor fuel taxes and transient lodging taxes. National studies on the share of these taxes paid by business was used to apportion these taxes between households and businesses.
- **Corporate income and gross receipts taxes** are assigned 100% to business.
- **Taxes on insurance premiums and utility gross receipts**, which are in some cases levied in lieu of other business entity taxes, are 100% assigned to business.
- **Individual income taxes on pass-through business income** as taxes withheld on employee earnings are not considered business taxes. Individual income taxes are estimated using the proprietor, partnership and s-corporate income share of adjusted gross income in Oregon multiplied by total individual income taxes. This share is 10% in FY2019.
- **Unemployment insurance** (UI) taxes paid by employers
- **Social insurance program** taxes paid by employers, such as short-term disability programs and paid family medical leave (PFML)
- **Business licenses**, including general business licenses, specific industry and occupational licenses, and commercial motor vehicle licenses
- **Severance taxes** on natural resources, such as timber

1.2 Current state and local tax burden in Oregon (FY19)

Businesses in Oregon paid more than $8.2 billion in total state and local taxes in FY19, as presented in Table 1 below.

Table 1. Oregon state and local taxes and estimated business share in FY19
Dollars in millions

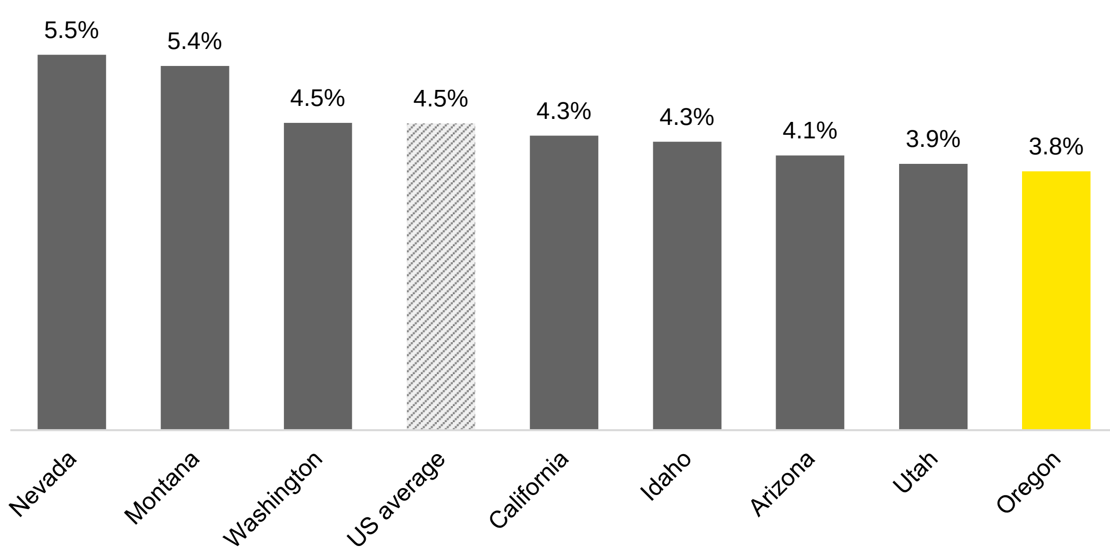
Category	FY 19 total Oregon state and local taxes	Business share of tax category	FY19 business taxes
Property taxes	$6,838	46%	$3,142
Corporate income tax	$1,005	100%	$1,005
Individual income tax	$9,847	10%	$990
Excise taxes (includes healthcare provider tax)	$2,072	39%	$808
Licenses	$1,705	58%	$996
Unemployment insurance	$924	100%	$924
Public utility taxes	$32	100%	$32
Insurance premium taxes	$81	100%	$81
Severance taxes	--	--	--
Other business taxes	$609	37%	$227
Total business collections	**$23,114**		**$8,222**

Note: "-" indicates a small amount of tax.

Source: EY analysis using US Census Bureau Annual Survey of State and Local Government Finances

One way of measuring tax burden is to compare the level of business taxes to the level of economic activity. Figure 1 presents estimates of the total effective business tax rate (TEBTR) imposed on business activity by state and local governments. The TEBTR is measured as the ratio of state and local business taxes to private-sector gross state product (GSP). In FY19, Oregon's TEBTR of 3.8% was lower than other Western states and 15% lower than the US average of 4.5%. The lack of a sales tax on business inputs is part of the reason that Oregon's business tax burden is below the US average and nearby states. Additionally, Oregon's lower business share of property taxes–46% compared to 54% nationally– is another explanation.

Figure 1. FY19 Total state and local effective business tax rate (TEBTR)
(Business taxes / Gross State Product)



Source: EY analysis using US Census Bureau Annual Survey of State and Local Government Finances

1.3 Major tax changes since 2008

Oregon businesses have experienced a number of tax changes since 2008. Major state and Portland area tax changes since 2008 are summarized in Figure 2 and briefly described below.

State tax changes affected businesses

- In 2009, Oregon introduced two new top income tax brackets. In tax years 2009, 2010, and 2011 the rates were 10.8% for taxable income between $125,000 and $250,000 and 11.0% for income above $250,000 for single filers; and 10.8% for taxable income between $250,000 and $500,000 and 11.0% for income above $500,000 for joint filers.
- In the same year (2009), corporate income tax rates were increased. Corporations were subject to the following tax rates on net income above $250,000:
    - Tax years 2009 and 2010: 7.9%
    - Tax years 2011 and 2012: 7.6%.

  With the initial income tax rate increases, the top marginal rate applied to taxable income in excess of $10 million. Beginning in 2013, this was changed. In that year, the threshold for the 7.6% top marginal rate was lowered to taxable income in excess of $1 million.
- In 2010, voters approved a new corporate minimum tax structure that was effective for the 2009 tax year. The corporate minimum tax is based on Oregon sales and ranges from $150 to $100,000.
- In 2012 voters approved a measure that allocated the corporate income/excise tax "kicker" refund to K-12 education. Before the measure, the corporate income/excise tax kicker required that revenue that exceeded forecasted collections by 2% or more during a two-year budget cycle be refunded to corporate taxpayers.
- In 2017 a tax on health plan premiums was enacted at a rate of 1.5%. This 1.5% applies to the gross amount of premiums. This rate was later raised to 2.0% in 2019 and extended through 2026.
- In 2018 Oregon de-coupled from the federal pass-through deduction (IRC Section 199A in the TCJA). Oregon personal income taxpayers use federal taxable income as the starting point. The federal deduction for pass-through businesses equal to 20% of qualified business income has to now be added back to Oregon taxable income.
- In 2020 the Corporate Activity Tax became effective. This tax is imposed on companies for the privilege of doing business in Oregon and is calculated as $250 + 0.57% of taxable commercial activity in Oregon above $1 million. In addition to the Corporate Activity Tax, the lowest marginal individual income tax rates were reduced in 2020. The 5%, 7%, and 9% tax rates were reduced to 4.75%, 6.75%, and 8.75%, respectively.
- In 2022 the Paid Family and Medical Leave program in Oregon will become effective. This program is funded through a payroll tax of up to 1% of gross wages. This program will fund time off from work for eligible purposes. The payroll tax will be split between employees and employers, with employers funding 40% of the tax and employees funding the remaining 60%.

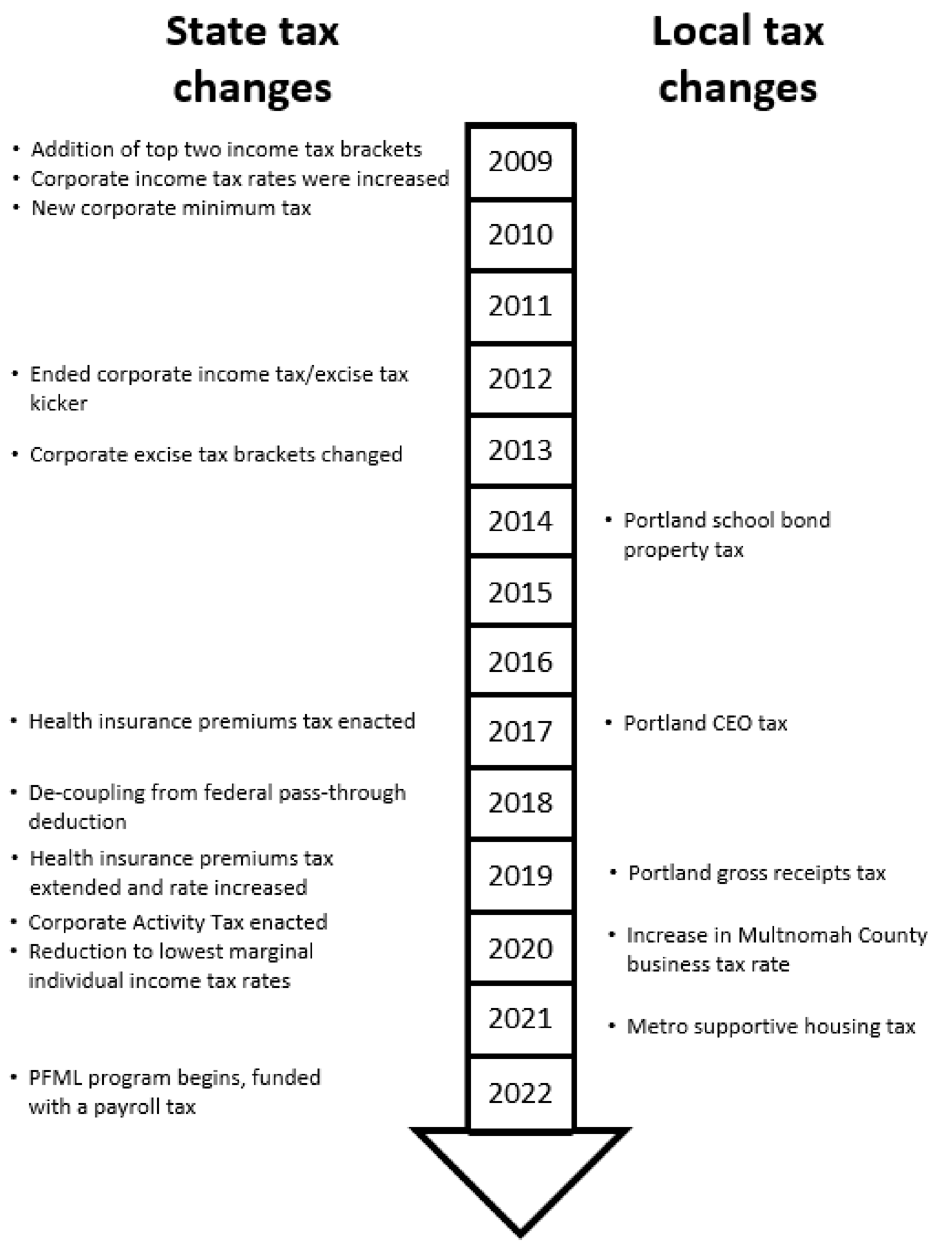
Portland metro area tax changes affecting businesses

- In 2014 voters approved a debt millage of $2.50 per $1,000 of assessed value, or 0.25% tax, to repay bonds issued to fund capital improvements for Portland Public School District.

- In 2017 the City of Portland enacted a surtax to its business license tax, a “CEO tax”. This surcharge varies between 10% and 25% depending on the CEO to median worker compensation ratio and raises between $2.5 million and $3.5 million annually.[1]
- In 2018 Portland voters approved a 1% gross receipts tax on businesses with over $1 billion in retail sales nationally and $500,000 or more in Portland retail sales. This tax, which became effective January 1, 2019, was created to support the Portland Clean Energy Community Benefits Fund (PCEF).
- Effective January 2020, Multnomah County increased its business income tax rate from 1.45% to 2.0%. This tax, applicable to businesses that generate more than $50,000 in total annual gross revenue, was created to fund a variety of government functions.
- In May 2020 voters in the Portland Metro approved a supportive housing services tax. Effective on January 1, 2021, this tax is a combined personal income and business profits tax. Joint filers with taxable income of more than $200,000 per year, and single filers with income of more than $125,000, will pay a 1% tax on this marginal income. Businesses with gross receipts of more than $5 million will pay a 1% tax on business profit.

[1] Please see https://www.portlandoregon.gov/citycode/article/663142.

Figure 2. Major state and Portland area tax changes since 2008



1.4 Response of high-income individuals to high individual income taxes

There is a significant body of work that has studied the relationship between state and local taxes and taxable income in a state due either to changes in labor supply, migration, or avoidance strategies. The results of some of the academic work on this topic are summarized below:

- A paper by Joel Slemrod and John Bakija (2004) showed that a one percentage point increase in the state individual income tax rate resulted in a 2.3% reduction in the number of federal estate tax returns with reported residence in the state. This suggests a relocation of high-income, elderly taxpayers from states with higher income tax rates.[1]

- A 2011 study by the New Jersey Department of Treasury economists found that the 2004 New Jersey "millionaires' tax", which levied a 2.6 percentage point increase in the marginal income tax rate for households with taxable incomes over $500,000, resulted in 20,000 taxpayers leaving the state between 2004 and 2009. This resulted in a cumulative loss of $2.5 billion in adjusted gross income (AGI) in the state.[2]
- Coomes and Hoyt (2011) examined relative tax rates across multistate metropolitan areas (MSAs) and found that a 10% increase in state individual tax rates (equivalent to an approximately 0.23 percentage point change in the average 2.3% average tax rate of in-movers) in MSAs without reciprocity agreements led to a 3.3% decrease in the rate of individual income tax base inflow. This means that the AGI flowing into a state decreases with increased state income taxes for states without reciprocity agreements.[3]
- Emmanuel Saez, Joel Slemrod, and Seth Giertz (2012) studied the elasticity of taxable income with respect to marginal tax rates using tax return data. They found that there is much evidence to suggest that the elasticity of taxable income is higher for high-income individuals, as these individuals have access to avoidance opportunities. In their review, they find convincing evidence of the short-run response to tax rate changes.[4]
- Moretti and Wilson (2017) examined the response of the location decisions of "star scientists" to tax rate differentials, using data on patent registrations. Given the potential lucrative nature of patent activity, the impact of taxes on the reported locations of these star scientists is used as a proxy for the impact of taxes on the reported residency of high-income taxpayers. The results of this study show a 1 percent decrease in the relative tax effective rate is associated with a 1.8 percent long-run increase in the net flow of star scientists moving into the lower tax state.[5]

There is significant evidence that top earners are more responsive to tax changes and that they also take advantage of avoidance strategies to minimize tax. The current Covid-19 pandemic is also changing where work is completed as more work is done at the home rather than tied to a physical office location. This is likely to make high-earners more mobile and sensitive to tax changes.

Table 2 below shows the current highest income tax jurisdictions in the United States. As shown below, Portland, Oregon currently has the fifth highest combined local and state income tax in the United States, lower than only San Francisco, New York City, Newark, and Hawaii (no local individual income taxes). The highest marginal tax rates are shown in the table below. The highest marginal tax rates are shown in the table on the next page. The top marginal tax rate in Oregon also applies at a lower income level ($125,000 for single filers and $250,000 for joint filers) compared to the other high jurisdictions, except for Sidney, Iowa.

Table 2. Ten highest combined state and local individual income tax jurisdictions in the United States

Top marginal tax rates shown for 2019

Area	Combined rate	State tax rate	Local rate	Bracket for highest state rate (single filer)	Bracket for highest state rate (married filing jointly)
San Francisco, CA	13.3%	13.3%	0.0%	$1,000,000	$1,145,960
New York, NY	12.7%	8.8%	3.9%	$1,077,550	$2,155,350
Newark, NJ	11.8%	10.8%	1.0%	$5,000,000	$5,000,000
Hawaii	11.0%	11.0%	N/A	$200,000	$400,000
Portland, OR	9.9%	9.9%	0.0%	$125,000	$250,000
Sidney, Iowa**	10.2%	8.5%	1.7%	$73,710	$73,710
Minnesota	9.9%	9.9%	N/A	$163,890	$273,150
Maryland***	9.0%	5.8%	3.2%	$250,000	$300,000
District of Columbia	9.0%	9.0%	N/A	$1,000,000	$1,000,000
Vermont	8.8%	8.8%	N/A	$200,100	$243,650

Source: Tax Foundation

Note: Only one jurisdiction per state is shown; Data as of 2019 and does not include any recently enacted income tax changes in Portland; N/A local rate means there is no local income tax in that jurisdiction

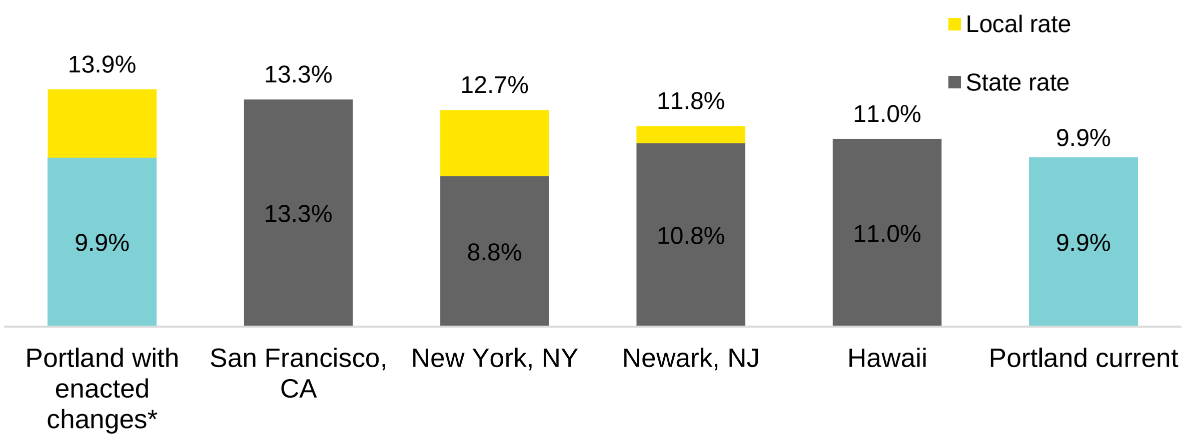
**Sidney School District

***There is a 3.2% local income tax rate in the City of Baltimore, Caroline County, Howard County, Montgomery County, Prince George's County, Queen Anne's County, Somerset County, and Wicomico County

As shown in Figure 3 below, Portland's combined top local and state income tax rate is the highest in the Unites States with the enacted income tax changes affecting Portland residents at a combined rate of 13.9%. Details on the individual income tax changes will be discussed in Section 3.

Figure 3. Highest state and local individual income tax jurisdictions in the United States with Portland enacted tax changes incorporated into rankings

Top marginal tax rates in 2019 plus new rate changes



Source: EY analysis using local tax rates published by the Tax Foundation

Note: Tax rates in 2019; *Includes the recently approved Metro income tax for supportive housing and the enacted Multnomah County high earner income tax to fund preschool programs. This rate would increase further in 2026 by 0.8% (not shown here).

2. State business tax changes

2.1 State tax changes included in analysis

Oregon has recently enacted several tax changes that affect or will affect businesses statewide. The analysis includes the following tax changes at the state level:

1) Corporate Activity Tax (CAT) is imposed on companies for the privilege of doing business in Oregon. The tax is $250+0.57% of "taxable commercial activity" in Oregon above $1 million. Commercial activity is defined as the sale of goods and services in Oregon (goods and services sent out of Oregon are not subject to the tax). In other words, commercial activity is defined in Oregon as "the total amount realized by a person, arising from transactions and activity in the regular course of the person's trade or business."[2] Each business is generally allowed a deduction to commercial activity equal to 35% of the greater of their Cost-of-Goods-Sold (COGS) or their employee labor costs. The Oregon Legislative Research Office estimated that the tax would raise $1.6 billion in the 2019-21 biennium based on historical Oregon tax return data and growth rates from the March 2019 Economic and Revenue forecast. As the tax began on January 1, 2020 the annual impact in the 2019-2020 fiscal year was estimated to be about $1.1 billion ($1.6 billion over 18 months).

- **Effective date:** January 1, 2020
- **Revenue estimate:** About $1.1 billion annually in FY21 and $1.4 billion annually in FY2021-2023 (Oregon Legislative Research Office, *Revenue Measures Passed by the 80th Legislature*)
- **Business share assumption**: 100%

2) Reductions to individual income tax rates include reductions to the 5%, 7%, and 9% rates to 4.75%, 6.75%, and 8.75%. In addition to the Corporate Activity Tax, HB 3427 reduced the personal income tax rates for the three lower brackets. The Oregon Legislative Office estimated that the reduction in tax collections would be $423 million in the 2019-21 biennium and $699 million in the 2021-23 biennium. The annual estimate modeled for the FY19-20 fiscal year takes the $423 million estimate and applies it to a full year of FY19-20 collections, adjusting for differences in the estimated tax collections between FY19-20 and FY20-21 from the March 2019 Economic and Revenue Forecast.

- **Effective date:** January 1, 2020
- **Revenue estimate:** Decrease of $423 million in FY2019-21 and $699 million in FY2021-23 (Oregon Legislative Research Office, *Revenue Measures Passed by the 80th Legislature*)
- **Business share assumption:** 10%[3]

3) Extension of current insurer tax on health plan premiums and an increase in rate from 1.5% to 2.0%. Legislation moved the sunset of the insurer tax from the end of 2019 to the end of 2026, but the revenue estimate only applies to the increase in the tax rate from 1.5% to 2.0%, rather than the full collections from this tax. To calculate the revenue estimate, the healthcare provider taxes for the fiscal year ending June 30, 2019 were grossed up to estimate the additional tax collections due to the increase in tax rate.

- **Effective date:** January 1, 2020 for tax extension and rate increase
- **Revenue estimate:** $267 million due to a rate increase (based on FY19 CAFR)
- **Categorization of the tax:** Healthcare provider taxes

[2] Oregon law (ORS 217A(1)(a)(A))
[3] This is calculated as the share of taxable business pass-through income of adjusted gross income in Oregon.

- **Business share assumption:** 100%

4) Paid Family Medical Leave (PFML) program that is funded with a payroll tax of up to 1% of gross wages. This program will fund time off from work for eligible purposes. The payroll tax will be split between employees and employers, with employers funding 40% of the tax and employees funding the remaining 60%. The revenue estimate multiplies the 1% rate times the wages and salaries in Oregon in 2019.

- **Effective date:** January 1, 2022
- **Revenue estimate:** $1.12 billion (based on 1% of FY19 income)
- **Categorization of the tax:** Social insurance program
- **Business share assumption:** 40%

2.2 State tax burden changes

Table 3 shows the impact on state business tax burdens due to the tax changes described in Section 2.1. The taxes are estimated on the FY19 statewide business tax base. Once fully implemented, the tax changes add $1.8 billion in state business taxes for an increase of 41%. The impact is that business taxes as share of economic activity, which is measured as gross state product, increases from 2.0% to 2.8%.

Table 3. State business tax burdens in Oregon, pre- and post- state tax policy changes
FY19 tax levels; *Dollars in millions*

Category	Actual business taxes FY19	Estimated business taxes with tax changes (at FY19 levels)	Tax change amount (dollars)	Percentage Change
Property taxes on business property	$9.8	$9.8	$0.0	0%
Corporate income tax	$910.9	$910.9	$0.0	0%
Corporate Activity Tax (CAT)	$0.0	$1,066.7	$1,066.7	New tax
Individual income tax on business income	$989.7	$964.3	-$25.4	-3%
Excise taxes (includes healthcare provider tax)	$664.2	$930.8	$266.6	40%
Business and corporate license	$637.1	$637.1	$0.0	0%
Unemployment insurance	$924.0	$924.0	$0.0	0%
Paid Family Medical Leave Program	$0.0	$448.0	$448.0	New tax
Public utility taxes	$8.5	$8.5	$0.0	0%
Insurance premium taxes	$80.6	$80.6	$0.0	0%
Other business taxes	$16.3	$16.3	$0.0	0%
Total business collections	**$4,241.3**	**$5,997.1**	**$1,755.8**	**41%**
State Gross State Product	$214,815.8	$214,815.8		
Business taxes as % of Gross State Product	**2.0%**	**2.8%**		

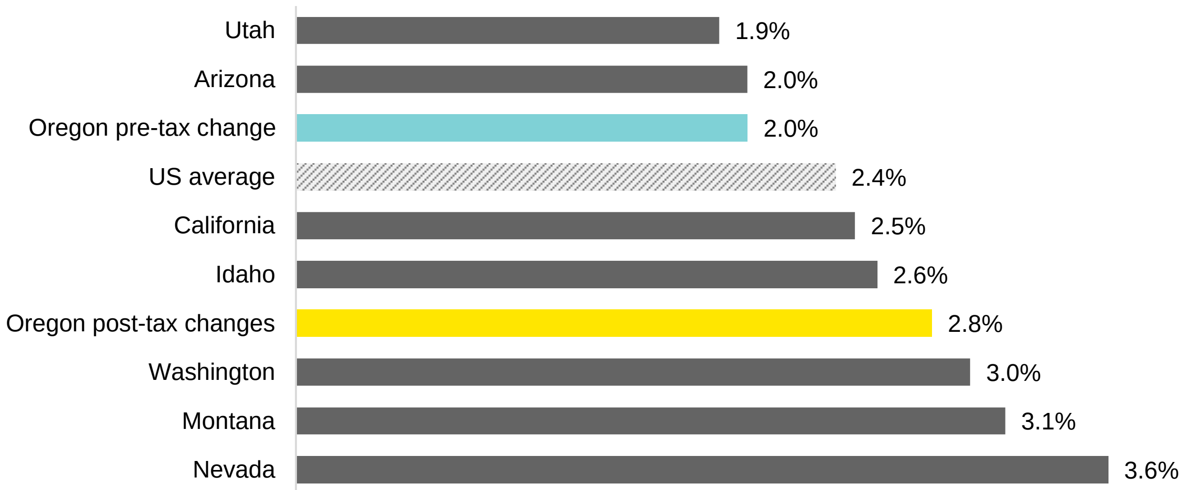
Note: Gray shading denotes tax categories with a business tax change
Source: EY analysis

Among eight other states that have or are going to implement social disability or Paid Family Medical Leave programs, only three states (Massachusetts, New Jersey, and Washington) had collections in FY2019 that were the responsibility of businesses. Several other states either require employers to provide these benefits (but aren't collected through a tax), entitle employees to unpaid leave, or are funded through employee payroll taxes that are not the responsibility of employers.

2.3 Change in Oregon's state business tax competitiveness

The state tax changes are estimated to have a significant impact on a business' tax burden. As a result of these changes, the total effective business tax rate, measured as business tax collections as a share of gross state product, is estimated to increase from 2.0% to 2.8%, a 40% increase. Prior to these changes, Oregon's TEBTR was the 40th highest in the U.S. and 16% lower than the US average (2.4%). After the state tax changes are implemented, Oregon would have the 19th highest TEBTR and the TEBTR would be 18% greater than the US average. See Figure 4 below.

Figure 4. State total effective business tax rate (TEBTR) comparison for Oregon and neighboring states, FY19



Source: EY analysis using US Census Bureau Annual Survey of State and Local Government Finances

3. Portland area business tax changes

This section discusses the recent tax changes affecting businesses in the tri-county Portland area (Multnomah, Clackamas, and Washington Counties). Since Portland area tax changes are being levied by several local jurisdictions, this analysis isolates the effect of tax changes in each taxing jurisdiction. For a business in Portland, we also estimate the collective tax burden faced by combined city, county and Metro taxes and provide an estimate of the change in tax burdens for the entire tri-county region. We show the impact of enacted taxes once fully phased in.

3.1 City of Portland tax changes

For the City of Portland, this study estimates the impact of a recently enacted gross receipts tax on businesses and two property taxes that were approved by voters on the November 2020 ballot.

1) Gross receipts tax - Portland Clean Energy Community Benefits Fund. The Portland Clean Energy Community Benefits Fund (PCEF) is supported by a 1% gross receipts tax on certain large retailers, defined as businesses with over $1 billion retail sales world-wide and $500,000 or more in Portland retail sales in the current year. The tax was approved by voters in a local ballot in 2018 and made effective January 1, 2019. Key details/assumptions surrounding the tax include the following:

- **Effective date:** 1/1/2019
- **Jurisdiction:** City of Portland
- **Revenue in FY19:** $6.4 million
- **Revenue estimate FY20:** $50 million annually (City of Portland, Oregon Adopted Budget)
- **Business share**: 100%

2) New property tax to fund services for Portland City parks. In November 2020, Portland voters approved a new property tax of $0.80 per $1,000 (0.08%) of assessed value to fund operations at Portland's public parks. This tax will be levied for a period of five years.

- **Effective Date:** 1/1/2021
- **Jurisdiction:** City of Portland
- **Revenue Estimate:** $48 million annually (City of Portland, Oregon)
- **Business share:** 39.4%[4]

3) Renewal of debt service bond millage for Portland Public Schools. Also approved on the ballot in November 2020 was a school debt bond renewal for Portland Public Schools. The bond will be for nearly $1.2 billion and will be used for technology improvements, safety and health improvements, renovations for Jefferson High School and to finish modernizing Benson High School. The renewal will continue the current rate (nearly $2.50 per $1,000, or 0.25%, of assessed value) for five years.[5] The Portland Public Schools Annual Financial Report in FY19 reported property taxes for debt purposes of $125 million.

- **Effective Date:** 1/1/2021
- **Jurisdiction:** City of Portland
- **Revenue Estimate:** $125 million on 2019 assessed values (Portland Public Schools FY CAFR)
- **Business share:** 39.4%

---

[4] Business share of property taxes was estimated using county-level assessed valuations by property class.
[5] Portland Public Schools, "2020 School Bond Renewal".

Impact of City of Portland tax changes on business tax burdens

Table 4 shows a revenue estimate and change in tax levels for businesses in Portland due to the enacted tax changes. It is estimated that business taxes would increase 19% for Portland businesses compared to current FY19 levels, which includes the current Portland Public Schools debt millage.

Table 4. City of Portland business taxes pre- and post-tax changes
FY19 tax levels, Dollars in thousands

Tax type	Business taxes (no change)	Business taxes (with new taxes)	Increase in business taxes	*Percentage change*
Property tax – city	$246,556	$265,482	$19,866	*8%*
Property tax – Portland Public Schools debt*	$49,478	$49,478	$0	*0%*
Transient lodging tax**	$18,125	$18,125	$0	*0%*
Gasoline tax***	$7,448	$7,448	$0	*0%*
Arts tax	$0	$0	$0	*0%*
Construction excise tax	$3,048	$3,048	$0	*0%*
Corporate net income (PCEF)**	$6,383	$50,000	$43,617	*683%*
Cannabis tax	$0	$0	$0	*0%*
Total taxes	**$331,038**	**$394,521**	**$63,484**	***19%***

Notes: *Debt renewal amount taken from Portland Public School CAFR (p. 145) and business share based on assessed valuation of business property. **Business share based on national hotel sales for business versus leisure (American Hotel and Lodging Association, 2019), ***Business share based on diesel/gasoline sales split"

Source: EY analysis of Census data, City of Portland 18-19 CAFR, City of Portland, Oregon Adopted Budget 2020

3.2 Multnomah County tax changes

The analysis includes three Multnomah County tax changes. The first tax is an increase to the county business income tax rate, while the second levies a personal income tax to fund universal preschool, and the third is a property tax to fund a library bond.

1) Increase in the Multnomah County business income tax rate. Effective January 2020, Multnomah County increased its business income tax rate from 1.45% to 2.0%. The tax is applicable to businesses Since business income tax collections totaled $99.5 million at the 1.45% rate in FY19, EY scaled this estimate up to $137 million for FY20 considering a 38% increase in the rate.[6] Key details/assumptions surrounding the tax include the following:

- **Effective date:** 1/1/2020
- **Jurisdiction:** Multnomah County
- **Revenue estimate FY20:** $137 million annually
- **Business share:** 100%

2) High-earner personal income tax for preschool funding. Approved by voters in November 2020, Multnomah County will levy a personal income tax to fund universal preschool. The tax will follow a two-tiered approach, taxing single filers with income over $125,000 and joint filers over $200,000 at a 1.5% rate. This threshold will jump to 3.0% for income over $250,000 for single filers and income over $400,000 for

[6] Multnomah County, "Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2019".

joint filers. Effective until January 2026, the tax then increases by 0.8% on taxable income over $200,000 (joint filers) or $125,000 (single filers).

- **Effective Date:** 1/1/2021
- **Jurisdiction:** Multnomah County
- **Revenue Estimate:** $133 million in 2021, $202 million in 2026 (Oregon's Legislative Revenue Office and ECONorthwest)
- **Business share:** 10%[7]

3) Property tax for library new construction and renovation projects. Also approved on the November 2020 ballot, Multnomah County voters accepted a property tax to fund the construction of the new East County Flagship library as well as the renovation and expansion of seven existing libraries in the county.[8] The library millage will cost homeowners an average of $0.61 per $1,000 (0.061%) annually during the bond period (8 years).

- **Effective Date:** 1/1/2021
- **Jurisdiction:** Multnomah County
- **Revenue Estimate:** $47.3 million on FY19 values at the average rate of $0.61/$1,000 of assessed value
- **Business share:** 39%

Impact of Multnomah County's tax changes on business tax burdens:

Table 5 shows the increase in business taxes due to the Multnomah County tax changes. The business tax rate increase is estimated to increase corporate net income tax collections by 38% ($37.5 million), while the personal income tax is expected to increase business taxes by about $13 million ($133 million * 10%). In addition, business property tax collections are estimated to increase by 12% to $173 million due to the $19 million library bond increase. Overall, businesses in Multnomah County are estimated to experience a 23% increase in taxes due to the county tax changes.

Table 5. Multnomah County business taxes pre- and post-tax changes
FY19 levels; Dollars in thousands

Tax type	Business taxes (no change)	Business taxes (with new taxes)	Increase in business taxes	*Percentage change*
Property tax	$153,931	$172,597	$18,666	*12%*
Transient lodging tax	$17,789	$17,789	$0	*0%*
Motor vehicle rental tax	$14,767	$14,767	$0	*0%*
Motor vehicle license tax	$3,540	$3,540	$0	*0%*
Other license tax	$9,352	$9,352	$0	*0%*
Gasoline tax	$2,422	$2,422	$0	*0%*
Corporate net income	$99,500	$137,000	$37,500	*38%*
Personal income tax	$0	$13,367	$13,367	*New Tax*
Total taxes	**$301,300**	**$370,833**	**$69,534**	***23%***

Notes: Bold reflects categories affected by the tax changes.
Source: EY analysis of Census data, Multnomah County 18-19 CAFR.

[7] Individual income taxes on business income are estimated using the proprietor, partnership and s-corporate income share of adjusted gross income in Oregon multiplied by total individual income taxes. This is share is 10% in FY2019.
[8] Please see: https://multcolib.org/about/planning-library-spaces.

3.3 Metro tax changes

Metro is a regional government serving the Portland metropolitan area and includes major populated portions of Multnomah, Clackamas and Washington counties (over 1.5 million people).[9] The agency is tasked to support the development of infrastructure and growth throughout the region and is funded through a mixture of enterprise activities, property taxes, excise taxes and local, state and federal grants. One initiative that passed in May of 2020 affects business taxes in the tri-county region and is discussed below.

1) Combined personal income and business income tax to pay for supportive housing programs. The supportive housing services tax levied by Metro is a combined personal income and business income tax that was approved by voters in May 2020. Joint filers with taxable income of more than $200,000 per year, and single filers with income of more than $125,000, will pay a 1% tax on this marginal income. Businesses with gross receipts of more than $5 million will pay a 1% tax on business profit. Key details/assumptions surrounding the tax include the following:

- **Effective date:** 1/1/2021
- **Jurisdiction:** Metro Area
- **Revenue estimate:** $169 million (personal income tax), $79 million (business income tax)[10]
- **Business share:** 10% - personal income tax; 100% - business income tax

2) Employer payroll tax up to 0.75% to fund transportation plan (did not pass).

Although initially considered for the analysis, a payroll tax of up to 0.75% that would have funded transit investments in the Metro region was rejected by voters in November of 2020. This tax is not included in Table 6.

Impact of Metro Area's tax changes on business tax burdens

The impact of Metro tax changes on businesses is shown in Table 6. Since the supportive housing measure includes a business income and a personal income tax, these changes are reflected in the $79 million increase in corporate net income tax and the $17 million increase in personal income tax ($169 million * 10%).

Table 6. Metro business taxes pre- and post-tax changes
FY19 levels; Dollars in thousands

Tax type	Business taxes (no change)	Business taxes (with new taxes)	Increase in business taxes
Property tax	$30,294	$30,294	$0
Excise tax*	$6,692	$6,692	$0
Construction excise tax**	$1,433	$1,433	$0
Cemetery revenue surcharge	$0	$0	$0
Corporate net income tax	$0	$79,000	$79,000
Personal Income tax	$0	$16,985	$16,985
Total taxes	**$38,419**	**$134,405**	**$95,985**

Notes: *Business share based on split of residential and commercial waste collection split in the Metro area (Oregon.gov, 2016); **Business share based on share commercial construction market in Portland, Oregon (Cumming – U.S. Construction Market Q2 2020);
Source: EY analysis of Census data, Oregon Metro 18-19 CAFR.

[9] Please see: https://www.oregonmetro.gov/regional-leadership/what-metro
[10] See: HereTogetherOregon.org"

3.4 Collective change on tax burdens for a business in Portland

A business located in Portland will be subject to new city, county and Metro taxes. The change in estimated business taxes is shown in Table 7. Since Metro taxes are specific to Multnomah County as well as additional jurisdictions, the Metro business profits and personal income taxes have been apportioned to reflect specifically the Multnomah County revenue share in the table below. Given these various taxation levies, it is estimated that a Portland business will experience a 23% increase in local business taxes from FY19 levels, if all taxes are enacted and once fully phased in.

Table 7. Combined City of Portland, Multnomah County and Metro Area business taxes pre- and post-tax changes

FY 19 levels; Dollars in millions

Tax type	Business taxes (no change)	Business taxes (with new taxes)	Increase in business taxes	*Percentage change of business taxes*
Property tax	$415	$453	$38	*14%*
Property tax/schools	$195	$195	$0	*0%*
Transient lodging tax	$36	$36	$0	*0%*
Corporate net income	$106	$227	$122	*115%*
Motor vehicle rental tax	$15	$15	$0	*0%*
Gasoline tax	$10	$10	$0	*0%*
Other license tax	$9	$9	$0	*0%*
Arts Tax	$0	$0	$0	*/*
Motor vehicle license tax	$4	$4	$0	*0%*
Construction excise tax	$4	$4	$0	*0%*
Excise tax	$3	$3	$0	*0%*
Cannabis tax	$0	$0	$0	*/*
Cemetery revenue surcharge	$0	$0	$0	*/*
Personal income tax	$0	$21	$21	*/*
Total taxes	**$796**	**$977**	**$181**	***23%***

Source: EY analysis of Census data, City of Portland 18-19 CAFR, City of Portland, Oregon Adopted Budget 2020, Multnomah County 18-19 CAFR, Oregon Metro 18-19 CAFR.

3.5 Metro area aggregate tax burden

Table 8 shows the estimated combined business tax change in the Portland tri-county region due to the enacted tax changes. This table shows the full effect of the Metro taxes, which businesses in Washington and Clackamas Counties will pay as well. New taxes increase the taxes regional businesses pay by 15% to over $1.7 billion in total ($229 million increase) compared to FY19 levels.

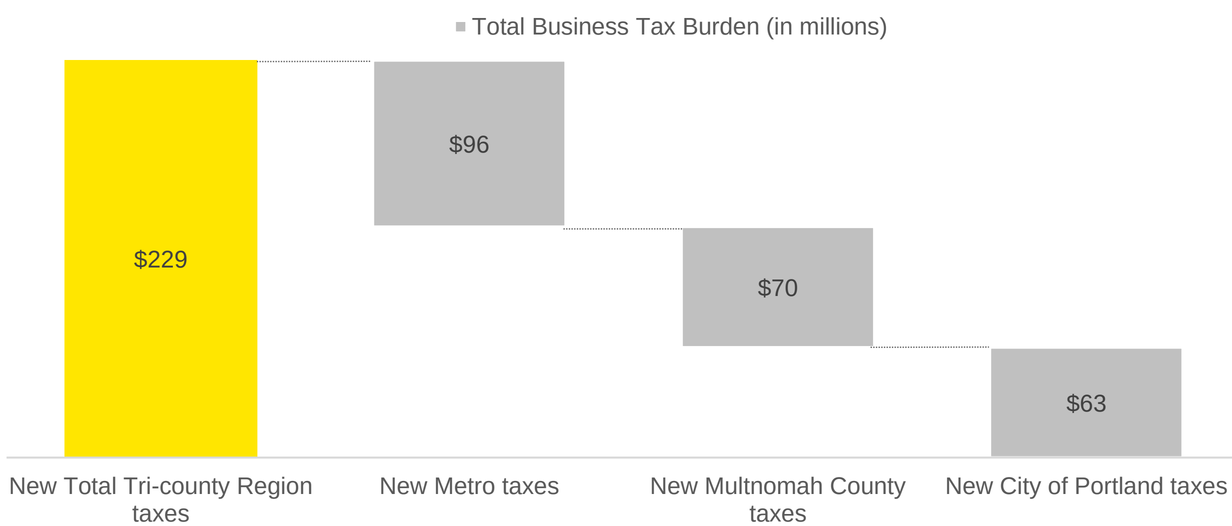
Table 8. Tri- county aggregate business taxes pre- and post-tax changes
FY19 levels; Dollars in millions

Tax type	Business taxes (no change)	Business taxes (with new taxes)	Increase in business taxes	*Percentage change of business taxes*
Property tax	$1,100	$1,139	$39	*4%*
Transient lodging tax	$195	$195	$0	*0%*
Property tax/schools	$42	$42	$0	*0%*
Corporate net income	$106	$266	$160	*151%*
Motor vehicle rental tax	$15	$15	$0	*0%*
Gasoline tax	$11	$11	$0	*0%*
Other license tax	$9	$9	$0	*0%*
Excise tax	$0	$0	$0	*/*
Arts Tax	$4	$4	$0	*0%*
Motor vehicle license tax	$4	$4	$0	*0%*
Construction excise tax	$3	$3	$0	*0%*
Real property transfer taxes	$0	$0	$0	*/*
Cannabis tax	$0	$0	$0	*/*
Cemetery revenue surcharge	$0	$0	$0	*/*
Personal income tax	$0	$30	$30	*New tax*
Total business taxes	**$1,489**	**$1,718**	**$229**	***15%***

Source: EY analysis of Census data, City of Portland 18-19 CAFR, City of Portland, Oregon Adopted Budget 2020, Multnomah County 18-19 CAFR, Oregon Metro 18-19 CAFR.

Figure 5 shows the incremental increase of new business taxes by taxing jurisdiction. The City of Portland and Multnomah County would levy about $63 and $70 million respectively. As a share of total new business taxes, Metro is driving 42% of new tax revenues or $96 million in total. The City of Portland and Multnomah County on the other hand are expected to collect 58% of business taxes.

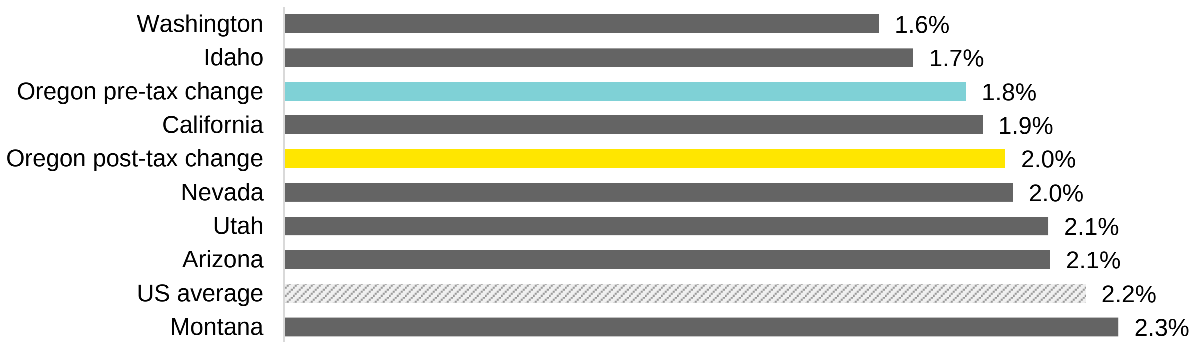
Figure 5. New business taxes in the tri-county Portland area levied by jurisdiction
Dollars in millions; Revenue estimates for enacted taxes once fully phased in



Source: EY analysis.

Given the results shown in Table 8, local business taxes statewide in Oregon as a percentage of GSP would likely increase from 1.8% of GSP to 2.0% for a 6% increase over pre-tax levels. Comparing the local TEBTR to the average of local governments in other states in the Northwest region, the local TEBTR in Oregon is lower than the US average, but higher than certain Western states as shown in Figure 6.

Figure 6. Local total effective business tax rate (TEBTR) comparison (FY19 levels)



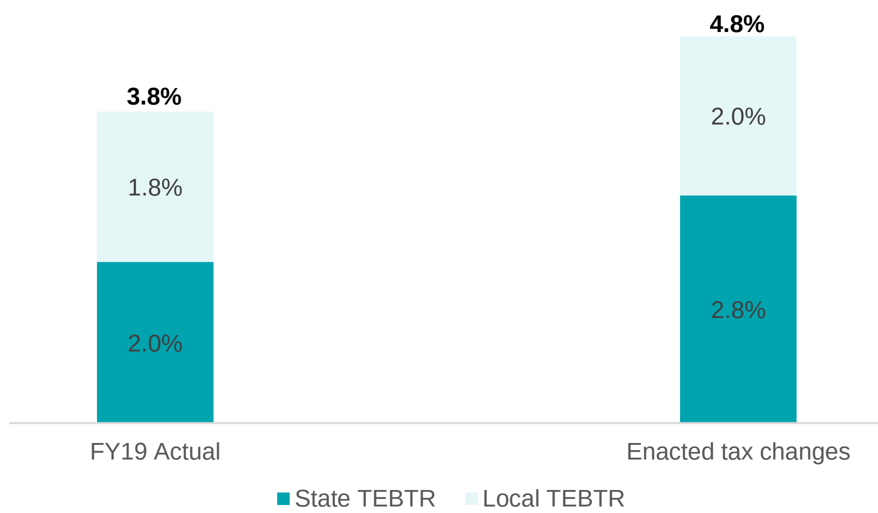
Source: EY analysis

4. Combined state and local tax burden changes

4.1 State and local tax change

The combined impact of the enacted business tax changes statewide and in the Portland tri-county metro area are shown in Figure 7 below. The statewide total effective business tax rate for businesses based on the enacted tax changes would increase to 4.8%. This tax change is a result of a 41% increase in statewide business taxes and 6% increase in local business taxes statewide in Oregon due to the Portland region enacted tax changes.

Figure 7. Total combined state and local TEBTR for Oregon businesses

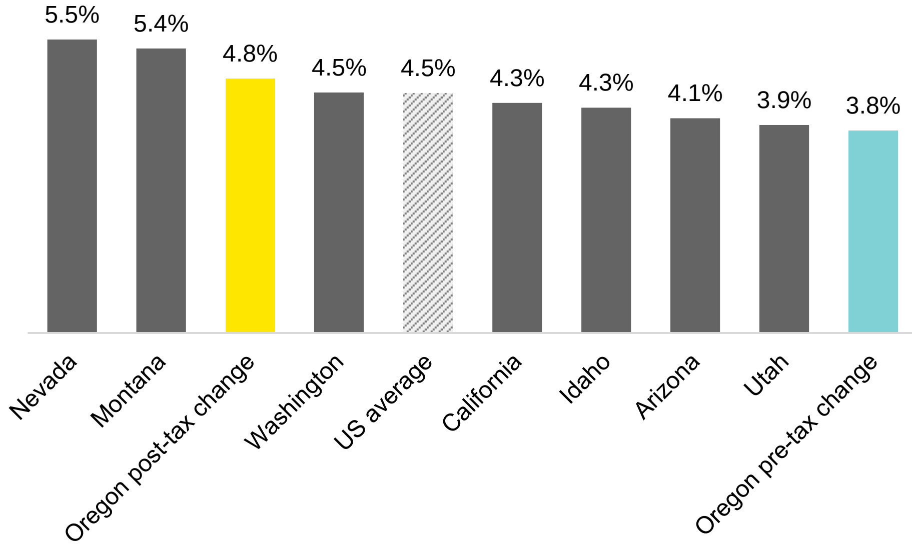


Source: EY analysis

4.2 Competitiveness

The impact of the tax changes at the state and local level in Oregon are compared to the average state and local tax burdens faced by businesses in western states. Oregon's pre-tax state and local TEBTR was 3.8% (based on FY19 levels). The TEBTR increases to 4.8% once the enacted tax changes discussed in Section 3 are included. This is above the US average of 4.5% and higher than neighboring states Washington, California and Idaho.

Figure 8. State and local TEBTR for Oregon, FY19 levels



Source: EY analysis

4.3 Impact of COVID on state and local tax collections

The analysis presented thus far in the report is based on taxes at FY19 levels, before the start of the COVID-19 pandemic. This was done in order to isolate the impact of the tax changes on the latest available state and local data. However, the current pandemic is creating serious disruptions in revenue for state and local governments. This section explores how COVID-19 will likely affect the revenue estimates and the tax burden analysis presented thus far. Based on the review of projected impacts of COVID on future levels of tax collections, the estimates of changes in tax burdens presented in earlier sections of this document will not be materially impacted.

Impact of COVID-19 on state revenues

The Oregon Office of Economic Analysis (OEA) is forecasting that the COVID-19 pandemic will reduce state General Fund revenues by 17% in FY20 and will remain at this lower level in FY21 compared to FY19 revenue. Revised revenue forecasts published by the OEA show the following for the state tax changes analyzed in our study:

- **Corporate Activity Tax**: Original revenue impact estimates of the CAT estimated $1.6 billion in revenue in FY2019-21 for the Fund for Student Success and $2.8 billion in FY21-23. These estimates were revised downward by 26% in FY19-21 to $1.2 billion and by 21% in FY21-23 to $2.2 billion.[11]
- **Individual Income Tax**: Original revenue estimates were that the reduction in marginal tax rates would reduce IIT revenue by $423 million in FY19-21 and by $699 million in FY21-23. These were revised as well due to lower IIT revenue, which means that the negative impact is less. The OEA is now forecasting a $352 million reduction in FY19-21 and $548 million reduction in FY21-23.

[11] See Office of Economic Analysis, *Appendix B: Revenue Forecast Detail* available at: https://www.oregon.gov/das/OEA/Documents/appendixb.pdf

- **Insurer Tax on health plan premiums**: Insurance taxes in the state forecasts are expected to be 11% lower than FY19 levels.
- **Paid Family Medical Leave program**: This program is not effective until January 1, 2022. Based on wage and salary forecasts, the $1.12 billion estimated at FY19 levels is likely what the tax will generate in 2022.

Table 9. Revisions to original revenue forecasts of state tax changes due to the impact of COVID-19 pandemic

Tax change	FY19-21 Impact	FY21-23 Impact
Corporate Activity Tax	-26%	-21%
Individual Income Tax - rate reductions (lower negative impact)	-17%	-22%
Insurance Tax	-14%	-11%
Paid Family Medical Leave	0%	0%

Source: Oregon Office of Economic Analysis, *Appendix B Revenue Forecasts*

Applying the OEA's forecasts to the estimated change in business taxes yields the following. First, the CAT estimates in FY22 at $1.1 billion annually are similar to the estimates used in the FY19 level analysis. Second, the PFML program, and the payroll tax funding these benefits, is not effective until January 1, 2022. Based on projections by OEA of wages and salary the estimates shown at FY19 levels are good estimates of the payroll tax liability of employers in FY22. Individual income taxes are projected to be 9% lower in FY2022 compared to FY19 levels; thus the impact of the rate reduction is expected to be lower. Table 10 summarizes the changes in total tax revenues and business tax revenues with the tax changes in FY22, incorporating the impact of COVID-19.

Table 10. Impact of COVID-19 on revenue estimates of state business tax changes

Category	Business taxes reflecting tax changes at FY19 levels (No COVID impact)	Business taxes with tax changes at FY22 levels (with COVID impact)	*Percentage Change*
Property tax on business property	$9.8	$9.8	*0%*
Corporate income tax	$1,977.6	$1,556.0	*-21%*
Individual income tax on bus. income	$964.3	$877.0	*-9%*
Excise (w/ healthcare provider tax)	$930.8	$831.6	*-11%*
Business & corporate license	$637.1	$679.9	*7%*
Unemployment insurance*	$924.0	$924.0	*0%*
Paid Family Medical Leave Program	$448.0	$448.0	*0%*
Public utility taxes	$8.5	$8.5	*0%*
Insurance premium taxes	$80.6	$72.0	*-11%*
Other business taxes	$16.3	$14.3	*-12%*
Total business	**$5,997.1**	**$5,421.2**	***-10%***

Notes: * Unemployment insurance taxes will increase for employers, but we do not have a forecast of this amount

Source: EY analysis using Oregon Office of Economic Analysis revenue forecasts (Appendix B)

OEA forecasts were used to project these revenues and estimate the change in revenue due to COVID-19. While there is only a small amount of property tax at the state level, we are assuming that property taxes remain unchanged between FY19 and FY22. Second, we have left unemployment insurance taxes at FY19 levels but know that these will increase, since there is not an OEA forecast for revenue in FY22. Projected tax collections in FY22 are forecasted to be 10% lower than FY19 levels, but similar business share with the new tax changes.

Impact of COVID-19 on local tax changes

The tax changes at the local level fall into the following categories: gross receipts tax, income taxes (individual and corporate), and property taxes. Applying the same approach to the local taxes that was used on the state taxes, we would expect property taxes to be similar in FY22 to levels in FY19 with gross receipts and income taxes at lower levels. Using the same parameters as with the statewide COVID-19 analysis, individual income taxes are forecasted to be 9% lower in FY22 compared to FY19, corporate income taxes 44% lower and gross receipts taxes 21% lower than FY19 level. The result is local business taxes declining slightly (3%) in FY22 compared to FY19 levels.

Limitations

This analysis has several limitations. First, it relies upon estimates of tax revenue completed by government agencies and other third parties. While EY used available data sources to verify that the revenue estimates were reasonable, such as checking property tax calculations using tax rates and assessed valuations, EY did not perform independent tax revenue projections for each tax change. Second, while legal liability was often used to determine incidence of the tax, this was not the case for a few consumption-based taxes. Business shares were assigned based on available information. For example, transient lodging taxes were apportioned between business and leisure travelers using national industry studies. Third, in order to estimate the change in taxes for a Portland business due to the Metro proposals, EY apportioned Metro taxes to the three counties using wage and salary and personal income data at the county level. Fourth, in order to estimate FY19 taxes for all municipalities in Clackamas and Washington Counties, FY17 aggregated data from the US Census (the most recent available) was used to gross-up County government FY19 tax data from financial statements to an estimate of total tax revenue to all municipalities within the tri-county region in FY19.

Conclusion

The state and local tax changes presented in this report would substantially increase taxes that Oregon businesses pay. In FY19, the state and local tax burden (TEBTR) for Oregon businesses was 3.8%. With the state-enacted tax changes, plus the enacted Portland area local tax changes, the TEBTR is estimated to increase to 4.8% once all currently passed taxes have been fully implemented.

At the state level, once all taxes are fully implemented, the tax changes would increase business taxes by $1.8 billion and raise the business effective tax rate from 2.0% to 2.8%, making Oregon's state effective tax rate the 19th highest nationally and 18% higher than the US average.

Local taxes in the Portland region would also increase significantly due to the City of Portland, Multnomah County, and Metro enacted tax changes. Given the various tax changes at the city, county, and Metro level, Portland businesses are estimated to experience a 23% increase in taxes due to the enacted tax changes. The local business tax burden in Oregon statewide would increase from 1.8% of gross state product to 2.0%, a 6% increase over pre-tax change levels.

While the current COVID-19 pandemic is creating serious disruptions in revenue for state and local governments and will lower tax collections in current and future fiscal years, the estimates of changes in tax burdens presented in earlier sections of this document will not be materially impacted.

Endnotes

[1] Bakija, Jon and Joel Slemrod (2004). "Do the Rich Flee from High State Taxes? Evidence from Federal Estate Tax Returns." NBER Working Papers 10645.
[2] Lai, Andrew, Roger Cohen and Charles Steindel (2011). "The Effect of Marginal Tax Rates on Interstate Migration in the U.S." Unpublished.
[3] Coomes, Paul A., William H. Hoyt (2008). "Income Taxes and the Destination of Movers to Multistate MSAs." Journal of Urban Economics, vol. 63(3), p. 920-37.
[4] Emmanuel Saez, Joel Slemrod, and Seth Giertz, 2012. "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review," Journal of Economic Literature, American Economic Association, vol. 50(1), pages 3-50.
[5] Moretti, Enrico, and Daniel Wilson (2017). "The Effect of State Taxes on the Geographical Location of Top Earners: Evidence from Start Scientists." American Economic Review, vol. 107(7), pages 1858-1903.

The Authors

This study was prepared by the Quantitative Economics and Statistics (QUEST) practice of Ernst & Young LLP in conjunction with the State Tax Research Institute (STRI).

QUEST is a group of economists, statisticians, survey specialists and tax policy researchers within Ernst & Young LLP's National Tax practice, located in Washington, DC. QUEST provides quantitative advisory services and products to private- and public-sector clients that can enhance business processes, support regulatory compliance, analyze proposed policy issues and provide litigation support.

STRI is a nonprofit organization established in 2014 to provide educational programs and conduct research designed to enhance public dialogue relating to state and local tax policy. STRI is affiliated with Council on State Taxation (COST).