Considering the Health Impacts of Tax Reform in Oregon

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Oregon Public Health Association Meeting
October 10, 2016
• Elected officials, advocacy organizations, and citizens have been pondering comprehensive tax reform in Oregon for decades

• Missing in these debates is discussion of the effects of taxes on the health of Oregonians
  – Many people don’t understand the connections between taxes and health

• “We clearly have to take on the issue of comprehensive reform of our system of public finance,” Kitzhaber said, “which I intend to apply myself to rather vigorously, starting tomorrow.”

*The Oregonian*, October 12, 2013
Economic Policy: An Important (But Overlooked) Piece of “Health in All Policies”

Elizabeth Rigby*
September 18, 2013

*Participant in the activities of the IOM Roundtable on Population Health Improvement
“...by overlooking a whole set of policies shaping the distribution of income and wealth in our country, we may risk missing many of the most promising policy levers available for reducing socioeconomic disparities in Americans’ health” (Rigby, 2013)

My favorite LinkedIn anecdote

Conversation with Health Impact Project at Pew Foundation

They thought the idea was sweet, but didn’t have $100,000 lying around
A more doable project

- Four commentaries
  - Written by national experts in their fields
  - About 1500 words each
- Everyone we approached agreed!
  - Income taxes: Ichiro Kawachi, Rourke O’Brien, Jessica Allia Williams
  - Excise taxes: Frank Chaloupka
  - Sales taxes: Katherine Newman
  - Earned Income Tax Credit: David Rehkopf
Income taxes

• Federal income has become more regressive, but still more progressive than most states
• In Oregon, majority of wage earners pay same marginal tax rate of 9% (applies to couples earning $16,000 to $250,000)
• Income inequality is associated with worse population health outcomes
• Marginal tax rates and deductions can be modified to decrease tax burden of low-income households
• Annual tax refunds can be used to encourage savings
Excise taxes

• Each year in Oregon, Cigarette smoking causes:
  – 7,000 premature deaths
  – $2.5 billion in healthcare spending

• Oregon’s cigarette tax ($1.32) is below the national average

• $1 increase per pack would lead to
  – 14,000 few youth starting
  – 17,500 adults quitting
  – Lower healthcare costs

• Improved health outcomes with taxes on other consumables with negative health impacts
Earned Income Tax Credit

• Federal Earned Income Tax Credit (EITC)
  – Participants must be employed
  – The tax credit augments earned income
    • Eligibility ends for couples earning over $50,000
  – 24 states including Oregon have a state EITC
    • Average state EITC is 18% of the federal EITC
    • Oregon’s is 8% of federal EITC

• Studies show that the EITC has
  – Decreased number of low birthweight babies
  – Decreases smoking prevalence
  – Improves mental health for mothers
Sales taxes

• Sales tax is regressive if it does not have exemptions or mechanism to increase income for low-income households
• Sales taxes can have a disproportionately negative impact on lower income households
• Options to mitigate the negative impacts:
  – Exempting necessary items, such as foods and medicines
  – Means tested rebate program
  – Changes to income taxes or the Earned Income Tax Credit
Conclusions

• Specific taxes can have large impacts on health
• Important to assess total tax bill on low-income families
• Further research would continue to inform the debate on potential modifications taxes in Oregon
• Research also needed on the impacts of government spending
  – E.g., Study of ballot measure 50 (2007) which would have increased tobacco tax with revenue funding healthcare for low-income children
Dissemination

- Two audiences
  - In Oregon: Inform policymakers and voters
  - Nationally: Public health groups; policymakers would be nice
- Best timing?
Thank You!

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