Measure 118
A Seismic Change to Oregon's Tax System

This year, Oregonians will vote on a measure that would fundamentally change the tax revenue structure for both households and businesses in the state.

Summary

Under Measure 118, Oregon's traditional reliance on personal and corporate income tax collections would become much less pronounced and Oregonians would face the most aggressive gross receipts tax in the nation and would result in a larger relative burden on low-income households and slower long-term revenue growth for the state.

Bottom Line

Given the unprecedented scale of the proposed gross receipts tax under the proposal, its economic impact is highly uncertain. That said, both businesses and households will face higher costs. These increased costs will reduce local economic activity significantly, even if the exact magnitude is unclear.

Key Facts

1. The gross receipts tax proposed under Measure 118 is unprecedented in scope and would result in Oregon having five times more dependence on gross receipts taxes than that of any other state.

2. The magnitude of the proposed tax under Measure 118 suggests that the dynamic impacts to the economy will be large but uncertain.

3. The proposed tax structure would result in a larger relative burden on low-income households, and slower long-term revenue growth for the state.

Measure 118

Key Facts

4 Unlike most gross receipts taxes that charge low rates to a broad base of taxpayers, Measure 118 would do the opposite, charging a high rate to a small number of filers. These filers would face a strong incentive to avoid the tax, thus increasing the likelihood of economic distortions.

5 Although all industries would see their tax burdens increase under the proposal, utilities, construction, wholesale & retail trade, and healthcare would be particularly hard hit.

6 The positive economic impact of rebate payments would be watered down. Rebate payments are subject to federal taxes, will create a hole in the state General Fund, and will be collected by high-income households that will save much of the windfall rather than injecting it into the economy in the near term. Moreover, all households would face higher costs for a wide range of necessities.

Economic Impact Scenarios

- **Output Reduction:** If firms reduce output by 10%, Oregon could see employment **decrease by 218,757 jobs, gross output shrink by $52.36 billion, and personal income fall by $16.6 billion**. In this scenario, tax revenue from the gross receipts tax would be **$1.57 billion lower than current estimates**.

- **Firm Relocation**: If 10% of firms leave Oregon, output could **decline by $27.6 billion, employment could drop by 110,983 jobs, and personal income could decrease by $8.6 billion**. In this scenario, tax revenue from the gross receipts tax would be **$816 million lower than estimated**.