



The Capitol Granger

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Good fiscal news creates new worries for lawmakers and agency heads

by Craig Loughridge
Assistant Director for Governmental Affairs

The state's latest economic numbers came out Tuesday along with more solid financial forecasts. The indicators were largely good, with unemployment low and revenues projected to exceed earlier expectations.

The bad news was that some agency heads now worry that the rosy forecast could trigger a "kicker" refund to individual taxpayers at the same time that the budget for the next fiscal period is expecting revenue to fall short of projected needs.

The state Office of Economic Analysis meanwhile fanned the flames of doubt with news that employment was slowing in the first quarter of this year. Tuesday's report also cautioned of risks to the economy from rising interest rates, federal trade policy and health care changes. The report forecast job growth continuing through spring 2019, but at a slower pace after 2017. Increases were expected in both private- and public-sector employment.



"Although revenue growth is still healthy," the report said, "the slowing pace of Oregon's expansion

has become evident in tax return data just as it has in the jobs data. Income growth has been cut in half over the past two years, with slowing across a wide range of income types."

Yet, if revenue projections hold, the state could have to refund nearly \$408 million early in 2018. The refund would come in the form of income tax credits for filers to claim when filing their 2017 state income tax returns. The report forecast the average credit to be about \$210 per return.

Before the state gave its last kicker refund in 2015, the state mailed checks directly to taxpayers in December of the year when a kicker refund was triggered. The Oregonian reported that using the tax credit method to process refunds in 2015 saved the state about \$1 million in administrative costs.



Another notable fact from the report: The state projects marijuana sales to keep boosting state revenue. The report's writers projected pot sales to rise nearly 30 percent over the next two years, roughly following similar trends in Colorado and Washington.

Find the full economic report at:

<https://www.oregon.gov/das/OEA/Pages/forecastcore.v.aspx>

Please contact me if you have comments or questions about bills or issues that the Grange is following. I am at: govaffairs@orange.org.