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REVENUE MEASURES PASSED BY THE 1995 LEGISLATIVE ASSEMBLY

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This report summarizes measures passed by the 1995 Legislature relating to state and local revenue and school finance.

The summaries are organized into subject areas. Preceding the summaries are two indexes. The first lists measures by bill number. The second is by general subject area. Below is an index to the subject area sections in the report.

The summaries are brief and are not intended to be a full description of the content of each bill. For more information consult the bill itself or contact the Legislative Revenue Office.

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INCOME TAX

SB 230

Establishes procedure to reduce retirement contributions or benefits when a public employer covers a PERS member under more than one retirement plan and the combined total of the contributions or benefits exceed certain limits. Requires PERS to adopt rules setting limits and to make other changes needed to retain tax exempt status under the Internal Revenue Code.

REVENUE IMPACT:

State: None. The bill protects PERS's tax exempt status under section 401(a) of the Internal Revenue Code. Loss of this status would mean employer and employee contributions could not be made with pre-tax dollars and PERS earnings would be taxable for both federal and state purposes. Thus the bill prevents a revenue gain that would occur if tax exemption were lost. Although PERS is unlikely to lose exempt status without this bill, participation in other plans have caused some total benefits or contributions to exceed federal limits. This jeopardizes the exempt status of all the plans.

SB 323

Allows deferral of personal income tax on certain capital gains. Limits deferral to gain on assets used in a taxpayer's trade or business or gain from the sale of expansion shares of qualified Oregon businesses. Requires taxpayer to reinvest sale proceeds in a qualified Oregon business, a qualified investment fund, or in qualified business assets. Requires a qualified Oregon business to be domiciled and have a majority of its employment base in Oregon. Excludes financial and certain professional service businesses, real estate, and conglomerate/investment businesses. Requires qualified investment funds to invest solely in qualified Oregon businesses, except for interim periods until qualified investments can be found. Qualified assets are capital assets in qualified businesses that are or will be used in Oregon.

Allows taxpayer six months to make a qualified reinvestment. Requires taxpayers failing to complete reinvestment to repay tax with interest. Charges no interest when deferral period otherwise ends. Ends deferral and imposes deferred tax when the business, investment fund or asset ceases to qualify; the business discontinues operation; 50% or more of business capital assets are withdrawn; or the business is sold and the proceeds are not reinvested in another qualified reinvestment within six months.

Continues deferral when the business or assets are transferred to a related party as a result of the taxpayer's death or disability.

Begins above provisions for gains realized on or after January 1, 1997. Allows deferral of 1996 gains reinvested in a qualified C corporation or a business in which the taxpayer materially participates.

Requires reinvestment by December 31, 1999. Requires report to 1999 Legislature on deferral's economic impact.

REVENUE IMPACT:

State: Reduces General Fund revenue by $11 million in 1995-97 and $46 million in 1997-99. This impact is highly uncertain. It depends on the amount of eligible gains taxpayers choose to reinvest in eligible investments and the period of time they hold these investments.

SB 562

Exempts retirement income attributable to service before October 1, 1991 from personal income taxation. Calculates pre-October 1991 benefits based on years of service. Applies to all government retirement systems and private employer-sponsored benefit plans qualified under the Internal Revenue Code. Does not apply to deferred compensation (IRC section 457), IRA's and similar plans (IRC section 408), and qualified employee annuities (IRC section 403).

Limits exemption of private retirement income to $50,000 per return. Denies exemption of private retirement income to individuals under age 55.

Cancels PERS benefit increases granted in SB 656 (1991) attributable to pre-October, 1991 service. Denies SB 656 increases to persons joining PERS after effective date of bill. Repeals non-PERS police and fire benefit increases in SB 656. Denies elderly credit if any income excluded under this bill. Limits retirement credit to retirement income included in taxable income.

Begins July 1, 1997. Recomputations of benefits first apply to the check received in August 1997.

REVENUE IMPACT:

State: None in 1995-97. General Fund loss of $260.8 million in 1997-99 and $302.2 million in 1999-01.

NOTE: SB 562 was vetoed by the Governor.

SB 600

Requires compensation to private property owners who suffer loss in real property values as a result of certified ecotakes. Defines "certified ecotakes" as state or local government enactments with the substantial effect of protecting or preserving scenic, natural, wildlife, wilderness, or outdoor recreation areas; open spaces or wetlands; and that restrict the use of private real property or place an affirmative obligation on the owner. Specifies exemptions. Applies to ecotakes occurring after March 31, 1995.

Sets compensation to amount enactment reduces real property value minus $10,000 (or minus 10% of property value, whichever is less). Compensates full loss when enactment precludes building a dwelling.

Requires local governments to compensate owners when their enactments are not state mandated. In other cases, allows owners a credit against state personal or corporate income tax for the compensation amount. Allows taxpayers to transfer (sell) credits to other taxpayers. Delays credit claim to the tax year beginning three years after the year of the enactment. Permits five-year carryforward of credits that cannot be claimed because of insufficient tax liability.

Requires state and local governments to certify all enactments as to whether or not they are ecotakes. Establishes notification and appeal procedures. Sets fees.

REVENUE IMPACT:

State: No effect on General Fund revenue in 1995-97. Indeterminate, but potentially large, reduction in subsequent biennia. The effect depends on future state and local government actions. The bill funds compensation to private property owners through credits against the personal and corporate income taxes. These credits are transferable between taxpayers, so all eligible credits are expected to be claimed.

NOTE: SB 600 was vetoed by the Governor.

SB 1117

Limits time period for receiving aid to dependent children. Modifies requirements for receiving public assistance. Establishes statewide JOBS Plus Program as described in HB 3050.

REVENUE IMPACT:

State: See impact of HB 3050.

HB 2197

Allows probated estates to close without first obtaining a release from the Department of Revenue (DOR). (Under current law, the Department must issue a release indicating that all personal income taxes and penalties have been paid before an estate can be closed and the decedent's assets can be distributed.)

Requires estate's personal representative, before final settlement and distribution, to file court statement that all required tax returns have been filed with DOR. Eliminates requirement to file a copy of the "small estate affidavit" with DOR.

Allows personal representative to request a final tax determination from DOR. Requires DOR to give notice of any deficiency within 18 months. Extends 18-month limit to 5 years if return omits more than 25% of gross income. Impose no time limit in cases of fraud. Allows personal representative to apply for discharge from personal liability for unpaid income taxes of the decedent.

REVENUE IMPACT:

State: Potential small General Fund decrease. The state can pursue the decedent's unpaid taxes or penalties from heirs or transferees. However, it will probably be unable to collect some taxes from heirs that, under current law, would have been collected before the estate closed or from a reserve account established before closing. (For example, it may be difficult to collect from out-of-state heirs.)

DOR expects this loss to be more than offset by administrative savings.

HB 2200

Allows the Department of Revenue (DOR) to waive requirements that taxpayers submit proof of eligibility when claiming income tax credits or deductions.

Conforms law to U.S. Supreme Court decisions prohibiting states from taxing income received from sources within federally recognized Indian country by enrolled American Indian tribal members who live in Indian country.

Clarifies last session's transfer of rule-making for the Charitable Checkoff Commission to DOR.

REVENUE IMPACT:

State: No impact expected. The Department of Revenue believes it can continue to prevent unauthorized credit and deduction claims without requiring substantiation. The exempted American Indian income cannot be taxed under United States law.

HB 2202

Mails surplus kicker checks to personal income taxpayers. Calculates personal income tax kicker based on tax liability in the last tax year ending during the biennium producing the surplus. Pays costs of mailing checks from surplus. Applies to impending and future kickers. (For impending kicker, personal checks would be mailed by December 1, 1995. Corporations, as under current law, will receive kicker as a credit on their 1995 tax return.)

Excludes distributions of deferred compensation plans and Internal Revenue Code section 403(b) annuity contracts from Oregon personal income taxes to the extent already taxed by another state. First applies to the 1991 tax year.

Eliminates requirement that employers withholding employee income taxes file W-2 forms with the Department of Revenue. Allows the Department to require these forms and other information by rule.

REVENUE IMPACT:

State: General Fund – Reduction of $80,000 in 1995-97 and $35,000 in 1997-99 from the deferred compensation and annuity changes.

Other Funds – Increase of $908,000 in 1995-97 to fund costs of mailing personal kicker checks.

HB 2203

Modifies sales factor in the formula used to apportion multistate business income to Oregon:

- Excludes intangible assets sales that are not part of the taxpayer's primary business activity.
- Excludes the incidental or occasional sale of fixed assets that <u>are</u> used the taxpayer's regular course of business (such as sales of plant or factories).
- Allows taxpayers to exclude insubstantial amounts from incidental or occasional sales (such as sales of office furniture) if such exclusion does not materially affect apportionment.

Changes first apply to tax years beginning in 1995.

REVENUE IMPACT:

State: No impact expected because the Department of Revenue is already following these criteria. Some taxpayers have appealed their taxes claiming that existing law does not allow the Department to exclude these sales. It is unclear how or if this bill will affect the outcome of those appeals, or if the Department could continue to exclude these sales in the future without this bill.

HB 2204

Generally connects calculation of Oregon taxable income to the Internal Revenue Code as of April 15, 1995. In effect, this adopts for Oregon purposes all federal changes in the determination of taxable income in the Revenue Reconciliation Act of 1993 (P.L. 103-66), the Uruguay Round Agreements Act (P.L. 103-465) and P.L. 104-7, but continues "disconnect" in areas the Legislature (in the past) chose to calculate Oregon taxable income differently.

Specifies tax treatment when debt is discharged in bankruptcy or insolvency. Alters estimated tax requirements to make them parallel to current federal requirements, generally tightening them. Conforms exceptions to the state's substantial understatement penalty to be the same as exceptions to the federal penalty.

Reconnects references to the Internal Revenue Code to April 15, 1995 concerning tax credits and other statutes. Automatically adopts any future Internal Revenue Code changes in lobbying expense deductibility. Makes changes retroactive to the federal effective dates.

Connects depreciation of property placed in service from 1981 through 1984 to depreciation taken for federal purposes. Adjusts Oregon basis of such properties to the federal basis in the 1996 tax year. Allows taxpayers to request withholding of federal income tax from unemployment benefits.

REVENUE IMPACT:

State: Increases General Fund revenue as shown below:

	1995-97	1997-99
Personal Income Tax	+$1.5 million	+$4.9 million
Corporate Income Tax	+$40.3 million	+$28.2 million
TOTAL	**+$41.8 million**	**+$33.1 million**

The bill connects the calculation of Oregon taxable income to many federal changes. Some raise revenue and others reduce revenue. The largest revenue-raising changes reduce business meal and entertainment expenses deductions and increase the periods for depreciating nonresidential real property and amortizing intangibles. The largest revenue losers allow smaller businesses to expense more depreciable business assets and allow real estate professionals to more liberally deduct real estate losses. About $10.5 million of the 1995-97 increase and $1.8 million of the 1997-99 increase comes from earlier payments of estimated taxes. These amounts do not represent increases in the amount taxpayers pay for a particular level of income.

HB 2255

Pollution Control Credit - Extends sunset six years, requiring taxpayer to complete facilities by December 31, 2001 and to apply by December 31, 2003. Establishes optional preliminary certification. Simplifies allocation of costs to pollution control for facilities costing up to $50,000. Allows co-ops subject to income tax to take an income tax credit instead of the property tax exemption in current law. Extends application filing period to 7 years in limited cases.

Recycled Plastics Credit - Extends sunset to December 31, 2001.

Business Energy Tax Credit (BETC) - Extends sunset to December 31, 2001. Limits maximum certified cost to $100,000 or $2 million per facility, depending on facility type. Limits utility pass-throughs to rental housing energy conservation and to commercial and industrial alternative fuel fleet vehicles. Eliminates credit for rental housing units constructed on or after January 1, 1996.

Alternative Energy Device Credit - Extends sunset to December 31, 2001. Disallows credit for wind, water and geothermal devices placed in service on or after January 1, 1996 (ground water heat pump systems are still allowed). Reduces credit amount to 48¢ per first year kilowatt-hour savings (currently 60¢) and to a maximum of $1,200 (currently $1,500) on January 1, 1996. Further reduces credit to 40¢ and $1,000, respectively, on January 1, 1998.

Energy Conservation (SHOW) Lender's Credit - Extends sunset to December 31, 2001, requiring loans to be made by this date to qualify.

Geothermal Heating System Connections Credit - Allows credit to sunset on January 1, 1996 as scheduled. Repeals ORS section establishing credit.

Research and Development Credit - Extends sunset to December 31, 2001. Establishes five-year carryforward. Expands to include research expenses into straw utilization.

Alternative Research and Development Credit - Extends sunset to December 31, 2001. Increases maximum credit from $50,000 to $500,000. Establishes five-year carryforward. Expands to include research expenses into straw utilization

Reforestation Credit - Extends sunset to December 31, 2001. Limits credit in 1996 to the average annual level in the 1992-94 period. Limits credit to twice this level beginning in 1997.

Pollution Prevention Credit - Establishes new credit for businesses that eliminate the use of certain toxic compounds. Allows credit for implementing technologies or processes in lieu of those that produce perchloroethylene (in dry cleaning facilities), chromium emissions, or halogenated solvent cleaning emissions. Limits eligible costs to $75,000 per business location. Sets credit to 50% of costs (10% of cost for each of five years). Allows three-year carryforward. Starts credit January 1, 1996 and sunsets credit December 31, 1999. Limits total certifications over the four-year life of the program to $5.2 million. Allows DEQ to charge applicants a fee to fund program administration.

Rural Medical Practice Credit - Extends sunset to December 31, 2001. Allows taxpayers who qualify before this date to claim credit for up to ten years if they continue to qualify, even if these years continue beyond December 31, 2001. Expands credit to rural dentists and podiatrists subject to rules adopted by the Office of Rural Health.

Low Income Housing Lender's Credit - Expands maximum total credit allowed to $3 million per year. Reduces credit carryforward from fifteen to five years.

Farmworker Housing Construction and Loan Credits - Extends sunset to December 31, 2001. Reduces credit to 30% of construction cost and interest (down from 50%) for projects completed in the 1996 tax year or after. Prohibits credits for housing occupied by the owner or operator of the housing. Limits credit in an EFU zone to rehabilitation or installation of manufactured housing. Requires annual certification to the Department of Revenue that only farm workers are living in the housing. Limits total statewide costs certified for the credit to $3.3 million per year.

Child Development Contribution Credits - Extends sunset to December 31, 2001

Involuntary Mobile Home Move Credit - Extends sunset to December 31, 2001. Requires owners closing a mobile home park to give the Mobile Home Ombudsman the names and addresses of affected tenants and to notify tenants of the credit.

Bone Marrow Transplant Expense Credit - Extends sunset to December 31, 2001. (This credit gives employers 25% of their expenses for bone marrow typing of their employees and development of an employee bone marrow donation program.)

Taxation of PERS Benefit Increase - Clarifies that if HB 3349 becomes law, the PERS benefit increases granted by HB 3349 are subject to Oregon personal income taxes.

Tax Expenditure Report - Requires Governor to prepare a tax expenditure report in same fashion as the budget report. Requires Governor to make recommendations on sunsetting tax expenditures.

REVENUE IMPACT:

State: Reduces General Fund revenue as shown below:

TAX CREDIT	1995-97	1997-99
Pollution control credit	-$2,470,000	-$11,755,000
Recycled plastics credit	-$90,000	-$275,000
Business energy tax credit	-$460,000	-$3,760,000
Alternative energy device credit	-$226,000	-$2,050,000
Energy conservation lender's credit	-$10,000	-$30,000
Geothermal heating system connections	$0	$0
Research and development credits	-$2,300,000	-$3,800,000
Reforestation credit	-$30,000	-$700,000
Pollution prevention credit	$0	-$850,000
Rural medical practice	-$6,524,000	-$8,150,000
Bone marrow transplant expense	-$8,000	-$10,000
Low income housing lender's credit	-$750,000	-$1,600,000
Farmworker housing credit	-$55,000	-$468,000
Child development contributions	-$4,000	-$20,000
Involuntary mobile home moves	-$10,000	-$50,000
TOTAL	**-$12,937,000**	**-$33,518,000**

HB 2256

Establishes First Break Program income tax credit for employers who hire gang-involved or gang-affected youths. Set credit to 50% of the wages paid to qualified youths, up to a maximum of $1,000 per youth for each of up to two years. Requires employer to provide 80 hours or $400 worth of training in the youth's second year of employment, unless the youth is enrolled in an academic or vocational program.

Limits participation to 1,500 youths per biennium. Requires Employment Department to designate community-based organizations to certify eligible youths and determine eligibility criteria.

Begins credit on January 1, 1998. Sunsets credit on December 31, 2000 (requires youth to be certified by this date). Requires Employment Department to report program's effect to the Legislature.

REVENUE IMPACT:

State: No effect in 1995-97. Reduces General Fund revenue by $800,000 in 1997-99.

HB 3050

Establishes statewide JOBS Plus Program. Directs Governor to obtain necessary federal waivers. Includes unemployment compensation recipients in program. Establishes goal of a 30% reduction in aid to dependent children and food stamp caseloads by July 1, 1997.

Diverts, for 1996 only, unemployment compensation taxes equal to ¼ of 1% of wages (excluding employers paying the top 5.4% rate) to the Oregon JOBS Plus Unemployment Wage Fund to finance state expenses for unemployment compensation recipients in the Program. Exempts supplemental payment to JOBS Plus participants from state income tax. (These are payments made by the state to assure that a participant's benefits are not less than they would receive in existing programs.)

Requires employers of participants to pay $1 per hour (after the first 30 days of employee participation) into an education account held for the individual by the state. After graduating to an unsubsidized position for at least 30 days, participants may draw from this account to meet expenses for themselves or immediate family members to attend Oregon community colleges or state higher education institutions.

REVENUE IMPACT:

State: Other Funds – Reduces Unemployment Trust Fund revenue by $40 million in 1995-97. No reductions in subsequent biennia since the bill provides for a one-year diversion only. Reduces Unemployment Trust Fund earnings an additional $1.7 million in 1995-97 and $6.2 million in 1997-99.

Increases JOBS Plus Unemployment Wage Fund revenue by $40 million diverted from unemployment compensation tax collections. This fund will earn additional undetermined earnings in both biennia.

Contributions by employers into participants' individual education accounts will increase Other Fund revenue by about $600,000 in 1995-97 and an indeterminate amount in 1997-99.

General Fund – Increases General Fund revenue by about $150,000 in 1995-97 and an indeterminate amount in 1997-99. The increase occurs because wages earned by JOBS Plus participants are subject to personal income tax, whereas benefits under the aid to dependent children and food stamp programs are not. The impact incorporates the effect on unemployment compensation recipients in the program. Their wages will generally (but not always) exceed what their taxable unemployment benefits would be.

HB 3349

Increases PERS benefits to fully compensate members for personal income taxation of benefits earned prior to October 1, 1991. Cancels increased benefits for any year in which PERS benefits are exempt from income tax. Grants no right, contractual or otherwise, to increased benefits. Prohibits future class actions relating to taxation of PERS benefits.

Increases benefits by a fixed percentage based on highest Oregon personal income tax rate. Limits application of percentage to benefits for work performed before October 1, 1991, based on years of service. Reduces benefits by any increase granted by SB 656 in 1991 session. Cancels SB 656 benefits for persons starting work after the effective date of Act. Requires PERS to recompute benefits if highest income tax rate changes.

Pays increased benefits retroactive to 1991 with 9% simple interest. Funds increased PERS benefits from employer contributions amortized over 30 years. Requires PERS to report amount and character of these benefits to the payee, the Internal Revenue Service, and the Department of Revenue.

Repeals this bill if SB 562 (which exempts retirement income from income tax) becomes law.

Requires non PERS police and fire retirement systems to grant equivalent benefit increases.

Declares emergency, takes effect on passage.

REVENUE IMPACT:

State: Increases General Fund revenue by about $19 million in 1995-97. This estimate is based on the retroactive benefit increases paid in January 1996 (for 1991 through 1995). These benefits will total about $250 million, including interest. This bill also increases monthly PERS benefits beginning January 1996. Taxes on these increases are not included in the revenue impact.

NOTE: The Governor signed HB 3349 and vetoed SB 562. Thus HB 3349 takes effect.

PROPERTY TAX

SB 206

Pays administrative expenses of the Senior Property Tax Deferral program from program repayments rather than the Department of Revenue's General Fund appropriation.

REVENUE IMPACT:

State: Pays $737,760 per biennium from the Senior Property Tax Deferral Account for the administrative costs. This indirectly affects General Fund revenue because excess Senior Deferral funds can be transferred to the General Fund.

SB 208

Allows late filing for exemption of property leased by certain nonprofit organizations and local governments. Allows late filing from April 2 to December 31. Imposes penalty of one-tenth of 1% of property value, with a $200 minimum. Includes personal property on exemption application for certain nonprofit organizations.

Clarifies that mobile homes are not eligible for the $3,000 personal property exemption.

Requires enterprise zone precertifications to be approved by assessor as well as zone sponsor. Retroactively grants enterprise zone exemption for three years to Linn County applicant who filed late if a new claim is filed by January 1, 1996.

REVENUE IMPACT:

Local: Reduces revenue to Linn County tax districts by $8,400 to pay enterprise zone refund if new application filed. No effect from the mobile home change. Department of Revenue rules already exclude mobile homes from the $3,000 personal property exemption.

SB 209

Shifts water company valuation from the Department of Revenue to local assessors.

Extends time to file personal property return of mobile modular units from July 1 to August 1. Imposes late filing penalty of $10 to $250. Requires public corporations (irrigation, drainage, water supply, flood control) using the tax roll for collections to pay refunds from their own account and not the property tax account.

Makes calculation of interest on additional taxes owed due to correction of errors and omissions and clerical errors the same as the interest calculation for taxes on omitted property. Imposes no interest if taxes paid by 16th of the month following notice. If not paid, begins interest prospectively rather than retroactively to time of error. Eliminates longer no-interest period for taxes arising from clerical error.

REVENUE IMPACT:

Local: Minimal. There may be some interest revenue loss. No change in water company value. There currently are 175 companies with a total value of $19.5 million. 85% are under $50,000.

SB 210

Requires all districts, not just those subject to local budget law, to categorize levies as inside or outside Measure 5 tax limits by ordinance or resolution.

Corrects statutory conflict by deleting certified mail requirement when Boards of Equalization notify taxpayers of orders. Allows Department of Revenue to train Board of Equalization and Board of Ratio Review members without members attending Department classes.

Permits owners of industrial property appraised by the Department of Revenue (value over $1 million) to bypass the Board of Equalization or Board of Ratio Review and appeal directly to the Department of Revenue. First applies to appeals of 1995-96 value.

Applies tax payments to year paid rather than earlier years when amount under appeal. Applies to appeals in Federal Court for taxes levied before 1995-96.

REVENUE IMPACT:

Local: The tax payment provision absolves Union Pacific Railroad from paying about $1 million in delinquent interest that might be due if tax collectors retroactively adjust how tax payments made under appeal were applied.

From 1985 to 1993, tax collectors applied tax payments made by Union Pacific Railroad to the current year while their property was under appeal. However, the law requires that payments first be applied to prior years tax and interest. If the uncontested tax payments are reallocated, Union Pacific potentially faces about $1 million in delinquent interest.

SB 245

Changes laws dealing with local government handling of land use applications, siting of homes on lots of record, and siting of homes on forest land.

One change directly affects property taxes. It allows approval of dwellings on forest land under standards that apply to forest or mixed farm and forest zones even if the zone also qualifies as an exclusive farm use zone.

REVENUE IMPACT:

Local: Using the forest dwelling standards prevents the potential disqualification of some mixed zones that currently also are qualified EFU zones. Disqualification of a zone would require all parcels in the zone to meet an income test to get special property tax assessment for farm use. Thus this provision prevents the potential increase in taxes and revenue that could occur without the bill.

At least Coos, Polk, Umatilla, and Union Counties contain zones affected by this provision. The provision would also allow some dwellings to be approved in these zones without automatic disqualification of the parcel for farm use or forest assessment.

SB 251

Increases veterans and their widows exemption to $8,250 (from $7,500). Increases veterans service-connected disability exemption to $11,000 (from $10,000). First applies in 1997-98.

Requires payment of all certified property taxes, not just delinquent taxes, prior to a consolidation of property accounts.

REVENUE IMPACT:

Local: The veterans exemption exempts about $27 million in value beginning in 1997-98. This will reduce taxes of schools, local government, and benefited property as shown below:

	1995-97	1997-99
School tax reduction	$0	-$272,000
Nonschool tax reduction	0	-107,000
Shifted to other taxpayers	0	-323,000
Total tax reduction	**$0**	**-$702,000**

SB 252

Increases minimum property tax refund from $5 to $10. Applies when taxpayer overpays estimated tax before a November billing. Increases minimum delinquent tax on real property requiring assessor to notify taxpayer. Raises minimum from $1 to $5 of tax, interest and penalty. First applies to 1995-96 tax year.

Limits local government hotel/motel tax reports to one per year for private residences or vacation homes rented for no more than 14 days a year. First applies to 1996.

Exempts from property taxes logging machinery and equipment solely used in logging operations by companies whose only business is logging. First applies in 1996-97. Sunsets July 1, 2002.

REVENUE IMPACT:

Local:. Exempts about $225 million in logging equipment. This reduces school district revenue $1.1 million (shared statewide by the school distribution formula) in the second year of the 1995-97 biennium and shifts $700,000 in taxes to other property. In 1997-99, school revenue decreases $2.1 million and $1.3 million shifts to other property. Minor revenue increase from minimum refund increase because of fewer small refunds of prepayments

State: No significant impact.

NOTE: SB 252 was vetoed by the Governor.

SB 253

Retroactively exempts two nonprofit homes for the elderly that failed to file for their state-funded exemption in 1993-94. Requires state to pay 1993-94 tax if eligible homes file within 30 days of this law taking effect.

Allows late filing for state-funded nonprofit elderly home exemption. Allows late filing from April 2 to December 31. Imposes penalty of one-tenth of 1% of property value, with a $200 minimum. Deposits penalty payments to county general fund.

REVENUE IMPACT:

Local: None. Refunds about $79,200 for Powell Vista Manor and Matie Younkin Manor 1993-94 property taxes (assuming application is made), but requires state to reimburse local government.

State: No revenue effect. The bill increases 1995-97 expenditures to make the refunds.

SB 277

Reclassifies community college levy for a public library system from 'education' to 'other government' for purposes of Measure 5 rate limit. Requires public library system to be approved before effective date. Begins July 1, 1995.

REVENUE IMPACT:

Local: Chemeketa is the only eligible community college. Chemeketa library taxes will increase about $1.2 million in 1995-96 as "other government" and decrease about $460,000 as "education" for a net gain of $740,000. Chemeketa school taxes will remain about the same. Other school districts in the area will gain about $460,000 which will be shared statewide by the state distribution formula. A few nonschool districts in the area will lose small amounts because the higher "other government" taxes will push a few properties up to the $10 maximum tax rate.

SB 286

Allows Lane County to sell real property, including foreclosed property, and use the proceeds directly for low income housing, social services or child care. Allows transfer of sale proceeds or transfer of property to a nonprofit, municipal corporation or housing authority to be used for the same purposes.

Sunsets December 31, 1997.

REVENUE IMPACT:

Local: Reduces revenue to schools and other districts in Lane County if the county chooses to redirect proceeds of tax foreclosure sales. Foreclosed property taxes in Lane County were $335,000 in 1992-93 . This potential redirection would be increased for interest and penalties and reduced for administrative costs. This bill is designed to allow Lane County to sell foreclosed property and use the proceeds to buy land in exchange for a property to expand a juvenile justice site.

SB 588

Modifies 15-year value freeze of historical property to correct problems caused by delayed override of governor's veto. Allow owners on program in 1993-94 to continue without filing preservation plan. Bans new applications for 1995-96 tax year. Requires new applicants after then to file preservation plan describing proposed rehabilitation. Retains periodic review for compliance with preservation plan.

Reestablishes Historic Assessment Review Committee with three members representing the State Historic Preservation Officer, county assessors, and local historic preservation organizations. Postpones State Historic Preservation Officer's report on the effects of program changes from the 1995 interim to the 1997 interim.

Allows business property to apply for an additional 15-year period of frozen value. If approved, refreezes property value at its market value at the time of reapplication.

Continues to allow a property owner to refuse historic designation by a local government. If owner refuses, disallows historic special assessment. If approved, designation continues when property ownership changes. Allows owner to have designation removed. Requires 90-day delay for a permit to demolish or modify a historic property if owner refuses local designation.

Extends sunset for new applications from July 1, 1998 to July 1, 2002.

REVENUE IMPACT:

Local: Indeterminate loss of revenue. The bill allows about 1600 historic properties with frozen value in 1994-95 to continue to be frozen until the end of their 15-year period. Otherwise those not filing preservation plans by July 1, 1995 would be taxable in 1995-96 and subject to all back taxes on exempt value. Exempt value in 1995-96 is about $265 million. Much of this would likely be taxed without this bill. Thus the bill continues school district revenue decreases of up to $2.6 million in 1995-97 (shared statewide by the school distribution formula); nonschool district revenue decreases of up to $1 million; and up to $3.4 million of tax shifts to other property. In addition the bill cancels an unknown amount of deferred tax that could otherwise be imposed.

The bill also allows business property to requalify for an additional 15-year value freeze. This allows 174 properties previously assessed as historic to potentially requalify. Of these, 64 are in Multnomah County and 31 in Jackson County. An additional 39 properties will end their historic assessment in 1995-96 and potentially requalify. For those that requalify, value will be updated to market value at the time of application and then frozen. Thus the initial difference between market value and frozen value is small, but grows over the 15-year freeze. The property tax loss on the value difference will also grow over that time.

The sunset extension allows additional historic properties to qualify beginning in 1998-99. The 1997-99 biennium increase in exempt value would be small because only the increase in value above the frozen value for one year is added.

State: Indeterminate increase in General Fund revenue from reduced property tax deductions.

SB 673

Modifies existing key industry strategic investment program. Allows approval of projects without financing by state revenue bonds. Changes growth rate of $100 million taxable portion of investment from rate of growth of other existing property to 6% per year. Grants exemption for 15 years rather than lesser of term of bonds or 15 years. Disallows projects receiving enterprise zone exemption.

Repeals current requirement that 75% of new hires reside in Oregon. Requires business to have a first-source hiring agreement with a publicly funded job training provider. Imposes $10,000 fee to apply and $50,000 on approval of application. Gives half of fees to Economic Development Commission and half to Department of Revenue for administration of property tax exemption. Requires confidentiality until county gives notice of intent to take action.

First applies to projects approved 90 days after the close of session.

REVENUE IMPACT:

Local: Uncertain revenue loss. Many of the provisions expand the exemption. Projects can qualify without state bond financing. The 15-year exemption period is not limited by a shorter bond term. The 6% value growth rate will produce lower values than current law in fast growth areas. Some, however, reduce the exemption. Double-dipping in an enterprise zone is disallowed and the 6% growth rate will produce higher values in slow growth areas.

State: Indeterminate increase in other funds from application and approval payment of fee.

SB 686

Exempts publicly owned shipyard property leased by a sole contractor for ship repair, lay-up, conversion, or construction. Requires shipyard to be capable of dry-docking ocean-going vessels of 200,000 deadweight tons or more. Taxes any shipyard property subleased by the sole contractor. Also exempts shipyard property used for berthing ships and handling of cargo from current law that imposes a one-quarter of one percent in-lieu school tax.

First applies to tax year 1995-96. Sunsets July 1, 2010.

REVENUE IMPACT:

Local: No effect if the Port of Portland shipyard is not leased or can be leased only with the exemption. If the shipyard would be leased without this exemption, then the bill exempts at least $70 million. The taxes on this value would be about $2 million in 1995-97 of which $700,000 would go to schools statewide and $1.3 million to nonschool districts in the Portland area.

State: No significant impact.

SB 724

Allows a partnership of a nonprofit corporation and a for-profit corporation to qualify for property tax exemptions for low income rental housing. Requires the nonprofit corporation to be the general partner and responsible for day-to-day operation of the property. Applies to two existing exemption programs for nonprofit owned housing rented to low income persons.

First applies in 1996-97.

REVENUE IMPACT:

Local: Indeterminate. Property tax reductions depend on city willingness to approve exemption applications. If approved, property is exempt from all property tax if districts levying at least 51% of taxes agree to an exemption policy. Albany, Lincoln City, Roseburg, Sutherlin and Portland have adopted one or both of the two low income housing exemption programs affected. This bill will likely facilitate the financial feasibility of projects involving value of several millions of dollars.

SB 755

Retroactively exempts property leased from the state on July 1, 1994 if leased for motion picture or other performing arts productions. Forgives only 1994-95 tax. Requires the lessee to apply to the assessor within 30 days after the effective date.

Requires the state to give assessors copies of state property leases to a taxable entity. First applies to leases created after the effective date of this bill.

REVENUE IMPACT:

Local: Forgives $10,585 of 1994-95 tax plus interest in Clatsop County. This is the only county where state leased property is known to qualify.

SB 756

Extends sunset of property tax exemption for single-family homes constructed in a distressed area. Extends sunset from July 1, 1998 to July 1, 2003.

REVENUE IMPACT:

Local: No impact until 1998-99. As houses are built in distressed areas after July 1, 1998, local school districts receive less revenue which is shared statewide by the school distribution formula (assuming the current formula). Taxes for nonschool districts are shifted to other property if the distressed area rate is below the $10 nonschool limit. Nonschool revenues decrease if the distressed area rate is at the $10 limit. The net change may be minimal beginning in 2000 as houses phasing out of their 10-year exemption are replaced by those starting a 10-year exemption. Portland has 220 houses qualified as of January, 1995 with an exempt value of $13.1 million.

SB 782

Exempts aircraft of an airline transportation company undergoing major work at an Oregon facility. Applies to aircraft value allocated to Oregon for property taxes. Defines major work as scheduled maintenance, repairs, renovation and conversion. Requires airline to give documentation to the Department of Revenue.

First applies in 1996-97.

REVENUE IMPACT:

Local: If the unused Portland aircraft maintenance center (AMC) would only become operational with the exemption, then the impact is limited to aircraft at an existing Horizon repair facility. Nonschool districts, primarily in the Portland area, lose about $20,000 in property taxes per year beginning in 1996-97. A small amount of taxes will shift to other taxpayers. Schools lose about $10,000 per year. This loss will be shared statewide by the distribution formula.

If the AMC facility would become operational without the exemption, then the impact is from aircraft at both Horizon and AMC (assuming operation begins in 1996-97). The amount depends on how much AMC capacity is used and value and ownership of aircraft repaired. Nonschools in the Portland area lose about $90,000 per year while school districts statewide lose roughly $45,000 per year. A small amount of nonschool taxes shift to other property.

State: No significant impact.

SB 816

Clarifies status of lien for senior deferral taxes paid by the state on manufactured homes assessed as personal property. Gives priority to security interests noted on a certificate of title prior to the state lien.

REVENUE IMPACT:

None.

SB 946

Modifies farm use definition to include horse riding lessons, training clinics, and schooling shows as activities associated with the stabling or training of horses.

Adds breeding of horses to activities having limited liability.

REVENUE IMPACT:

None.

SB 964

Expands activities that qualify for special farm assessment.

Includes as a farm use the preparation, storage, and disposal by marketing or otherwise of by-products raised or produced for human or animal use; the raising of bird and animal species regulated for hunting; and on-site farm maintenance shops. Defines "preparation" as activities that do not transform a product or by-product into a finished state.

Includes farm buildings, excluding dwellings, as current employment of land for farm use. Allows utilities in the subsurface of public road right of way in exclusive farm use zones.

Includes the breeding, raising, kenneling, and training of greyhounds for racing as a farm use. Restricts this farm use to the three metropolitan Portland counties.

REVENUE IMPACT:

Local: Greyhound Kennel Use – Reduces the assessed value of land used for greyhound kennels in the three metropolitan counties by about $1 million. The reduced land value decreases property taxes about $10,000 to $15,000 per year for existing kennels. About half of this reduction is nonschool taxes which are shifted to other taxpayers and half is a reduction in school taxes. The school loss is spread statewide by the school distribution formula.

Other Changes – Land used for the activities added to farm use are already generally assessed at farm use value. However, some land at market value may now qualify for farm use special assessment. The bill assures that land used for initial processing done on the farm keeps its farm use value.

NOTE: SB 964 was vetoed by the Governor.

SB 1062

When an owner of an industrial plant elects to exclude the income method of valuation for a plant:

- Allows the market and cost methods to consider functional and economic obsolescence.
- Disallows use of the protected income information in an appeal.

First applies in 1996-97.

REVENUE IMPACT:

Local: Indeterminate reduction in value. The bill allows owners currently excluding the income method to claim functional and economic obsolescence. In addition, this permission may encourage more owners to exclude the income method.

Owners of about 50 sites currently exclude the income approach out of 810 sites appraised by the Department of Revenue. The value of the 50 sites is about $330 million. This value will be reduced an unknown amount depending on the age of the plant and other factors. A few owners of locally assessed industrial plants also make the election, but each plant is under $1 million in value.

State: Insignificant.

SB 1067

Requires public television translator districts to collect delinquent service charges by certifying them to assessors for collection. Makes certified delinquent charges a lien on property. Gives county 10% of the delinquent charges collected as compensation for collection costs.

REVENUE IMPACT:

Local: Increase in revenue of television translator districts. These districts currently have about $100,000 in delinquent charges. The charges are difficult to collect because there is no practical way to cut off translator services. This bill will allow districts to collect the delinquent charges and will create a strong incentive to users to pay charges before they become delinquent.

HB 2066

Allows housing authorities to finance mixed income housing projects not owned by the authority. Defines mixed income housing to be a project to reduce rents for tenants with incomes up to 60% of the area median income by renting to tenants with various levels of income. Limits projects to areas where the housing authority determines that very low income families cannot find housing for 30% of their income in the area. Requires at least 20% of the project units to be rented to households with incomes 50% or less of area median income; at least 40% of units be rented to households with incomes 60% or less of area median income; or minimum rental conditions imposed by federal tax law.

Modifies housing authority policy statement. Defines terms. Makes related changes.

REVENUE IMPACT:

Local: Indeterminate. This bill permits housing authorities to finance mixed income housing projects. It does not permit housing authorities to own these projects. Thus these projects would generally still be subject to property taxes, unless the project qualified for some other exemption or some units were leased by the housing authority.

State: If housing authorities sell additional tax exempt bonds to fund mixed income housing projects, then the interest on the bonds will not be subject to income tax resulting in some revenue loss to the General Fund.

HB 2140

Modifies enterprise zone property tax exemption statutes.

Removes hiring residency requirements for urban zones. Allows these zones to impose other precertification conditions related to employment opportunities. Requires Department of Economic Development to assist in implementing first-source hiring agreements with publicly funded job training providers. Extends exemption to expansions to existing exempt property up to 10 years after the zone terminates. Allows zone sponsor to exempt hotels, motels, and destination resorts if sponsor notifies Department by June 1, 1996.

Repeals $1 million investment and 20 full-time job requirement for expansion of nonurban zone outside urban growth boundary. Allows Department to set criteria for these expansions. Eliminates site preparation value from exemption. Requires zone sponsor adopt resolution specifying conditions when approving exemption of firm investing $25 million with less than 10% employment growth.

Reinstates hiring requirement for urban zone inside a metropolitan statistical area with fewer than 400,000 residents. Modifies number of employees subject to wage requirements. Requires business to notify sponsor and assessor within 60 days after the end of the tax year when property becomes disqualified. Makes other administrative changes. Repeals statutes dealing with Measure 5 that apply to tax years prior to 1995-96.

REVENUE IMPACT:

Local: The bill contains some items that increase revenue and others that decrease revenue somewhat. The net effect is uncertain, but is not likely to be very significant, unless substantial expansions are approved for exemption after zone terminations.

HB 2260

Extends sunsets of enterprise zone exemption to June 30, 2009.

Extends 10-year period allowed each zone to the end of the tax year. When zones terminate, requires Director of Economic Development to competitively designate replacement zones. Requires terminating zones seeking redesignation to compete with new areas seeking designation. Bans zones requesting termination or terminated by Economic Development from replacement competition.

Imposes low income, unemployment, or equivalent economic hardship thresholds as minimum conditions to qualify for designation.

REVENUE IMPACT:

Local: The bill allows all 35 existing enterprise zones to continue another 10 years or be replaced with new zones. Current law terminates 20 existing zones during 1995-97 and 10 zones during 1997-99. Thus the bill continues the property tax losses and shifts in current law, although they could occur in other areas if new zones replace existing ones. Because each property's exemption runs three to five years, the effect of the continuation phases in over five years. Assuming the pace of investment in enterprise zones does not change, the bill exempts about $49 million in value in 1996-97, $215 million in 1997-98, and $422 million in 1998-99. The table shows the statewide tax effect of the exemption.

PROPERTY TAX EFFECTS					
	School		Nonschool		Total Tax Savings
	Loss	Shift	Loss	Shift	
1995-97 (2nd Yr.)	$244,000	$44,000	$204,000	$199,000	$691,000
1997-99	3,186,000	574,000	2,238,000	2,984,000	8,982,000

When property becomes exempt, either districts lose revenue or the local tax rate rises and the taxes shift onto other property. Bond taxes shift because bond rates are not limited. School operating taxes are lost because all districts are currently at the $5 school limit. The revenue loss is spread statewide by the state distribution formulas. Nonschool operating taxes mostly shift because most areas are below the $10 limit. In those places currently at the limit, local governments will lose revenue.

State: Increases General Fund revenue somewhat due to lower property tax deductions.

HB 2261

Extends property tax exemption sunsets from 1996 to 2002 for the following:

- Higher Education and Oregon Health Sciences University parking for students and employees.
- Indian land in process of being transferred to a United States trust.
- Federal land leased to recreational facility operators.
- Federal land leased to summer home owners.
- Cargo containers used in ocean commerce.

Repeals radiation fallout shelter property tax exemption. First applies in 1996-97.

Deletes requirement that assessors value exempt federal property.

Modifies deadlines in state program partially funding assessor's offices. Changes date for county to file estimate of assessment and taxation expenditures with the Department of Revenue from February 1 to April 15. Changes date for Department of Revenue to certify county estimate from April 30 to June 1.

REVENUE IMPACT:

Local: Continues property tax losses and shifts of five exemptions and increases revenues by canceling the fallout shelter exemption as follows:

PROPERTY TAX EFFECTS						
	Value in Millions	School Taxes		Nonschool Taxes		Total Tax Savings
		Loss	Shift	Loss	Shift	
1995-97 (2nd Yr.)						
Higher Ed parking	$100	$500,000	$25,000	$780,000	$200,000	$1,505,000
Indian land to trust	1	5,000	1,000	0	3,000	9,000
Rec. facility land	60	300,000	50,000	0	200,000	550,000
Summ. home land	40	225,000	35,000	0	150,000	410,000
Cargo containers	NA	NA	NA	NA	NA	NA
Fallout shelters	**	gain 2,000	minor	gain 3,000	minor	– 5,000
Total 1995-97	$201	**$1,028,000**	**$111,000**	**$777,000**	**$553,000**	**$2,469,000**
Total 1997-99		**$2,106,000**	**$227,000**	**$1,594,000**	**$1,133,000**	**$5,060,000**

** less than $1 million

When property becomes exempt, either districts lose revenue or the local tax rate rises and the taxes shift onto other property. Bond taxes shift because bond rates are not limited. School operating taxes are lost because all districts are currently at the $5 school limit. The revenue loss is spread statewide by the state distribution formulas. Nonschool operating taxes mostly shift because most areas are below the $10 limit. In those places currently at the limit, local governments will lose revenue.

State: Increases General Fund revenue somewhat due to lower property tax deductions.

HB 2385

If a county appoints a veterans' service officer, requires the county to fund the costs of having a service officer from a property tax levy or from the county general fund. Deletes requirement that tax, if levied, be used for indigent veterans, their widows and minor children. Puts taxes collected in a special fund. Carries forward any unobligated balance from one year to the next. If the tax is not levied or the unobligated balance is not sufficient, requires county to fund service officer costs from its general fund.

REVENUE IMPACT:

Local: No county currently levies a tax for indigent veterans. Allowing use of the tax revenue to fund county veteran service officers instead of indigent veterans may encourage some counties to seek voter approval for this levy. Levy authority is limited to 1/80 of 1 % of the county value. Statewide levy authority is about $22.8 million in 1996-97. This levy would be inside the Measure 5 nonschool limit of $10/$1,000.

HB 2567

Allows a certified public accountant to represent a property taxpayer before a Board of Equalization or Board of Ratio Review to seek a reduction in property value.

REVENUE IMPACT:

None.

HB 2642

Retroactively grants property tax exemption to property leased by an exempt organization from a public body or other exempt organization. Applies only if exemption denied due to failure to apply on time Retroactively grants property tax exemption to senior services center. Grants exemptions for 7 years (1988-89 through 1994-95). Requires application by April 1, 1996. Refunds taxes already paid.

Exempts retail store owned by a literary, benevolent, charitable or scientific institution if: (1) donated and consigned goods make up at least 50% of the inventory; (2) only volunteers operate the store; and (3) sales proceeds are used exclusively for welfare programs. First applies in 1996-97.

REVENUE IMPACT:

Local: The retroactive provisions forgive about $120,000 in Coos County taxes for 1988-89 through 1993-94 plus interest. These cases involve public or other exempt property leased to another exempt organization. The law requires the actual exempt user to apply for the exemption. Due to lack of enforcement, some organizations have become lax in filing when they lease property that is already exempt. Similar situations exist in other counties.

The charitable retail store exemption reduces property taxes about $1,700 in Deschutes County by exempting an Assistance League of Bend store. It also exempts (or legalizes the exemption of) other similar stores statewide.

HB 2779

Allows Portland, as a sponsor of an enterprise zone, to impose additional conditions on a business seeking an enterprise zone property tax exemption. Requires conditions to relate to employment opportunities for residents. Requires Portland to report to the 1999 Legislature on effects of conditions imposed.

REVENUE IMPACT:

Local: No direct impact. Portland must initiate its own conditions. Additional conditions may reduce the amount of value qualifying for exemption.

NOTE: HB 2779 was vetoed by the Governor.

HB 2796

Makes permanent a law that postpones back taxes on disqualification from farm use assessment until land is put in use that precludes farming. (Current law sunsets this provision on January 1, 1997.) Allows owner to pay back taxes voluntarily.

REVENUE IMPACT:

Local: Small decrease.

HB 2797

Allows owner disqualified from non-EFU farm use assessment to requalify for the disqualified year if the owner applies by December 15, meets the farm income requirements, and pays a fee of $1 per $1,000 of real market value (minimum $10, maximum $250).

First applies to 1996-97.

REVENUE IMPACT:

Local: Small revenue reduction from returning assessed value on some farm land back to farm use value. Because the value reduction occurs after tax rates are calculated, taxes will not shift to other taxpayers.

Small increase in county revenue from the filing fee.

HB 2891

Requires appointment of Board of Equalization and Board of Ratio Review from pools of eligible members. Provides for resignations and replacements. Allows more than three Boards of Equalization. Allows non-office holding member to serve on any board. Repeals Boards II and III statute.

Takes effect on passage.

REVENUE IMPACT:

None.

HB 3133

Expands the property tax exemption for multifamily rental housing in a city core area. Broadens multiple-unit housing to include additions to existing structures and parking constructed as part of the construction, addition or conversion. Makes owner-occupied multifamily units eligible.

Grants counties the same exemption authority as cities. Allows cities and counties to designate light rail station areas or transit oriented areas as eligible for multifamily exemption. Defines these areas. Requires effectiveness of mass transportation to be improved by multiple-unit housing in these areas. Gives lender opportunity to cure noncompliance before termination of exemption.

Extends sunset for completion of structure from July 1, 1998 to July 1, 2006. First applies to structures completed in 1996 and exempt in 1997-98.

REVENUE IMPACT:

Local: No impact in 1995-97 biennium. Indeterminate, but potentially substantial, loss of revenue thereafter. Cities and counties make the decision to grant an exemption. If they do, schools statewide lose revenue. Nonschool districts lose revenue if the local area is at the Measure 5 rate limit. The value that will be exempted is unknown.

State: No impact in the 1995-97 biennium. Unknown increase in the General Fund revenue thereafter from reduced property tax deductions.

HB 3347

Increases income limits for eligibility for senior citizens property tax and special assessment deferral as follows:

- Increases income limit on new applicants to $24,500 household income (currently $19,500).
- Increases income limit on continuing accounts to $29,000 adjusted gross income (currently $24,000).

The new income limits first apply to 1996-97.

REVENUE IMPACT:

State: Senior Deferral Account – The senior deferral program is financed by a special account. Under current law, repayments of old deferrals have recently been higher than new deferrals due to Measure 5 property tax cuts and rising incomes bumping people out of the program. Even after Measure 5 completes its phase-in, the current system should just about pay for itself without a General Fund subsidy, because rising incomes will continue to bump out participants.

Under this bill, increased participation will begin to draw down the account. Nonetheless, there should be enough to run without subsidy through the 1997-99 biennium. After that, the account should require a subsidy of about $7 million per biennium until rising incomes again begin to bump out participants.

These estimates are based on reasonable, but highly uncertain assumptions. Significant changes in property tax growth, market interest rates, and income growth can have a magnified effect on this program.

HB 3353

Gives county (rather than Department of Agriculture) authority to approve lot of record dwellings on high value farmland. Requires county to notify Department of hearing. Once approved, allows transfer of right to build on lot of record.

Removes requirement to submit stocking survey to assessor when seeking approval of a lot of record dwelling on forestland if parcel is less than 30 acres in Eastern Oregon or 10 acres in Western Oregon. Allows Department of Agriculture or approved soil scientist to justify changes in soil classification when determining high value farmland.

Retroactively permits siting of one golf course in an EFU zone. Clarifies that airport uses in EFU zones allowed by SB 1113 do not affect the zones' eligibility for special assessment. Allows approval of dwellings on forest land under standards that apply to forest or mixed farm and forest zones even if the zone also qualifies as an exclusive farm use zone.

REVENUE IMPACT:

Local: Using the forest dwelling standards prevents the potential disqualification of some mixed zones that currently also are qualified EFU zones. Disqualification of a zone would require all parcels in the zone to meet an income test to get special property tax assessment for farm use. Thus this provision prevents the potential increase in taxes and revenue that could occur without the bill.

At least Coos, Polk, Umatilla, and Union Counties contain zones affected by this provision. The provision would also allow some dwellings to be approved in these zones without automatic disqualification of the parcel for farm use or forest assessment.

NOTE: HB 3353 was vetoed by the Governor.

SCHOOL FINANCE

HJR 15

Amends Oregon Constitution.

Allows lottery revenue to be used for public education.

Dedicates 15% of net lottery proceeds to an education endowment fund. Requires investment of deposits to fund. Allows earnings to be retained in the fund or used to finance public education. Exempts fund from the constitutional prohibition on stock ownership. Allows Legislature to appropriate other moneys to the fund. Begins dedication on July 1, 1997.

Grants lottery bonds first claim on lottery revenues.

Submits amendments to the people at a special election on May 16, 1995.

REVENUE IMPACT:

State: Other Funds – No effect in 1995-97. This amendment will transfer about $103 million in lottery revenue to an education endowment fund during the 1997-99 biennium. These revenues may not be spent and are assumed to earn interest at 10%. Lottery revenue available for other purposes will be reduced by $103 million.

NOTE: HJR 15 was approved by voters.

SB 262

Changes process for merger of education service districts (ESD's) required by SB 26 passed by the 1993 Legislature.

Redefines mergers to be annexations. Limits the taxing authority of the new districts to the sum of the tax bases of the combined districts.

Reshuffles merged districts. Adds Klamath to Region 8. Shifts Sherman, Gilliam, and Wheeler from Region 9 to a new Region 19. Shifts Grant from Region 13 to a new Region 20. Shifts Jefferson and the Warm Springs Reservation from Region 10 to a new Region 21. Removes Polk from Region 16 and adds it with Marion to Region 3.

Changes procedures for minor boundary changes of Sherwood and Tigard-Tualatin school districts in Washington County.

REVENUE IMPACT:

Local: Prevents a potential loss of property taxes for the newly combined ESDs. The Attorney General believes the ESD merger process in current law violates the Oregon Constitution. Redefining the mergers to be annexations has the same practical effect while avoiding constitutional problems.

SB 296

Allows Southwestern Oregon Community College to expand to include Curry County in 1995-96 despite failure of district to certify boundary change by deadline. Forbids expansion unless the legislature appropriates or allocates funds to "accommodate" the impact on other local education districts.

REVENUE IMPACT:

Local Schools: Allows Southwestern Oregon Community College to collect $1.3 million in local property taxes in 1995-96. See HB 2662 for more information.

SB 467

Exempts an elementary district from requirement to unify if it has a school more than 15 miles from the nearest high school in their high school district, or the high school is a boarding school on January 1, 1995. Requires Department of Education to certify districts not required to unify within 30 days. Allows district to petition superintendent to waive 15-mile rule.

Repeals HB 2701.

REVENUE IMPACT:

Local: None in total, but may impact distribution among districts.

The state currently is phasing in equalization of school revenues. Unifications achieve some equalization automatically. This bill exempts about 23 districts, mostly in Eastern and Central Oregon. There are so few students in affected districts that their exemption from unification would have a small impact on future costs or methods of equalization. These districts account for less than one tenth of one percent of the total variation ($60,000 out of $103 million) between current school district revenues and those that would exist under "full equalization".

NOTE: SB 467 was vetoed by the Governor. However, the Governor signed HB 2701, which was the same as SB 467 except that it did not give the superintendent waiver authority.

SB 717

Transfers amounts from income tax refund checks that remain uncashed after two years to the Common School Fund. Begins these transfers in the 1997-99 biennium. Currently these amounts remain in the General Fund.

REVENUE IMPACT:

State: No effect in 1995-97. General Fund revenue loss of about $1.6 million in 1997-99 and Common School Fund revenue increase of the same amount.

Interest and earnings on these moneys transferred into the Common School Fund will be distributed to K-12 schools.

SB 1016

Establishes Early Childhood Trust Fund and Prekindergarten Trust Fund to receive gifts and contributions. Dedicates funds. Allows funds to be listed for income tax checkoff if otherwise qualified.

REVENUE IMPACT:

State: Probably none, other than what can be collected from informal gifts and contributions. Since none of the five current checkoff programs (only five are allowed) are likely to become disqualified in the near future, it is unlikely these funds will become eligible for checkoff consideration.

SB 1024

Removes additional taxes paid to schools on large appeals from consideration in the State School Fund formula. Applies to "one-quarter of one percent" appeals filed on or before November 6, 1990. Applies to additional taxes distributed on or after July 1, 1993 and before July 1, 2000.

REVENUE IMPACT:

Local Schools: No effect on total revenue. The bill shifts revenue to benefit "large appeal" districts. In 1993-95, Arlington School District will receive $316,571 and all other districts will share the same reduction - about 50¢ per weighted student. For 1995-97 and later, the impact is unknown. The bill applies only to cases filed before Measure 5 passed in 1990. Only a few pending cases meet this criteria.

In large appeals only uncontested value is taxed. Before Measure 5, this meant local taxpayers paid higher taxes. When the case was resolved, any additional taxes were offset against future levies. Thus taxpayers were "paid back" for some of their higher taxes. Under Measure 5, large appeals do not increase school tax rates, so additional taxes go into the state school formula like any other tax payment.

HB 2275

Continues policy of phasing-in permanent school equalization formula for two more years as follows:

- Distributes to each school district the higher of its permanent "full equalization" formula amount or the amount per student it received in 1994-95 (based on the April 1994 level of total school funding).
- Guarantees each district general operating revenues no less than 95% of 1994-95 level.
- Includes $80,000 yearly grants given four small K-12 districts (Elkton, Helix, St. Paul, Falls City) into the flat funding base amounts.
- Dedicates up to $5 million per year to flat-funded districts if revenue per student exceeds forecasts.
- Continues 71.33% replacement funding for ESDs.
- States intent the SSF appropriation be $180 million above the Governor's level; the appropriation be split between years to provide equal steps toward equalization; the legislature recognizes past progress towards equalization; the full equalization formula may need future adjustments; and the legislature evaluate including a cost-of-doing-business factor in 1997-98.

Makes the following permanent changes to the State School Fund formula:

- Replaces remote small school factor (that sunsets on July 1, 1995) to lower the distance requirement to 8 miles for elementary and 10 miles for high school, lower the elementary enrollment maximum to 224, increase the high school maximum to 350, create a "floor" student count of 25 for elementary and 60 for high school, and create about the same additional student count as the old factor.
- Funds Juvenile Corrections Education Program (JCEP) from the State School Fund. Gives JCEP twice the statewide average general purpose grant per student. For two years, obtains funding by assessing (after calculating the rest of the formula) each school district an equal amount per ADMw.
- Reinstates poverty factor adjustment to districts less than 2,500 ADMw according to district share of county wide free and reduced price lunch count.

REVENUE IMPACT:

ESD's: 71.33% replacement will provide $58.8 million in 1995-96 and $61.3 million in 1996-97. This appropriation comes "off the top" and is not dependent on the total SSF appropriation level.

Local Schools: See Research Report 3-95 for the individual district revenue estimates.

HB 2491

Establishes Education Endowment Fund on July 1, 1997. Requires Oregon Investment Council to manage fund. Allows investment in stock.

Implements HJR 15, which allows use of lottery funds for public education. Defines"public education" and other purposes for which lottery revenues may be spent. Transfers lottery revenue to the Education Endowment Fund as specified in HJR 15.

Appropriates Education Endowment Fund earnings to the State Scholarship Commission. Requires the commission to contract with an Oregon community foundation to manage moneys. Specifies audit and reporting to be included in contract. Requires commission to report how funds are managed and distributed to the legislature. Waives requirements that would cause the foundation to violate federal law.

REVENUE IMPACT:

None. See HJR 15 for impact of lottery dedication.

HB 2662

Approves expansion of Southwestern Oregon Community College (SWOCC) boundaries to include Curry County if Curry County voters approve expansion in the March 28 election. Forbids expansion unless the legislature appropriates or allocates funds to "accommodate" the impact on other local education districts.

REVENUE IMPACT:

Local: Property tax revenue increase to SWOCC of about $2.6 million in 1995-97 if voters approve the expansion. This occurs because expansion of the district allows SWOCC's tax rate to be imposed in Curry County.

Imposition of SWOCC's rate will reduce K-12 and ESD property tax revenues by $2.6 million. This occurs because Measure 5 limits the total school rate to $5 per $1000. So SWOCC's gain must be another school district's loss. This loss is the impact which must be "accommodated" by legislative appropriation or allocation.

NOTE: Voters approved the expansion. The Legislature appropriated $2.6 million to accommodate the expansion in HB 5547.

HB 2701

Exempts elementary district from requirement to unify if it has a school more than 15 miles from the nearest high school in their high school district, or the high school is a boarding school on January 1, 1995. Requires Department of Education to certify districts not required to unify within 30 days.

REVENUE IMPACT:

Local Schools: None in total, but may impact distribution among districts.

The state currently is phasing in equalization of school revenues. Unifications achieve some equalization automatically. This bill exempts about 23 districts, mostly in Eastern and Central Oregon. There are so few students in the affected districts that their exemption from unification would have a very small impact on future costs or methods of equalization. These districts account for less than one tenth of one percent of the total variation ($60,000 out of $103 million) between current school district revenues and those that would exist under "full equalization".

HB 2972

Establishes special procedures to protect existing services and taxpayers of the Rogue Community College should local voters and the state approve annexation of Jackson County. Requires the state to fund election costs. Forbids expansion unless the legislature appropriates or allocates funds to "accommodate" the impact on other local education districts.

REVENUE IMPACT:

Local: No effect in 1995-97. Property tax revenue increase to Rogue Community College of about $3 million per year beginning in 1997-98 if voters approve the expansion. This occurs because expansion of the district allows Rogue's tax rate to be imposed in Jackson County.

Imposition of Rogue's rate will reduce K-12 and ESD property tax revenues by $3 million. This occurs because Measure 5 limits the total school rate to $5 per $1000. Rogue's gain is another school district's loss. This loss is the impact which must be "accommodated" by legislative appropriation or allocation.

HB 3239

Establishes a seven member State Grazing Lands Fees Committee appointed by the Governor to advise the Division of State Lands on common school fund grazing fees. Requires Committee to make recommendations by January 1, 1996. Disbands committee on that date. Requires the Division to consider the recommendations in setting fees for 1996-2000.

REVENUE IMPACT:

None. The original bill mandated specific changes to current fees. The amendments remove the mandated fees for advisory input. The effect of this advice is unknown.

SCHOOL APPROPRIATION BILLS

STATE GENERAL AID TO LOCAL SCHOOLS (in millions)				
Purpose	Bill	General Fund	Lottery	Total
1995-96 State School Fund				
Main	HB 5021/5035	$1,497.8	$266.5	$1,764.3
SWOCC expansion	HB 5547	1.3	0.0	1.3
Total		1,499.1	266.5	1,765.6
1996-97 State School Fund				
Main	HB 5021/5035	1,515.2	270.5	1,785.7
SWOCC expansion	HB 5547	1.3	0.0	1.3
Total		1,516.5	270.5	1,787.0
Biennium SSF Total		**$3,015.6**	**$537.0**	**$3,552.6**
1995-97 Comm. College Aid				
Main	HB 5549	322.0	0.0	322.0
Enhancement	HB 5547	3.5	0.0	3.5
CCSSF Total		**$325.5**	**$0.0**	**$325.5**

TIMBER TAXES

SB 677

Temporarily continues the increase in the maximum landowner share of the cost of fire protection. Sets share at 55%. Applies to the 1995-97 biennium.

REVENUE IMPACT:

State: Other Funds – Increased assessments on forest land in fire patrol districts of $2.0 million in 1995-97. This represents 5% of the legislatively approved budget for fire protection. It will increase assessments by about 10¢ per acre for 1995-96 and 1996-97. The permanent statutory level for landowner's pro rata share is 50%.

HB 2179

Replaces permanent and temporary forest products harvest taxes for two programs with entirely temporary taxes. Sets tax rates at 50¢ per 1000 board feet to fund forest products research at Oregon State University and 60¢ to fund 40% of Forest Practices Act administration (including a new monitoring program) and a cumulative effects study. Applies these rates to 1996 and 1997 calendar years.

Requires Department of Forestry, Department of Environmental Quality, and Department of Fish and Wildlife to jointly study harvest rates and the cumulative effects of forest practices. Specifies details of study. Requires completion by January 1, 1998. Requires Board of Forestry to adopt rules based on the study to protect forest resources.

REVENUE IMPACT:

State: Other Funds – For forest research, increase of $2.156 million in 1995-97 and $1.324 million in 1997-99. For FPA administration, $2.779 million increase in 1995-97 and $1.706 million in 1997-99. For the cumulative effects study, $96,000 increase in 1995-97 and $59,000 in 1997-99. These are net increases above what the 5¢ permanent rate would have produced and collections under the old temporary rates for the last half of calendar 1995.

Current law imposes a total rate of 96¢ for these programs through 1995 (a permanent 5¢ for forest research and temporary rates of 35¢ for forest research, 52¢ for FPA administration, and 4¢ for the cumulative effects study). These rates yield combined revenue of $8.2 million in 1993-95. This bill raises the total rate to $1.10 for these programs in 1996, producing $7.9 million in 1995-97.

HB 2181

Funds Department of Forestry administrative costs for Western Oregon Small Tract Option Tax and the reforestation income tax credit from the western severance tax receipts for the 1995-97 biennium.

REVENUE IMPACT:

State: Other Fund increase of $459,839 in 1995-97.

Local: Decrease of $459,839 in 1995-97.

HB 2196

Requires Eastern Oregon woods-direct log sellers to give owner's name and Forestry Department operations permit number to buyers. Requires buyers to report purchases, including above information, to the Department of Revenue within 30 days.

Imposes $1,000 penalty on buyer for failure to report sale or permit number and on seller for failure to give buyer permit number.

Makes these reporting requirements the same in western Oregon by deleting the requirement that sellers report timber sales to the Department of Revenue.

Changes date for the annual determination of eastern Oregon immediate harvest values from January 1 to February 1. Changes deadline for appealing values from August 31 to March 1.

REVENUE IMPACT:

State: Small General Fund revenue increase from increased collection of income taxes on timber gains.

Local: Small increase of timber privilege tax revenue. The additional information will facilitate auditing both the privilege tax on timber harvests and income taxes paid by timber harvesters. To the extent the information increases compliance, there will be some revenue increase.

HB 2637

Exempts short rotation fiber products (cottonwood) from forest products harvest tax. Applies retroactively to January 1, 1990 in western Oregon and July 1, 1992 in eastern Oregon. Requires taxpayers seeking refund of paid taxes to apply by July 1, 1996.

REVENUE IMPACT:

State: Other Funds – Revenue loss of $155,200 in 1995-97 (including $85,200 in refunds) and $102,600 in 1997-99. These estimates assume the 1997 temporary tax rates and a 51¢ Forest Resource Institute rate are continued through the end of 1997-99 (a total rate of $2.11). These losses will be shared by the OSU forest research lab, Forest Practices Act administration, forest fire suppression, industrial fire prevention, forest practices studies, and the Oregon Forest Resources Institute. Exempting these products will either reduce revenue for these programs or shift the burden through higher tax rates.

TRANSPORTATION

SB 376

Lowers use fuel tax on compressed natural gas and propane. Changes gallon equivalent for compressed natural gas from 100 to 120 cubic feet. Changes gallon propane equivalent to 1.3 gallons.

REVENUE IMPACT:

State: Highway Fund loss of $272,400 in 1995-97 and $291,400 in 1997-99. Most of this loss is propane ($270,000 in 1995-97 and $288,000 in 1997-99)

SB 532

Expands permitted uses of farm vehicle to include hauling straw if the transporting farmer bales the straw.

REVENUE IMPACT:

State: Minimal loss of Highway Fund revenue. An unknown amount of baled straw is currently hauled by vehicles which pay weight-mile taxes.

SB 626

Allows ODOT to sign agreements with private entities or local governments for tollways. Sets criteria for initiating, reviewing, and approving projects. Limits projects to a Newberg-Dundee bypass and a Tualatin-Sherwood highway linking Interstate 5 to Highway 99W.

Permits Treasury to issue revenue bonds. Permits any party to agreement to hold title to tollway and related facilities, but requires tollway title to vest in ODOT in not less than 40 years. Allows private entity to retain title to related facilities if ODOT is paid reasonable value for the interest.

Sets criteria for the design and operation of tollways. Establishes contract procedures. Sets safety, repair, and maintenance requirements.

Encourages small business participation. Makes tollway construction subject to prevailing wage agreements if public funds are used.

Exempts tollways and related facilities from property tax to the extent they would be part of a conventional highway.

REVENUE IMPACT:

State: Indeterminate effect on Highway Fund. The bill establishes a process but does not require a tollway to be built. If one is, the Highway Fund will could receive federal and local government revenue, bond proceeds, and tolls, rents, franchise, and other fees associated with tollway operation.

Local: The property tax exemption will reduce revenues to the extent agreements include property that would otherwise be taxable.

SB 1020

Continues Salem Transit District's exemption from the requirement that state in-lieu payroll tax payments not exceed the district's own-source collections in the preceding year.

Applies to 1995 and 1996 calendar years.

REVENUE IMPACT:

Local: Increased state payments to Salem Transit District of $509,000 in 1995-97. The district passed a one-year property tax levy for 1995-96. Thus it does not need an exemption for 1997.

HB 2134

Reduces weight-mile tax rates on trucks by about 6%. Reduces registration fees on commercial vehicles between 8,000 and 26,000 pounds. Reduces the road use assessment fee from $5.50 to $5.20. Changes optional annual flat fees as follows: log trucks - from $6.00 per 100 pounds to $5.55; farm vehicles - from $4.85 to $4.55; sand and gravel trucks - increase from $5.30 to $5.50; chip trucks - $22.50 to $22.40.

REVENUE IMPACT:

State: Highway Fund reduction of $19.1 million in 1995-97 and $27.3 million in 1997-99. These changes are designed to bring truck taxes into line with auto taxes as determined by the 1994 cost responsibility update.

	1995-97	1997-99
State Share	-$11,470,000	-$16,394,000
County Share	-4,657,000	-6,656,000
City Share	-2,973,000	-4,250,000
Total	**-$19,100,000**	**-$27,300,000**

HB 2520

Allows log trucks paying annual fees to also haul peeler cores.

REVENUE IMPACT:

State: Minimal Highway Fund decrease.

MISCELLANEOUS - Administration

HB 2198

Declares tax warrants to have the effect of judgments for purposes of out-of-state collections. Continues to allow the Department of Revenue (DOR) to obtain court judgments based upon tax warrants if other states still, even with this declaration, refuse to accept our tax warrants as judgments.

Expands DOR authority to file Uniform Commercial Code (UCC) liens on personal property. Currently DOR may file such liens in cases of unpaid withholding taxes (liens would be on the property of the employer). This bill extends the authority to cases of unpaid taxes for other taxes administered by the DOR (income tax, cigarette tax and timber taxes).

REVENUE IMPACT:

State: Uncertain. No estimate is available for the impact of declaring tax warrants to have the effect of judgments. There is no guarantee that this will induce other states (particularly Washington) to accept Oregon tax warrants as judgments.

Estimates for the impact of expanded UCC filings are highly uncertain. A rough guess is a General Fund increase of $100,000 to $200,000 per biennium.

HB 2325

Creates magistrate division in Oregon Tax Court. Authorizes judge of tax court to appoint presiding magistrate and tax court clerk. Replaces Oregon Tax Court small claims division with small claims procedure in magistrate division. Establishes classes of cases for which plaintiff may elect to file small claims procedure. Makes relates changes.

Removes administrative appeals process in Department of Revenue. Allows direct appeal to the Tax Court of orders or determinations by the Department of Revenue, the county boards of equalization and ratio review, the county assessors and tax collectors.

Begins September 1, 1997. Allows finalization of appeals begun with the department before that date.

REVENUE IMPACT:

None.

HB 2521

Allows empty-bunked log trucks to bypass open truck scale.

REVENUE IMPACT:

State: Minimal Highway Fund decrease. Requiring trucks to stop at the scale yields information useful for auditing truck taxes. Bypassing the scale forgoes this audit trail. Based on the average revenue generated by scale records and assuming 30% of the log truck records represent empty trucks, the revenue loss is estimated at about $4,000 a year.

HB 3429

Expands all statutory definitions of "agricultural commodity" and "agricultural product" to include straw. Defines the harvesting or baling of straw as a farming practice.

REVENUE IMPACT:

State: Minimal Highway Fund decrease. This change will allow straw to be transported by farm vehicles. To the extent that existing farm vehicles replace vehicles subject to weight-mile tax in transporting straw, weight-mile taxes will be reduced.

MISCELLANEOUS - Local Government

HJR 2

Amends constitution to require state funding of new or expanded local government services mandated by the state. Does not apply to schools, laws approved by voters or a three-fifths vote of the Legislature, criminal laws, judicial requirements, federal mandates, and laws requiring citizen information. Allows local government to disregard unfunded state mandates. Specifies conditions for local government refusal. Provides non-binding arbitration to resolve reimbursement issues. Puts burden of proof on local government to show reimbursement is insufficient. Allows Legislature to authorize a local fee instead of direct state funds.

Requires three-fifths vote of Legislature to pass bill reducing state shared revenue from January 1, 1997 level.

Exempts private enterprise from mandate if selling products or services in competition with a government disregarding an unfunded mandate. Disallows private claims against the state for unfunded mandates.

Applies to mandates imposed on or after January 1, 1997.

Submits amendment to voters at the November 1996 election. Repeals amendment on June 30, 2001 unless voters reapprove it at the November 2000 election.

REVENUE IMPACT:

Local: No direct impact. The bill makes future legislation reducing state revenue shared with local government below the January 1997 level more difficult to adopt. The amendment would not restrict rolling back future growth of shared revenue to the 1997 level.

NOTE: See also HB 3222.

SB 328

Prohibits local governments from taxing lottery game retailers based on their commissions from the sale of tickets or shares in lottery games. Makes prohibition retroactive to February 28, 1995.

REVENUE IMPACT:

Local: Prohibits Eugene's 10% tax on video poker lottery commissions approved by voters in March. Cancels Eugene's annual video poker revenue of about $270,000.

State: No impact unless local taxes on lottery retailer commissions would have reduced lottery sales by reducing the number of outlets or video terminals.

HB 2798

Disallows filing of a tax return after a taxpayer has failed to file a return, been assessed for taxes owed, and allowed the 90-day appeal period to expire. The effective result is to not allow taxpayers to void their tax liability under Federal bankruptcy law when they have failed to file income tax returns.

Eliminates penalty when a taxpayer fails to pay all taxes by the due date, if the failure to pay results from an error the taxpayer makes relative to their taxes previously paid and if taxpayer then pays tax plus interest within 30 days of notification by the Department of Revenue. Also eliminates penalty when the taxpayer fails to pay full amount due with an amended return if taxpayer pays the balance owed within 30 days of notification. Bases any penalty owed on the actual taxes paid rather than the taxes shown as paid on the return.

REVENUE IMPACT:

State: Uncertain. The restriction on the submission of returns after the expiration of the appeal period should increase income tax collections by about $50,000 per biennium. There is no assurance, however, that even with this bill the Bankruptcy Court will refuse to void the taxes and that the state will then collect them.

The elimination of certain penalties reduces income tax collections. This impact is unknown.

HB 5009

Makes biennial appropriation to Department of Revenue.

REVENUE IMPACT:

Estimated 1995-97 General Fund revenue increase of $20.8 million from restored audit and collection positions.

SB 329

Reestablishes law prohibiting local real estate transfer taxes for 7 years. Makes prohibition effective from February 28, 1995 to January 1, 2002.

REVENUE IMPACT:

Local: No direct impact. Prevents local government adoption of a real estate transfer tax for 7 years.

NOTE: SB 329 was vetoed by the Governor.

SB 892

Establishes procedure for enforcing Portland parking ordinances. Makes city parking violation an offense of the registered owner.

Requires city to send notice to owner of delinquent parking violation Dismisses citation if notice not sent within 6 months.

Dismisses citation on car rental companies if notice not sent within 30 days. Allows car rental companies to recover fines from customers. Disallows collection of unpaid parking fines from car rental companies that occur before the effective date of the bill.

REVENUE IMPACT:

Local: Reduces Portland's potential parking fine revenue by about $74,000 for the last three years. Increases future parking fine revenue by allowing collection from car rental companies. Portland receives 50% of parking fine revenue from the district court.

State: Reduces potential General Fund parking fine revenue by about $74,000 for the last three years. Increases future parking fine revenue. The state receives 50% of Portland parking fine revenue through Multnomah district court.

SB 1050

Allows Chapter 554 water improvement corporations to vote by parcel rather than by acre. Permits proration of assessments by parcel rather than acreage. Requires two-thirds vote to amend articles of incorporation other than to include or exclude land. Allows indemnification of officers and directors.

REVENUE IMPACT:

Local: Potential small increase in diking and drainage revenues and in other nonschool districts that tax the same property.

Under current law, some diking and drainage districts claim their assessments are not subject to Measure 5, although their legal authority is questionable. Others impose their assessments inside Measure 5. If a district converts to a Chapter 544 corporation, its assessments are more clearly not subject to Measure 5. This bill makes it more attractive to convert, which will put their assessments on firmer foundation and, in same cases, increase revenue.

HB 2329

Abates or refunds any mass transit district net earnings tax, including interest and penalties, on a minister's income. Applies from January 1, 1985 through January 1, 1991.

REVENUE IMPACT:

Local: Reduces Tri-Met revenue by $400,000 in the 1995-97 biennium.

HB 3222

Requires state funding of new or expanded local government services mandated by the state. Does not apply to schools, laws approved by voters or a three-fifths vote of the Legislature, criminal laws, judicial requirements, federal mandates, and laws requiring citizen information. Allows local government to disregard unfunded state mandates. Specifies conditions for local government refusal. Provides non-binding arbitration to resolve reimbursement issues. Puts burden of proof on local government to show reimbursement is insufficient. Allows Legislature to authorize a local fee instead of direct state funds.

Exempts private enterprise from mandate if selling products or services in competition with a government disregarding an unfunded mandate. Disallows private claims against the state for unfunded mandates.

Applies to mandates imposed on or after January 1, 1996.

REVENUE IMPACT:

Local: No direct effect.

NOTE: HB 3222 was vetoed by the Governor. However, HJR 2 proposes to put these provisions, among others, into the Constitution.

HB 3434

Allows state or local government to collect reimbursement from those who benefit from search and rescue operations. Applies if benefited individuals do not exercise reasonable care or violate applicable laws. Limits payment to $500 per person.

REVENUE IMPACT:

Local: Indeterminate increase in county revenues. There are currently about 600 search and rescue operations per year. Most of them cost in the range of $300 to $800. Currently many counties submit reports to OEM, but they are not compiled into a database. Because the charge can be imposed only if reasonable care is not taken or laws are violated, the revenue potential is probably substantially less than the total cost figures would indicate.

State: Indeterminate, probably small, increase in state revenues.

MISCELLANEOUS - Other

SJR 12

Amends constitution. Establishes joint legislative committee with power to review and disapprove rules when the Legislature is not in session. Cancels any newly adopted rule not ratified by the next Legislature.

Refers measure to vote of people at the November 1996 general election.

REVENUE IMPACT:

State and local: No direct impact. Many tax calculations and interpretations, including local property tax interpretations, are specified by agency rule and policy. However, the amendment would cancel a rule only if not ratified by next legislature or disapproved by the joint committee.

HJR 14

Amends Constitution to require 3/5 vote of House and 3/5 vote of Senate to pass bills for raising revenue. Refers amendment to voters at May 1996 primary election.

REVENUE IMPACT:

State and local: No direct impact. However, it would make it more difficult to pass tax or other revenue increases and thus would be expected to hold down revenue growth in the future.

The language is similar to Article IV, Section 18, which requires that bills for raising revenue start in the House. This section has been interpreted to apply to bills whose primary purpose is to raise revenue, but not necessarily to all bills that result in raising revenue. For example, a tax rate increase must start in the House, while a bill that creates a licensing board that also imposes a fee can begin in either house.

SB 204

Requires Department of Revenue to allocate amusement device taxes to the state General Fund, the Oregon Youth Conservation Corps, and the counties.

Specifies types of activities and conditions under which moneys paid to or collected by a financial institution may be deposited in financial institutions outside the state..

REVENUE IMPACT:

None.

SB 211

Exempts the following from the amusement device tax:

- Devices used exclusively to sell goods.
- Devices operated by nonprofit corporations at fairs.
- Devices solely related to pool games and bowling alleys.
- Devices operated with one or two pennies.
- Devices operated at 5 or less local fairs with less than $500 in gross receipts.

Abates any unpaid tax and refunds any taxes collected on these devices retroactive to July 1, 1993.

Assesses additional taxes for games of chance based on net receipts of all devices at the location rather then on net receipts of all devices licensed to the taxpayer (all locations). Clarifies that the additional taxes are levied on each device at each location. Allows Department of Revenue to define "location" by rule. Corrects statutory reference.

Deletes requirement that video poker terminals display a receipt for payment of amusement device taxes. Requires Lottery Commission to maintain records of amusement device tax payments.

REVENUE IMPACT:

State: None. The exemptions in this Act reenact ORS 320.030 (1991). This section was inadvertently omitted in the 1993 revisions. The Department is not aware of any licenses issued for these devices. The changes which base additional amusement device taxes on each device at each location are consistent with current practice.

SB 333

Requires approval of new state fees and fee increases by the Department of Administrative Services (DAS) Director for Executive Branch agencies, by the Chief Justice of the Supreme Court for Judicial Branch agencies, or by the Senate President and Speaker for Legislative Branch agencies. Requires new fees and increases to be reported to DAS within 10 days.

Rescinds new fee or increase at end of odd fiscal year (or sine die if later) unless authorized by enabling legislation setting forth the approved fee.

Defines "fee" to be an amount charged by a state agency to cover the cost of administering a program providing a service to the public and used by the agency to enforce a law under its jurisdiction. Excludes certain charges. Applies to all agencies subject to budgetary review plus legislative agencies, the Secretary of State, the State Treasury, and the Judicial Department.

Exempts the following fees: charges by higher education, Oregon Health Sciences University, Oregon Ed-Net, and Oregon State Fair; intergovernmental charges; charges on employees; fees calculated separately for each fee payer; charges for health care services; operating assessments of the Insurance Division, Division of Finance and Corporate Securities, the Public Utility Commission, and the Department of Energy; and unemployment insurance and workers compensation taxes.

Requires biennial report detailing all state fees, including exempt fees.

Requires opportunity to comment on the enactment of any local ordinance or resolution increasing a fee and on proposed local fees imposed under authority delegated by a state agency.

Repeals certain DEQ fees found invalid by the U.S. Supreme Court.

REVENUE IMPACT:

No direct impact. However, it would make it more difficult to pass new fees or increase existing fees and thus would be expected to hold down revenue growth in the future.

SB 696

Requires State Treasurer to annually report size, type, industry, and region of state investments in Oregon. Requires Oregon Investment Council to develop and implement policy on investing state funds in Oregon. Requires policy to be consistent with prudent person rule and to give special recognition, but not special preference, to Oregon investments. Requires Oregon Investment Council to report to interim trade and government finance committees upon development of the policies.

Requires 10% of Education Endowment Fund to be invested in Oregon.

REVENUE IMPACT:

None.

SB 1093

Requires Department of Energy to pay refunds on overpaid fees and assessments.

REVENUE IMPACT:

State: None. The current prohibition on refunds has only affected the Department's operating assessment on energy companies. The Department plans to pay these refunds by making adjustments to each company's assessment in the next year. These adjustments, in effect, would reduce the overpaying company's assessment and increase the others so that total revenue is unaffected.

SB 1095

Prevents the lottery from terminating a lottery game retail contract for failure to meet a weekly sales average if the retailer pays the excess lottery cost over the weekly proceeds collected by the lottery.

REVENUE IMPACT:

State: Minimal revenue increase to Economic Development Fund.

SB 1155

Repeals employer mandate to provide health benefits for employees and spouses.

REVENUE IMPACT:

State: Other Funds – If Congress provides ERISA waiver, prevents a scheduled increase in Other Fund revenue to the extent some employers would have paid into the state insurance pool instead of providing health insurance.

NOTE: SB 1115 was vetoed by the Governor.

HB 2185

Increases telephone access charge cap from 25¢ to 35¢ per month per retail subscriber. Applies to charge funding low-income and hearing-impaired telephone services. Clarifies that fee applies to all retail subscribers including cellular, wireless and other radio common carriers. Requires annual review of fee by PUC. Limits fund to six months of projected expenses.

Requires PUC to review programs relating to lifeline telephone services and report to the next legislature on recommendations to minimize the cost of providing these services.

REVENUE IMPACT:

State: Other Funds – Residential Service Protection Fund increase of $5.5 million in 1995-97 and $6.7 million in 1997-99. This estimate assumes the rate increase is effective November 1, 1995 and the maximum rate of 35¢ is set by PUC.

HB 2269

Extends 911 Emergency Access Tax to December 31, 2001. (Current law would sunset the tax on January 1, 1996)

Changes calculation of the tax from 5% of the subscriber's exchange access charge to 75¢ per telecommunication circuit. Clarifies that cellular and other means of access to the 911 system are taxable. Changes begin 90 days after close of session.

Changes dedication of contingency subaccount to enhanced 911 equipment replacement. Increases the minimum county distribution from .6% to 1% of the Emergency Communications Account balance. Begins January 1, 1997.

Voids any tax liability of cellular providers prior to the effective date of the tax changes in the bill. Allows cellular subscribers who paid voided tax to get refunds upon submission of proof of payment. Limits refunds to $1.7 million.

Requires 911 jurisdictions in counties with more than one public safety answering point to justify multiple points in writing. Requires Office of Emergency Management to report the statewide status of enhanced 911 to the Legislature by January 1999.

REVENUE IMPACT:

State: Other Funds – Extension of the tax raises about $27.9 million in 1995-97 and $41.2 million in 1997-99 for 911 programs. The 75¢ per line charge would have raised about the same revenue as the 5% tax in the third quarter of 1994. Because of changing technology and methods of charging for telephone service, it is not known if revenues from the 75¢ tax will grow more or less rapidly than they would if the 5% tax were extended.

Voiding cellular provider taxes forgives about $2 million in unpaid taxes, penalties, and interest assessed for prior tax years. It is not known whether these assessments would have been upheld by a court.

The bill also refunds prior taxes to cellular subscribers that were paid by providers. To qualify, cellular subscribers must verify the tax was paid. It is not clear how many will be able or willing to do this. The bill limits this loss to $1.7 million, which should be more than adequate to pay all refund requests.

HB 2855

Shifts state taxation of out-of-state insurance companies from the current premiums tax system to a corporate excise tax system as follows:

- Repeals 2.25% insurance premiums tax on out-of state ("foreign") insurers.
- Subjects foreign insurers to the corporate excise tax, just as in-state ("domestic") insurers currently pay. Repeals law taxing a domestic insurer controlled by foreign insurer as foreign.
- Continues the retaliatory tax, whereby foreign insurers pay a tax to Oregon at the same level as that imposed in their home state. Allows credit for any corporate excise tax. Continues exemption of foreign insurers from local non-property taxes.
- Phases in conversion from premiums to excise tax over five years beginning in 1997. Under the phase-in, foreign insurers pay an transition tax of a percentage of the difference between what they would have paid under a 2% premiums tax and what they pay under the new excise tax system. The percentage is 100% in 1997, decreasing by 20% per year to 0% in 2002.
- Continues to allow guarantee fund offsets against corporate excise tax, allows proportional offset against transition tax. Allows a workers compensation assessment offset against excise tax on workers compensation profits.
- Exempts Pacific Health and Life Insurance Company from the premiums tax and subjects them to the corporate excise tax for tax years 1994, 1995, and 1996.
- Preempts local non-property taxes, licenses, and fees on domestic insurers after January 1, 1997 if they are were exempt before that date and this bill would otherwise make them taxable on that date.
- Makes numerous other administrative, tax reporting, and payment schedule changes.
- Begins changes in 1997.

REVENUE IMPACT:

State: General Fund - No effect in 1995-97. Reduces insurance tax revenue by about $11 million in 1997-99, $28 million in 1999-2001, and $40-45 million in 2001-03. This means virtually flat insurance revenues through 2003 of about $130 million per biennium, after which revenue growth will continue at the current rate of 5 to 6% per year. These estimates assume existing foreign insurers do not reorganize to create domestic subsidiaries. If they do, the losses could be substantially larger.

The bill cures potential constitutional problems of current law by 2001. As a result, major foreign insurers have signed pledges to not pursue further litigation. The bill potentially saves the state any ongoing liability and $9–$129 million for 1994 and before. The range depends on how far back any liability might extend and whether guarantee fund offsets are made against retaliatory taxes.

The Pacific Health and Life exemption forgives about $3 million in premiums tax imposed after the company was acquired by a foreign insurer and unwittingly became taxed as a foreign insurer. These taxes are now in litigation and it is questionable whether they would ever be collected.

Local: No impact through January 1, 1997. After then, there could be some increase. The local taxation exemption prevents taxation of a few controlled domestic insurers that exist on January 1, 1997. Firms that become controlled domestics after January 1, 1997 would become subject to local taxes. The primary taxes affected are transit payroll taxes, Multnomah County's business income tax, and Portland's business license fee.

HB 2924

Extends 10¢ per pack cigarette tax increase until January 1, 1998. (The increase, passed by the 1993 Legislature, sunsets on July 1, 1995). Dedicates revenue to the Oregon Health Plan.

REVENUE IMPACT:

State: General Fund – Net increase of $50.95 million in 1995-97 and $13.58 million in 1997-99. The bill dedicates $54.67 million in 1995-97 and $13.67 million in 1997-99 to the Oregon Health Plan, resulting in a undedicated decrease of $3.72 million in 1995-97 and $90,000 in 1997-99.

Other Funds – Reduction of elderly and special transportation funds of $340,000 in 1995-97 and $90,000 in 1997-99. This reduction occurs because the higher tax decreases sales.

Local: City and county reductions of $340,000 each in 1995-97 and $90,000 each in 1997-99 from reduced sales.

HB 3216

Establishes Dry Cleaners Environmental Response Account to pay costs of cleaning up solvent releases from dry cleaning facilities. Requires DEQ to appoint an advisory board to recommend methods and standards for cleanup activities, policies for waste minimization, use of funds, and other matters.

Imposes an annual tax on dry cleaning stores ($500) and facilities ($1,000) and on the retail sale of dry cleaning solvents. Sets solvent tax to $12 per gallon on perchloroethyene and $2.40 on all other solvents. Increases these taxes 3% per year. Imposes additional rate of $4 on perchloroethyene (80¢ on other solvents) if total revenue in the preceding year is less than $1 million. Requires Department of Revenue to collect tax in same manner as income taxes.

Grants dry cleaners limited exemption from liability for solvent releases. Specifies measures required to minimize releases which include treating wastes as hazardous substances, requirements on new facilities and standards which must be met within three years. Specifies releases which must be reported within 72 hours.

REVENUE IMPACT:

State: Other Funds – Increase of $1,866,000 in 1995-97 and $2,261,000 in 1997-99. This estimate is based on DEQ estimates of the number of dry cleaners and the amount of solvent used. Industry estimates of solvent use are higher and would increase the estimate about 33%. Both estimates are above the $1 million per year threshold which would increase the solvent tax rates.

HB 3411

Reduces tax on dog racing from 3% of gross wagering to 1.6%. Allows off-track site to simulcast complete days of out-of-state racing, not just individual races. Allows race meet licensees in Multnomah County to have up to 75 video lottery machines per facility. Pays half of state's lottery share on these machines to Oregon Racing Commission for county fairs, racing promotion, and racing activities.

Declares emergency. Changes first apply July 1, 1995.

REVENUE IMPACT:

State: The dog racing tax reduction reduces General Fund revenue by $1.5 million in 1995-97 and future biennia from reduction of the dog racing tax.

Lottery – Uncertain increase from the video lottery expansion. We have no experience with large-scale installations of video machines, so any estimate could have substantial error. Assuming all 150 machines are in operation over the entire biennium and the net revenue per machine is two-thirds the state average for other machines, the state's share would be about $10 million per biennium. This estimate is high for the 1995-97 biennium. Revenue in 1995-97 will depend on the time it takes to put the machines in operation.

The bill dedicates half of the state's share to county fairs, livestock shows, and racing activities and promotion. It allocates the amount available to each program by fixed percentages. The other half goes to counties, education, and economic development like other lottery proceeds.

NOTE: HB 3411 was vetoed by the Governor.