



Oregon's Bag Tax: The Economic Impacts on Oregonians and Retail Stores

To determine the effects of the bag tax on the Oregon economy, the Beacon Hill Institute (BHI) in cooperation with Cascade Policy Institute and Americans for Tax Reform used the STAMP® (State Tax Analysis Modeling Program) for Oregon.¹ The report results are for fiscal year 2012. The table below displays the results.²

The Impact of the Bag Tax on the Oregon Economy	
Static revenue estimate (\$ millions)	14.55
Dynamic revenue estimate (\$ millions)	6.20
Economic Variables	
Total Employment (Jobs)	(277)
Gross Wage Rate (\$/worker/year)	(27.40)
Investment (\$ thousand)	(2.1)
Real Disposable Income (\$ millions)	(2.3)

The estimates of the revenue from the bag tax include a range from \$6.2 million to \$14.55 million. BHI provides both “static” and “dynamic” revenue estimates. Static estimates assume that there is no change in underlying economic activity in response to a change in tax law. For example, a static estimate of a rise in a sales tax from 6% to 7%, would cause revenues to rise by 16.7% ($= (7-6)/6$). A dynamic estimate would show a smaller rise in revenue because it would capture the negative effect on the tax base of the rise in the sales tax.

BHI finds that the bag tax will have a negative impact on the local economy. All other things being equal, Oregonians will allocate a portion of their spending to the tax. As a result, businesses along the entire retail supply chain experience a reduction in sales

¹ For a description about the STAMP model see

http://www.beaconhill.org/STAMP_Web_Brochure/STAMP_HowSTAMPworks.html.

² For a complete description of our methodology see <http://www.beaconhill.org/STAMP-Method/STAMP-Method.html>.

and profits and they, in turn, reduce their employment and investment expenditures. Lower levels of employment and investment reduce income from wages and capital investment.

The bag tax will destroy a net of 277 jobs. The job losses will cause annual wages to fall by \$27 per worker and aggregate real disposable income to fall by \$2.3 million. The wage and income losses will combine to lower income tax collections.

The tax will also lower investment by \$2.1 million, with the bulk of the loss occurring in the retail industry.