STATE OF OREGON

Research Report

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REVENUE MEASURES PASSED BY THE 1997 LEGISLATIVE ASSEMBLY

This report summarizes measures passed by the 1997 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 index lists measures by bill number. The second index is by general subject area.

The summaries 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.

INDEX BY BILL NUMBER

INDEX BY SUBJECT AREA

INCOME TAX

SB 164

Bases calculation of all surplus kicker refunds on the same tax year.

Increases standard deduction for taxpayers claimed as dependents on another return from $500 to $650 for 1997 tax year. Ties to federal standard deduction thereafter.

Updates and corrects obsolete and erroneous references.

REVENUE IMPACT:

State: Reduces General Fund revenues by less than $10,000 in 1997-99 and in 1999-2001 (resulting from increase in dependent taxpayers' standard deduction).

SB 165

Allows Department of Revenue to cancel any tax, penalty or interest when there is reasonable doubt as to the actual liability, taxpayer has supplied documentation to support the cancellation, and the taxpayer has complied with filing requirements.

Requires taxpayers to report changes resulting from federal audits which affect Oregon tax liability. Sets period for issuing notice of deficiency when taxpayer fails to report federal audit changes.

Authorizes Department of Revenue to disclose partnership or S corporation tax information to other partners or shareholders during tax audit.

Clarifies definition of a resident trust for tax purposes. Prohibits taxing routine activities deemed necessary to executing the decisions of non-resident corporate fiduciaries of interstate trusts.

REVENUE IMPACT:

None.

SB 166

Allows Department of Revenue to adopt rules regarding verification and filing of returns by alternative (electronic) methods.

Prohibits transfer or assignment of refunds to third parties unless authorized by Department of Revenue.

Allows Department of Justice to delegate to Department of Revenue the performance of routine administrative tasks relating to tax claims before bankruptcy court.

REVENUE IMPACT:

None.

SB 167

Allows recipients to withhold 6% from unemployment benefits for state income tax.

Requires withholding for third party wage payers.

REVENUE IMPACT:

None.

SB 169

Requires certain Oregon combined withholding, unemployment and payroll taxpayers and certain corporate estimated taxpayers to pay by electronic funds transfer (EFT). Beginning July 1, 1998, requires taxpayers with combined state withholding obligations over $1 million per year to use EFT. Gradually reduces threshold so that, by July 1, 2001, all taxpayers required to use EFT for federal withholding are required to use EFT for state combined withholding.

REVENUE IMPACT:

State: Accelerating withholding will increase General Fund revenues by $233,660 in 1997-99, $770,000 in 1999-01, and $970,000 in 2001-03. Speeding-up fund transfers enables the state to collect withholding and estimated taxes sooner, increasing interest earnings.

SB 347

Generally connects calculation of Oregon taxable income to the Internal Revenue Code as of December 31, 1996. This adopts for Oregon tax purposes all changes in the determination of taxable income made by Congress under the Small Business Job Protection Act of 1996 (P.L. 104-188), the Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191), and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), but continues "disconnect" provisions where the Legislature (in prior sessions) chose to calculate Oregon taxable income differently than done for federal taxes.

REVENUE IMPACT:

State: Reduces General Fund revenue in the 1997-99 biennium by $0.8 million, and increases General Fund revenue by $1.6 million in 1999-01. Generally tends to reduce taxes of individual taxpayers, and increases taxes of corporate taxpayers as shown below.

	1997-99 Biennium	**1999-01 Biennium**
Personal Income Tax	-$5.9 million	-$7.6 million
Corporate Income Tax	+$5.1 million	+$9.2 million
TOTAL	-$0.8 million	+$1.6 million

SB 388

Establishes non-refundable child care credit for low income families. Calculates credit as a declining percentage of qualified child care expenses. Taxpayers under 150% of federal poverty level get 40% of expenses, the maximum credit. The credit phases out for taxpayers over 200% of federal poverty level and cannot exceed tax liability.

Establishes non-refundable state Earned Income Tax Credit (EITC) for families eligible for the federal EITC. Sets state credit to 5% of the federal EITC but cannot exceed tax liability. (Note: The federal EITC phases out for taxpayers earning over about $30,000).

Excludes any federal EITC benefits received when computing the federal tax subtraction.

REVENUE IMPACT:

State: Reduces General Fund revenue by about $34 million in 1997-99 and $37 million in 1999-2001.

	1997-99 Biennium	1999-01 Biennium
Child care credit	-$ 14 million	-$ 14 million
Earned income credit	-$ 18 million	-$ 20 million
Ignore federal EITC in tax subtraction	-$ 2 million	-$ 3 million
TOTAL	-$ 34 million	-$ 37 million

SB 892

Extends the sunset date for the alternative energy systems property tax exemption to July 1, 2002.

Raises the residential alternative energy income tax credit from 40¢ to 60¢ per kilowatt hour of energy yield and the maximum credit from $1,000 to $1,500. Extends the credit to purchases of energy-efficient appliances based on energy saved, up to 25% of appliance cost. Extends the credit to buying alternative fuel vehicle or modifying vehicle to use alternative fuel. Sets credit to 25% of costs, up to $750.

Allows business tax credit for building residential fueling stations for alternative fuel vehicles. Sets credit to 25% of costs, up to $750. Allows builder to transfer credit to homeowner or purchaser.

Raises the eligible cost limit on each commercial and alternative fuel project claiming the business energy credit from $100,000 to $500,000. Expands eligibility additional types of natural gas fuels.

Begins changes on January 1, 1998.

REVENUE IMPACT:

Local: Extending property tax exemption reduces local revenue (prevents an increase) by about $1.2 million in 1998-99 (one year) and $2.5 million in the 1999-01 biennium.

State: Reduces General Fund revenue about $818,000 in 1997-99 and $908,000 in 1999-01.

	1997-99	1999-01
Alternative fuels and equipment	-118,000	-158,000
Increasing credit rate and maximum	-700,000	-750,000
Total	-818,000	-908,000

SB 998

Allows taxpayer to decline to make one-time adjustment in 1996 to reconcile the difference between federal and state property basis. Allows taxpayer to revoke the basis adjustment by filing an amended return.

Corrects reference in the surplus kicker statutes to include income tax credits in ORS Chapter 315 and income tax offsets in ORS Chapter 734. (Current language creates a possible loophole by referencing only those credits found in ORS Chapters 317 and 318).

Exempts from taxation income earned by certain non-resident federal employees working at federal hydroelectric facilities on the Columbia River.

REVENUE IMPACT:

State: Allowing the 1996 basis adjustment reduces General Fund revenue in 1997-99 and 1999-01 by less than $20,000 per biennium. The surplus kicker change reflects current practice. The federal employee exemption avoids federal legislation that will preempt the state from taxing that income.

SB 1144

Automatically connects calculation of state taxable income to the Internal Revenue Code each time code is amended (i.e. "rolling reconnect").

REVENUE IMPACT:

No impact known at this time. However any future changes in federal taxable income will automatically be adopted and affect Oregon income tax revenue.

SB 1147

Extends sunset date for equipment donation tax credit from January 1, 1998 to January 1, 2004. Expands types of educational institutions for which donation of equipment may be claimed as a credit to include public pre-kindergarten through grade 12 institutions.

REVENUE IMPACT:

State: Reduces General Fund revenue by $200,000 in 1997-99 and 1999-01.

SB 5509

Appropriates funds for the operations of the Department of Revenue, including funds for enhanced audit and collection of income taxes.

REVENUE IMPACT:

State: General Fund revenue increase of $10,192,000 from enhanced collections.

HB 2403

Establishes program to allow prepayment of college tuition.

Establishes the Post-secondary Education Expense Program Board to administer the program. Defines membership, organization, duties, and powers of the Board. Sets membership qualifications and term of office. Exempts Board from most personnel and public contracting laws.

Establishes a community college plan and a university plan. Requires Board to calculate payments to prepay tuition based on highest public tuitions, expected investment term and earnings, and administrative costs. Limits administrative costs to 4% of payment. Specifies benefits if beneficiary attends private or out-of-state accredited, non-profit college. Pays refund if beneficiary dies, is disabled, or receives scholarship. Requires Board to design contracts, guaranteed by the State of Oregon, which specify conditions and payments to purchase prepaid tuition.

Establishes Post-secondary Education Expense Trust Fund to hold and invest moneys deposited on behalf of participants. Requires fund be managed on an actuarially sound basis.

Exempts benefits received by a qualified beneficiary from personal income tax beginning in 1999.

Takes effect upon voter approval of HJR 72.

REVENUE IMPACT:

State: Reduces General Fund revenue by $84,000 in 1997-99, $400,000 in 1999-01, and $860,000 in 2001-03. The revenue loss occurs to the extent these investments replace taxable investments, such as mutual funds. Prepaid tuition earnings are tax exempt both when earned and when received.

These estimates are rough because the terms and conditions of the contracts are not known. The estimate assumes 7,600 initial enroll with an average purchase of two years tuition. Thereafter it assumes 4,000 enrollees per year purchase a half year's tuition and all continue to purchase a half years tuition each year until a full 4 years has been purchased. It assumes half of these investments replace taxable investments.

HB 2488

Permits Oregonians to establish tax-deductible Medical Savings Accounts (MSAs) notwithstanding federal limits on the maximum number of eligible account holders.

REVENUE IMPACT:

State: Negligible. While HB 2488 relaxes the cap on the number of MSAs, it does not alter the federal eligibility conditions (e.g. that participants be employed by small employers).

HB 3140

Extends eligibility for Rural Medical Practice Income Tax Credit to include rural optometrists. Limits maximum number of eligible optometrists in the 1997-99 biennium to five.

REVENUE IMPACT:

State: General Fund reduction of $50,000 in 1997-99, based on the maximum credit of $5,000 per eligible individual per year. In 1999-01 expanded participation may result in a loss of $176,000.

HB 3543

Increases the cap on the total amount of tax credit allowed for lending institution loans for the construction, development or rehabilitation of low-income housing from $3 million to $4 million.

REVENUE IMPACT:

State: General Fund reduction of about $500,000 in 1997-99 and 1999-01.

HB 3709

Imposes personal income tax on Oregon lottery prizes exceeding $600. Instructs Oregon State Lottery Commission to withhold income taxes on prizes over $600. Begins January 1, 1998.

REVENUE IMPACT:

State: Increases General Fund revenue by about $2.5 million in 1997-99 (one year) and by about $5 million in 1999-01 (full biennium).

HB 5053

Appropriates $80 million in General Fund revenues from the 1995-97 biennium to be applied to settlement of a case involving the Industrial Accident Fund.

REVENUE IMPACT:

State: Increases 1997-99 General Fund revenues by $80 million. [Note: The increase occurs because a 1996 special session law reduces 1995-97 kicker credits (paid in 1997-99) if more appropriations are made in the 1995-97 budget. Personal refunds are cut $49 million and corporate credits $31 million.]

HJR 72

Amends Oregon Constitution to allow the state to incur debt to guarantee a prepaid tuition trust fund. Pledges full faith and credit of the state to satisfy state guarantees. Limits debt to 0.5% of true cash value of state.

Allows the state to issue bonds or to borrow from the Common School Fund as required to satisfy the state's obligations under a prepaid tuition plan. Allows a state property tax to pay bond premiums and interest.

Submits amendment to voters at November 1998 general election.

REVENUE IMPACT:

Local: None. Any borrowing from the Common School Fund must be repaid.

State: See HB 2403, the enabling legislation.

PROPERTY TAX

SB 170

Alters pre-certification process for enterprise zone properties to include approval by county assessors.

Transfers administration of water association property tax exemption from the Department of Revenue to county assessors. Establishes requirements for water associations to apply for the exemption to the county assessor and for assessors to notify associations of approval or disapproval of application. Directs Department of Revenue to develop the application form.

Increases the maximum property tax exemption for veterans or surviving spouses living in non-profit homes for the elderly to conform to the maximum exemption under the veterans homestead exemption. The maximum is $8,250, or $11,000 if the veteran has a service-related disability.

REVENUE IMPACT:

Local: Revenue loss to local taxing districts of less than $5,000 for the 1997-99 biennium.

SB 171

Replaces limit on rents paid by one tax exempt entity to another with a requirement that rents charged reflect property tax reductions due to the tax exempt status of the lessor.

Modifies distribution formula for property tax revenues from small private rail car companies to match the formula used for large rail car companies.

Eliminates requirement that local governments file a copy of their budgets with the county assessor and the Department of Revenue.

Authorizes Department of Revenue to develop rules for electronic filing of property tax appeal of assessment petitions.

Allows Department of Revenue to consolidate payments to counties for the senior citizen special assessment deferral program. Allows the Department to pay off small accounts early.

Eliminates rural telephone gross earnings tax beginning July 1, 1998.

REVENUE IMPACT:

Local: Increase of about $56,000 statewide in 1997-99. This is a one-time acceleration of senior deferral payments from the state to local government.

SB 172

Extends 3% discount for timely property tax payment to taxpayers who receive tax bills at times other than in October. Allows discount if tax paid within 30 days after tax bill is mailed.

REVENUE IMPACT:

Local: Negligible

SB 286

Expands local authority to transfer properties to non-profit organizations and county authority to cancel delinquent property taxes on transferred properties. Allows this if property used for any public purpose of the non-profit organization. (Current law allows this only for properties to be used for low-income housing, social services, or child care.) Allows transfer to specify the local government may reclaim the property if it is used for a purpose inconsistent with the grant.

Exempts non-profit corporation property held for future development of low-income housing from property taxes. Imposes additional taxes if property put into different use.

REVENUE IMPACT:

Local : The effect of allowing the cancellation of delinquent property taxes upon transfer to a non-profit is indeterminate, but likely to be small.

Exempting property held for future low-income housing development has an uncertain effect. Currently in Lane County there are two parcels valued at a total of about $2 million that would qualify for exemption under this measure starting in 1998-99. If the statewide total exempt value is $10 million, the local revenue loss will be about $100,000 in 1998-99 and $200,000 in the 1999-01 biennium.

SB 287

Disregards lump sum PERS payments in determining eligibility for senior homestead property tax deferral. Applies only to payments made as compensation for taxation in breach of contract.

REVENUE IMPACT:

Local: None. The state pays any deferred taxes.

State: Prevents a small potential reduction in deferral spending. The PERS payments would otherwise disqualify some people for deferral for one year.

SB 298

Retroactively exempts the Franciscan Montesorri Earth School in Portland from 1995-96 property taxes and the Jesus Our Jubilee Church in Dallas from 1993-94 taxes. Imposes late filing fees for receiving the retroactive exemptions.

REVENUE IMPACT:

Local: $48,000 reduction shared among districts in Multnomah County and $4,000 reduction shared by districts in Polk County.

SB 311

Allows Department of Revenue to grant a retroactive senior property tax deferral if the owner had been previously granted deferral and was now ineligible solely due to failure to file a claim. Gives state the 3% discount for paying retroactive deferrals.

Allows senior deferral participants to continue in the program if their home is condemned by the Department of Transportation and they purchase a new home within one year.

REVENUE IMPACT:

Local: $300 loss to local governments in Washington County due to amendment granting 3% discount to the state when paying property taxes for deferrals granted retroactively.

State: Increased expenditure of $10,000 in property taxes to local governments, to be repaid at a later date by the taxpayers. This bill affects properties in Washington County for four tax years.

SB 588

Expands activities that qualify as farm uses in an exclusive farm use zone to include processing of farm products and by-products, game farming, and greyhound breeding. Limits processing activities to facilities under 10,000 square feet in floor area in which at least one quarter of the crops processed at the facility are be grown on land owned by the facility owner.

REVENUE IMPACT:

Local: Including activities as farm uses makes the land involved in the activity eligible for farm use assessment. The processing facility provision exempts about $70 million in value from property taxation according to the Department of Revenue. The greyhound breeding and game farming provision exempts about $1.5 million.

The measure takes effect in 1997-98. Under Measure 50, the exemptions will not reduce revenue, but will shift the taxes from the exempted properties to other taxpayers.. The amount of the shift will be approximately $1.5 million in the 1997-99 biennium.

SB 624

Extends to metropolitan service districts the authority to acquire land specially assessed as farm use land without having to incur the additional taxes normally paid when land is disqualified from farm use assessment. Currently only cities, counties, and park districts have this authority. The land must be acquired for public recreational purposes or for preservation of scenic or historic places. Applies to land acquisitions occurring on or after May 1, 1995.

REVENUE IMPACT:

Local: Uncertain, but likely to be small. Since May 1, 1995 METRO has acquired only one parcel. The additional taxes totaled about $7,000. Local governments agreed not to collect them from METRO. The future revenue loss to local governments for these acquisitions is uncertain. Because local governments often choose not to collect the taxes anyway, and because METRO could, as an alternative, condemn the land and avoid the taxes anyway, the revenue impact of this bill may be zero.

SB 625

Extends to metropolitan service districts the authority to acquire land under forestland special assessment without having to incur the additional taxes normally paid when land is disqualified from special assessment. Currently only cities, counties, and park districts have this authority. The land must be acquired for public recreational purposes or for preservation of scenic or historic places. Applies to land acquisitions occurring on or after July 1, 1995.

REVENUE IMPACT:

Local: Uncertain, but likely to be small. There is little forest land in metropolitan areas, so acquisitions of this type are rare. There have been no acquisitions since July 1, 1995. Because local governments often forgive the additional taxes when the land is acquired by another government, the revenue impact if this measure will be very small or zero.

SB 774

Extends the riparian land property tax exemption sunset date from December 31, 1997 to July 1, 2004.

Allows riparian land eligible to apply for the exemption as of July 1, 1997 to continue to be eligible even if the land is removed from farm or forest land designation or moved inside the urban growth boundary. Allows owner five year after the zone or urban growth boundary change to apply for the exemption.

Increases the limit on streambank in each county that can be approved as riparian land from 100 to 200 miles per year.

REVENUE IMPACT:

Local: Revenue loss of less than $5,000 for the 1998-99 tax year and less than $10,000 for the 1999-01 biennium. For the 1995-96 tax year, land valued at $200,000 was exempted under this program, and the Department of Fish and Wildlife does not expect participation to grow significantly.

SB 1012

Treats companies that generate electricity using wood waste or biomass as fuel as industrial plants rather than utilities for property tax purposes. Applies to plants with a capacity of less than 20 megawatts who and sell their electricity to a utility rather than directly to customers.

Allows income tax credit to businesses who provide transit passes for their employees. Sets credit to qualify for a three-year income tax credit equal to 5% of the cost of the passes in each of the three years.

Removes sub-caps within the $40 million overall limit on the business energy credit.

REVENUE IMPACT:

Local: Minimal, and possibly zero, change in property tax revenue. Two plants with a combined value of $12 million be shifted for industrial classification. These plants would be valued by a cost approach rather than the current income approach. It is unclear which approach would produce a higher value.

State: Minimal. In some years the full $40 million in energy conservation credits is not granted because the full amount allocated in a particular sub-category may not be claimed. Removing the sub-caps will probably result in the full $40 million being granted every year.

SB 1215

Implements Measure 50.

Calculates 17% statewide tax reduction on virtually all operating levies. Distributes constitutional Measure 50 tax cuts like Measure 47 cuts, except for differences required by Measure 50. Distributes statutory cuts required by this bill by equal rate (about 1.4%) against all operating levies except hospital districts. Makes special provision for high value growth districts, high 1995-96 offset districts, Heppner, and districts faring worse under Measure 50 than Measure 47.

Applies $5 school rate limits and $10 non-school limits to each property rather than applying the limits to each code area.

Establishes Measure 50 assessed value system. Determines value by property tax account. Sets value of new property by county-wide ratios areas and by property classes. Sets property classes by rule. For utility class, sets ratio statewide. Freezes maximum value growth if assessed value falls below maximum. Exempts up to $10,000 of minor construction from triggering higher taxes due to construction if it does not exceed $25,000 over 5 years. Prohibits assessor from revaluing property before applying Measure 50 limit.

Establishes similar assessed value system for specially assessed and partially exempt property. Increases veterans exemption by converting to assessed value. Repeals down-zoned property and home in commercial zone partial exemption. Allows casualty reduction for the duration of loss.

Specifies information that must appear on property tax election ballots. Requires red letters announcing tax election on mail ballot envelopes. Allows appeal of 50% turnout determination.

Repeals Board of Ratio Review. Converts Board of Equalization into Board of Property Tax Appeals. Extends Measure 5 appeal procedures to Measure 50. Gives supervisory authority to the Tax Court.

Requires urban renewal districts to make good faith estimate of total indebtedness needed to finance existing plan. Allows district to impose special levy to finance existing plan. Allows municipality one-time election in 1998-99 to permanently limit the amount raised from the tax increment for an existing plan, raising the rest from the special levy.

Moves property assessment date to January 1, beginning in 1998-99. Lengthens time to file property tax returns. Allows Department of Revenue to design property tax statement by rule. Makes other changes to property tax timelines. Repeals six year reappraisal cycle. Repeals requirement to remove large contested values from the tax roll. Allows counties, with approval of commissioners, to hold appeal reserve.

Ends practice of offsetting severance taxes and other receipts against tax levies before Measure 5 compression. Offsets severance taxes against rate limits.

Refines definitions of capital improvement bonds repayable by taxes imposed outside Measure 5 limits. Defines capital projects fundable by local option levies. Specifies remedies court can order if district spends funds contrary to definitions. Allows community colleges to ask voters to impose local option levies up to amount of district's Measure 50 loss..

Specifies process for determining if local fee increases are property tax shifts requiring voter approval. Limits effect to first year of measure.

Allows urban renewal district to retroactively impose 1995-96 taxes that were not collected due to failure to file notice. Makes Boardman annexation effective on July 1, 1995.

Conforms local budget law to Measure 50 changes. Allows districts to adjust budget to correct errors in 1997-98 if approved by the Department of Revenue.

Conforms district formation, merger, and consolidation laws to Measure 50 changes. Allows city not imposing property taxes to combine merger vote with permanent tax rate vote.

Declares emergency.

REVENUE IMPACT:

State – General Fund reduction of $6 million in 1997-99 from higher property tax deductions on personal and corporate income tax returns. (This is the combined effect of Measure 50 and SB 1215).

Local – Reduces revenue (in addition to the reductions required by Measure 50) as follows:

	1997-98	**1998-99**
Schools	-$19 million	-$21 million
Non-schools	-$17 million	-$18 million
Total	-$36 million	-$39 million

If a municipality elects to limit the amount raised for urban renewal from its increment, schools and non-schools in the area will gain back some of the revenue they would otherwise lose under Measure 50 and this bill. This effect begins in the second year (1998-99). It could be significant in some areas, such as Portland and Salem, depending on local decisions.

The veterans exemption expansion will save participants an additional $1.4 million over Measure 50 reductions in the 1997-99 biennium. These taxes will be shifted onto other taxpayers. Repeal of the down-zoned property and home in commercial zone exemptions will have virtually no effect. The down-zoned property exemption has no known participants. The effect of the home in commercial zone assessment is achieved by the normal operation of Measure 50.

The Boardman annexation fix will increase the city's property tax revenue about $200,000 per year. The retroactive urban renewal tax provision will increase the City of Redmond's urban renewal revenue about $135,000 in 1997-98.

The entire bill in combination with Measure 50 will produce the following total property tax reductions.

	Measure 50 / SB 1215A			
	Operating Taxes		Total Taxes	
1996-97	2,131		2,528	
1997-98				
Measure 5	2,330		2,757	
Measure 50	1,924		2,368	
Change from M5	-406	-17.4%	-389	-14.1%
Change from 96-97	-207	-9.7%	-160	-6.3%
1998-99				
Measure 5	2,502		2,975	
Measure 50	2,033		2,521	
Change from M5	-469	-18.7%	-454	-15.2%
Biennium				
Measure 5	4,832		5,732	
Measure 50	3,958		4,889	
Change from M5	-874	-18.1%	-843	-14.7%

HB 2050

Requires that circuit court actions seeking to invalidate Measure 47 on constitutional grounds be filed in Marion County. Allows direct appeal of these decisions to the Supreme Court if the action was filed before or within 180 days after the act's effective date.

Allows direct filing in Tax Court of actions to determine whether: (1) bonds exempt from Measure 47 are included in calculating Measure 47's operating tax limits, or (2) governments may impose operating property taxes outside Measure 47's limits on voter approval. Directs tax court judge to try the case, thus bypassing the tax court magistrate. Applies to actions filed within 180 days of the act's effective date.

Declares emergency, takes effect on passage.

REVENUE IMPACT:

None.

HB 2062 [Vetoed by Governor]

Exempts intangible property of utilities from property taxes. Adds franchises and licenses, including Federal Communications Commissions (FCC) licenses, to list of property defined to be intangible. Specifies that a nuclear power plant is not an intangible as long as the Public Utility Commission includes it the companies rate base.

Begins changes in 1997-98 tax year.

REVENUE IMPACT:

Local – 1997-98: Relatively little reduction in the short run because the exemptions begin in the first year of Measure 50, the year permanent property tax rates are set. The exemption will increase these rates, thus shifting the taxes saved by utilities onto other property. There will some revenue reductions to a few local governments where Measure 50 tax rates will exceed the $10 Measure 5 limit.

The bill exempts about $760 million in value from tax in 1997-98. This estimate comes from two places:

(1) $670 million from a joint industry - Department of Revenue study. Because most large companies have agreed to abide by the study's valuation methods and the Department of Revenue has developed rules based on them, the results are likely to be reliable for 1997-98.

(2) $90 million in FCC cellular and personal communication systems (PCS) licenses. About $34 million of these licenses was on the roll in 1996-97.

The total exempt value implies a tax increase on other property of about $10.6 million. About 5% of this represents a reversal of a decrease that would otherwise occur.

1998-99: In addition to the shift described above, the bill will exempt another $80-90 million in cellular and PCS licenses that otherwise would be added to the roll in 1998-99. Since permanent tax rates were set in the prior year, this exemption will reduce revenue (prevent an increase) of local taxing districts by about $1.1 million.

Long Run Effects: Uncertain loss of revenue in the future. The exemption could grow in the future because the statute appears to be drawn more broadly than the rules. The ultimate outcome depends on how a court would interpret the statute. The existing statute for industrial property has seen little litigation. The outcome could also be influenced by the development of more sophisticated appraisal techniques as intangible wealth becomes more important in a modern economy.

HB 2066

Raises minimum amount of personal property subject to property taxation from $3,000 per county for each taxpayer to $10,000 per county for each taxpayer. Increases penalties for late filing or non-filing of personal property returns. Sets penalty based on how late return is filed, up to 100% of tax for return over five months late.

Exempts mineral interests owned separately from surface interests if the property is not being mined.

Continues property tax lien leased property after the lease expires.

Establishes that water improvement district charges are to be collected just like ad valorem property taxes and special assessments. Clarifies that all charges on the tax roll are to be paid on the same schedule and that all charges, taxes, and assessments must be paid on time to obtain the 3% discount.

Changes forest land special assessment filing dates to be consistent with other special assessments.

Begins higher penalties and mineral interest exemption in 1998-99. The rest begin in 1997-98.

REVENUE IMPACT:

Local: No revenue reduction from raising the personal property minimum because it begins in the first year of Measure 50, the year permanent property tax rates are set. The exemption will increase these rates, thus shifting the taxes onto other property. The bill will exempt about $136 million in personal value, thus shifting about $1.9 million in taxes per year.

Exempting inactive mining claims will reduce revenue about $65,000 per year starting in 1998-99.

HB 2143

Allows 15-year property tax exemption for investment in a non-urban enterprise zone in a county with chronic unemployment. Requires that investment exceed $50 million, the firm hire at least 100 full-time employees within 5 years, and the average wage be at least 50% above the county average. Exempts project from property taxes during construction.

Grants corporate income tax credit to taxpayers receiving the property tax exemption above, if approved by the Governor. Sets credit to 62.5% of the taxpayer's payroll and employee benefit costs at the facility. Allows credit against state corporate income, gross receipts, sales and use, and similar taxes relating to the facility. Applies credit only to tax liabilities above $1 million. Allows credit for 15 years. Allows credits to be carried up to 5 years after 15-year period expires. Exempts taxpayer from state corporate income and similar taxes relating to the facility until facility placed in service. Distributes 30% of any tax paid by taxpayer receiving credit to local sponsor.

Sunsets new exemption and credit after 2002.

Allows enterprise zones to have separate areas up to 15 miles apart if the enterprise zone is in a non-urban area of a sparsely populated county. (The current limit is 12 miles.) Allows Astoria Enterprise Zone to be extended to the Clatsop County boundary.

Allows local governments to enhance public services to enterprise zones.

Allows business that missed first-year filing deadline to apply for remaining 2 to 4 years of exemption.

Allows zone sponsors to give hotel, motel, and resort properties enterprise zone exemptions.

REVENUE IMPACT:

Local: The 15-year property tax exemption is aimed at a corporation considering a $280 million investment near Coos Bay. At the planned site, this implies tax savings of about $2.2 million per year once the facility is operational. Other firms could also qualify for this exemption if approved by local ordinances. How much the exemption reduces revenue depends largely on whether the development or some other would occur without the exemption. Some reduction will occur because the exemption applies to all property at the facility, including land.

Coos County would receive 30% of taxpayers state income tax (up to $300,000) after the facility is placed in service.

The other provisions of the measure have an indeterminate but small revenue local impact. Because this measure eases restrictions on enterprise zones, some additional zone activity could occur. If the activity would have occurred elsewhere, the enterprise zone exemption will reduce revenue. If the activity would not have occurred, then local governments may receive higher property tax revenue from the increased investment after the exemption period expires.

State: Probably little effect on 1997-99 General Fund revenue due to the long time lines needed to develop these types of projects. Future revenue losses are indeterminate but potentially large. The corporation targeted by the credits estimates, when fully operational, its payroll will be about $14 million a year, creating a potential credit of $8.75 million per year for this one firm. Other firms could also qualify depending on how widespread the property tax exemption is used.

How much these credits reduce revenue is difficult to determine. Although these may be large credits, the profits attributable to the facility would have to high to use them all. The bill also allows the credits to be used against any state gross receipts tax, sales and use tax, or similar taxes. Oregon does not generally impose a large amount of these taxes (assuming the employment taxes are not similar taxes).

HB 2332

Exempts non-profit art museums from property taxes.

REVENUE IMPACT:

Local: Uncertain. This bill affects only the Coos Art Museum. According to the Oregon Arts Commission, assessors in all counties except Coos have interpreted the current charitable exemption to include non-profit art museums. In addition, the Coos Art Museum has been transferred to the City of Coos Bay and is now exempt as public property. So this bill exempts the property if ownership is transferred back to the non-profit organization.

HB 2355

Exempts property leased by fraternal organizations from property taxation.

REVENUE IMPACT:

Local: Uncertain, but likely to be small. The Liberty Lodge in Springfield recently sold its building and leased it back. The bill will exempt this property from about $1,100 in taxes per year. It is unknown if other fraternal organizations lease property.

HB 2447

Allows local governments to convey real property, including tax-foreclosed property, to a non-profit or municipal corporation for open space, parks, or natural areas. Requires reversion to conveying government if property not used for the eligible purposes.

REVENUE IMPACT:

Local: Small loss of revenue. Local governments will lose revenue only if properties conveyed under this provision would otherwise have been sold or donated to a taxable private entity

HB 2533

Retroactively exempts property leased by one exempt organization to another from 1992-93 to 1996-97 property taxes if exemption denied solely due to failure to file on time. Imposes late filing penalty.

REVENUE IMPACT:

Local: About $25,000 revenue loss from exempting three developmentally disabled group homes owned by Specialized Housing, Inc.

HB 2615

Expands activities qualifying as farm uses to include raising insects, except insects under government quarantine.

REVENUE IMPACT:

Local: Including activities as farm uses makes the land eligible for farm use assessment. The bill appears to affect four commercial insect operations with a combined value of about $2 million. Most of this is improvements. Because "insectaries" do not use much land, the tax reduction will be small.

HB 3210

Extends the rehabilitated residential housing special assessment sunset date from 1998 to July, 1 2008. Allows local government to exempt specially assessed housing being converted to condominiums from paying back taxes if the converted units had rents of at least 125% of federal Section 8 fair market rents.

REVENUE IMPACT:

Local: Extending the sunset date will extend the program into the second year of the 1997-99 biennium, resulting in a 1998-99 revenue loss of about $375,000 and a 1999-01 loss of about $800,000.

HB 3495

Exempts non-profit wastewater and sewage treatment facilities from property taxes if corporation and plant in operation on July 1, 1997. Applies retroactively from 1996-97.

REVENUE IMPACT:

Local: Revenue reduction of about $2,200 per year. The bill exempts a plant operated by the Mapleton Commercial Areas Owner's Association. It is unlikely any other facilities qualify for the exemption.

HB 3511

Sets procedure for May 20, 1997 statewide election on restructuring the property tax (HJR 85, Measure 50) and modifying state prison industries (HJR 2). Appropriates $753,888 to cover costs of election.

REVENUE IMPACT:

None.

HB 3710 [Note: This bill was fully replaced by SB 1215.]

Partially implements Measure 50.

REVENUE IMPACT:

See SB 1215.

HJR 85 (Measure 50)

Replaces existing constitutional property tax limits, except for Measure 5.

Requires 17% statewide cut of operating property taxes in 1997-98. Exempts bonds, hospital districts, some police and fire retirement fund taxes, and levies for 1996-97 and later that met Measure 47 voting requirements. Distributes statewide cuts to reflect Measure 47 cuts while recognizing new levies.

Limits 1997-98 assessed value of each property to its 1995-96 market value less 10%. Limits growth to 3% thereafter. Allows additions to value for new construction, subdivision, rezonings, omitted property, and loss of exemption. Adds new value at the ratio the average assessed to market value of existing property in the same class and area. Applies similar limit to farm use and other special values.

Establishes permanent rate limits for each taxing district based on reduced levies and new assessed values. The fixed rate and 3% value cap limit the tax on each existing property to 3% growth.

Allows voters to approve new levies outside the rate limit (but not over Measure 5's rate limits). Limits operating levies to five years. Limits capital project levies to 10 years or the useful life of the project, which ever is less. Allows voters to establish permanent rate limit for district not imposing property tax.

Requires levies outside the rate limits, new rate limits of previously untaxed districts, and bond levies outside the Measure 5 rate limits to be approved at the general election or an election with a 50% turnout.

Requires Legislature to limit local ability to raise fees to make up cuts made by this measure unless approved by voters.

Applies Measure 5 rate limits ($5 per $1000 of real market value for schools and $10 per $1000 for non-schools) by code area rather than property-by-property. Allows property assessment date to be moved back to January 1. Requires value reduction of property suffering significant casualty loss.

Returns hybrid urban renewal system to one dedicating all taxes on growth in renewal area to the urban renewal district. Allows district to impose taxes above tax increment to repay debt of existing plans.

Requires the state to replace school revenue lost due to the 17% cut.

Allows HJR 85 implementing statute to take effect immediately.

REVENUE IMPACT:

See SB 1215.

SJR 27

Amends Oregon Constitution to eliminate 50% turnout requirement on property tax elections.

Submits question to voters at the May 1998 primary election.

REVENUE IMPACT:

Local: Indeterminate. Eliminating the requirement makes it easier to pass property tax levies. Thus voter approval of the measure would probably increase revenue. However, there is no reasonable way to estimate the amount.

SCHOOL FINANCE

SB 346

Submits state education lottery bond program to the voters at a November 4, 1997 special election. Allows lottery bonds to finance up to $150 million for acquisition, construction, improvement, remodeling, maintenance, or repair of school facilities. This could include land, site preparation, buildings and equipment, telecommunications equipment, computers, software and related technology, textbooks, library books, furniture and furnishings, vehicles, capital planning costs, revenue bond debt service, and reserves. Allows debt payment from Education Endowment Fund earnings, lottery proceeds, and any Legislative appropriations.

REVENUE IMPACT:

School Districts: See HB 3411.

SB 355

Allows up to 65% of the Education Endowment Fund to be invested in common stocks. Increases the share of the Common School Fund allowed to be invested in common stocks from 50% to 65%.

Modifies the student count used in the State School Fund distribution formula in "overlap" areas – places where one unified K-12 district operates high schools and a different unified K-12 district operates the elementary schools. Assigns the 1.2 union high school weight for each high school student in the overlap area and the 0.9 elementary weight for each elementary student in the overlap area.

Takes effect July 1, 1997.

REVENUE IMPACT:

School Districts: Increases Education Endowment Fund earnings by about $2.3 million in 1997-99 and by higher amounts in future biennia as the fund balance increases from additional lottery deposits. Increases Common School Fund earnings about $1.5 million per year or $3 million per biennium.

Preserves 1996-97 student count calculation in the Klamath Falls overlap area. Without this bill, the merger of Klamath Falls Elementary and Klamath Falls Union High would cause the merged district to lose about 200 student weights ($900,000 per year) to the Klamath County Unit School.

SB 715

Allows Columbia School District 5J to divide into two smaller K-12 districts. Sets administrative procedures for division. Option applies from July 1, 1997 to July 1, 2000.

REVENUE IMPACT:

School Districts: No direct effect. The district has not yet decided to divide. If it does, the total SSF distribution to the smaller districts should be about the same as to the undivided district. Thus other districts would not be affected. The new districts would be equalization districts because no 1996-97 base year amount would exist for a flat grant or stop loss calculation.

HB 2192

Distributes state school aid among K-12 schools and education service districts (ESD's). Continues a constrained equalization formula based on total state aid and local revenue for the next four years. Phases down districts above $4,800 per student. (All "per student" calculations are based on weighted and extended student counts.)

1997-99 Constraints

Allocates to each district the higher of (1) its equalization grant – the permanent grant in current law; (2) its flat grant, or (3) its stop-loss grant.

Sets flat grant to the district's 1996-97 allocation per student plus $50 in 1997-98 and plus $100 in 1998-99. Sets stop-loss grant in both years to the district's 1996-97 total allocation. However, in 1998-99 the flat and stop-loss guarantees are phased down by one-third of the amount the guarantee exceeds $4,800 per student. In addition, the guarantees of districts above $7,000 per student in 1996-97 phase down to $6,720 in 1997-98 and $6,079 in 1998-99.

1999-01 Constraints

Sets flat grant for both years to the district's 1998-99 allocation per student. Sets stop-loss grant for both years to the district's 1998-99 total allocation. Phases down guarantees by two-thirds of the amount they exceed $4,800 in 1999-00. Limits guarantees to $4,800 per student in 2000-01.

PERS and Desegregation Costs

Allows Portland to fund its PERS and desegregation program costs from local revenue without including this revenue in the distribution formula. Adjusts 1996-97 base year revenue accordingly. Limits growth in excluded desegregation costs to 3% a year. Repeals desegregation cost exclusion July 1, 2005.

Education Service Districts

For two years, increases funding for Education Service Districts from 71.3% to 75% of Measure 5 losses and funds 100% of Measure 50 losses. Sets aside $1 million each year for ESD network technology and training.

Recalculates state managed county trust forest distribution for counties in Northwest Regional ESD. Transfers calculated difference from County School Fund to school districts in the county. Sunsets recalculation on April 1, 1999.

Out-of-State Placement

For two years, allocates $400,000 per year from the State School Fund to the Out-of-State Disabilities Placement Education Fund. Gives grants to districts with disabled students in facilities in other states. Pays costs that exceed of twice district allocation (excluding transportation) for these students. Prorates grants if funds insufficient.

Youth Corrections Education Program

Adjusts permanent formula to treat state YCEP like an equalization school district with no transportation. Makes grant per student the target grant ($4,500) multiplied by equalization formula percentage. Makes permanent local district responsibility to educate youths in county corrections facility.

Classroom Grants

Distributes one-time classroom needs grants (see SB 5519) in 1997-98 based on prior year student count.

Facility Grants

Creates new facility grant within State School Fund to pay startup (not construction) costs of new school facilities. Sets grant to 6% of construction cost, excluding land acquisition. Limits grants to $10 million per biennium. Delays effective date of grant until the 1999-01 biennium.

Other

For 1997-98 only, allows districts to request an advance payment of 1998-99 estimated revenue growth and accelerates December SSF payment into November. For both years, if actual state and local revenue falls short of forecast, distributes shortfall proportionally to all districts.

Adds a preamble. Includes distribution formula factors in annual audit. Adjusts definition of resident student to prohibit switching the district counting the student each year. Allows Department of Education to create reserve when district student count estimates are less than statewide projections.

Eliminates county contribution to County School Fund beginning in 1999-00.

REVENUE IMPACT:

School Districts and ESDs: See Simulation 56 for 1997-98 district estimates for state and local revenue and comparable 1996-97 numbers.

In 1997-98 the total difference between the proposed distribution formula and full equalization formula is less than 1%. This means about 95% of the inequality that existed before passage of Measure 5 will be eliminated. In 1998-99 and later, the phasing down of high revenue districts will virtually achieve full equalization under the permanent equalization formula.

Based on a total appropriation of $4.15 billion, this bill distributes the funds as follows:

State School Fund	1997-98	1998-99	Total
School Districts	1,963.7	2,021.1	3,934.8
Education Service Districts	78.3	84.1	162.4
ESD Network Technology	1.0	1.0	2.0
Out-of-State Disability Placement Districts	0.4	0.4	0.8
Total SSF			4,150

Dollars in millions.

The bill also distributes $50 million in classroom need grants to school districts in 1997-98.

The Northwest ESD adjustments shift about $1 million per year to school districts in the ESD from other districts statewide.

Repealing the county contribution to the County School Fund will reduce school revenue by about $5 per year, beginning in 1999-00.

Counties: No revenue effect. Repealing the county contribution to the County School Fund will save the counties about $5 million per year in expenditures, beginning in 1999-00.

State: Decrease in 1997-99 General Fund and lottery interest earnings of up to $800,000 due to acceleration of December SSF payment.

HB 2340 [Vetoed by Governor]

Exempts elementary school district from requirement to merge if it operates a school more than 30 miles from the nearest union high school.

REVENUE IMPACT:

School Districts: Applies to Agness School District. If Agness does not merge with Gold Beach in May as scheduled, Agness will retain about $150,000 per year in state and local school revenue.

HB 2352 [Vetoed by Governor]

Repeals mandatory merger for elementary and union high school districts not yet merged.

REVENUE IMPACT:

School Districts: Applies to about 26 elementary, component elementary, and union high districts required to merge in 1997-98. If some of these districts do not merge, state and local revenue allocated by the State School Fund formula will shift from the unified district back to the districts not merging.

HB 2354

Allows an Education Service District (ESD) to create a county education bond district from a county in the district. Makes ESD board the bond district governing body. Requires approval by two-thirds of ESD component school districts having a majority of the students. Requires bond district boundaries to follow boundaries of school districts with offices in the county.

Allows county education bond district to issue bonds to (1) build, repair, equip, or furnish buildings, (2) remove asbestos, (3) acquire or improve property including buses and (4) refund debt. Requires voter approval of bonds. Gives county education bond district same authority as school and ESD districts in school bonding statutes.

REVENUE IMPACT:

Education Service Districts: No direct impact. ESD boards still have to designate county education bond districts and voters have to approve bond levies. The bill is designed to permit the Northwest Regional ESD to seek voter approval of bonds for the CAPITAL Center in Washington County.

HB 2469

Qualifies Washington, California and Nevada students who attend Oregon community colleges as Oregon residents for distribution of the Community College Support Fund.

REVENUE IMPACT:

Community Colleges: There is no distribution impact in the 1997-99 biennium because the current distribution formula uses a two year lag in FTE count. After 1997-99 funds distributed will shift to community colleges with a higher proportion of non-resident students from these states because the non-resident enrollment cap is eliminated. The full distribution impact will be delayed by the current formula using a three year weighted average FTE.

HB 2591

Repeals requirement that money paid for unredeemed gift certificates reverts to the state as unclaimed property.

REVENUE IMPACT:

School Districts: Common School Fund revenue reduction of $350,000 in 1997-99 and $400,000 in 1999-01. Common School Fund revenues are invested and the earnings are distributed to districts.

HB 2610

Allows Tillamook Bay and Oregon Coast community college service districts to sell bonds. Applies same bonding conditions as for a community college district.

Includes community college service district in definition of community college district. Clarifies that community college district applies to community college service district in various statutes.

REVENUE IMPACT:

Community Colleges: No direct impact. Tillamook Bay and Oregon Coast bonds would require voter approval. Klamath Community College service district would still not have bonding authority.

HB 2855

Allows K-12 school districts to seek voter approval of a local option property tax if voters reject state education lottery bonds on November 4, 1997. (See SB 346).. Sunsets local option elections January 1, 2003. Limits local option levy to $250 per weighted student. Excludes levy from local revenue in State School Fund formula up to $250 per weighted student.

REVENUE IMPACT:

School Districts: No direct impact. If the education lottery bond program is defeated, school districts must seek voter approval for a local option tax. About 77% of the districts will be limited by the difference between Measure 50 and Measure 5. The rest will be limited by the $250 per weighted student.

HB 3411

Implements sale of $150 million in education lottery revenue bonds if voters approve SB 346 at the November 4, 1997 special election. Distributes proceeds to K-12 school districts in 1998-99 based on prior-year weighted students. Allows proceeds to be spent on acquisition, construction, improvement, remodeling, maintenance, or repair of facilities. This could include land, site preparation, buildings and equipment, telecommunications equipment, computers, software and related technology, textbooks, library books, furniture and furnishings, vehicles, capital planning costs, revenue bond debt service, and reserves.

Requires bond sale on request of the Superintendent of Public Instruction. Limits net bond proceeds for projects to $150 million. States intent to pay debt service after 1997-99 from Education Endowment Fund earnings. Dedicates 75% of Education Endowment Fund earnings to repay bonds beginning July 30, 1999. (This changes dedication in HB3695.)

Establishes Education Lottery Bond Fund to repay debt and pay administrative costs. Credits unobligated net lottery proceeds, appropriated funds, and earnings to the fund. Requires state to continue operating lottery until debt paid.

REVENUE IMPACT:

School Districts: Raises $150 million for K-12 school projects in 1998-99 if voters approve the bond sale and the full bond authority is used.

HB 3556

Enacts Oregon School Bond Guaranty Act. Permits the state to guarantee general obligation bonds issued by qualified school districts, education service districts, and community colleges. Applies to bonds issued after the effective date.

Allows State Treasurer to issue qualification certificates to eligible districts valid for one year. Permits Treasurer to limit guaranteed debt per district. Allows the state to pay guaranteed indebtedness by using available state funds, borrowing from the Common School Fund, borrowing short-term, issuing state bonds, or imposing a state property tax.

Requires district to reimburse state for payments, interest, administration costs, and penalty. Repays state from district resources, state funds allocated to district education programs, district Common School Fund receipts and any other state payments to the district.

Takes effect if voters approve HJR 71.

REVENUE IMPACT:

Education Districts: Reduces property taxes due to savings on bond interest. District interest cost reductions will depend on the financial conditions of qualified districts using the guarantee and the amount of bonds guaranteed. Districts will have the state's AA bond rating. Interest savings in 1997-99 will be minor because of the November, 1998 election date. Assuming an average interest rate reduction of 0.15% and $244 million of bonds guaranteed each year, savings will be about $365,000 in 1999-00 and $720,000 in 2000-01. Interest savings will grow over time as more bonds are guaranteed. Annual interest savings would be roughly $3 million in the tenth year and $4.5 million in the twentieth year.

HB 3636

Requires Department of Education to develop uniform budget and accounting system for K-12 schools. Requires data in system to be accessible to the public through the Internet or similar technology. Sets minimum standards for the system. Requires Department to consult with legislative staff, the Department of Administrative Services, and educational interests in developing system.

REVENUE IMPACT:

None.

HB 3695

Allocates Education Endowment Fund earnings.

Transfers first $3.5 million of earnings in 1997-99 to the State School Fund. Transfers any additional earnings during 1997-99 to the State Scholarship Commission for need grants. Beginning in 1999-01 transfers 75% of earnings to the State School Fund (SSF) and 25% to the State Scholarship Commission for need grants. (Note: if SB 346 is approved by voters, HB 3411 further changes the dedication for 1999-01 and beyond.)

Repeals community foundation role in determining distribution of Education Endowment Fund earnings.

REVENUE IMPACT:

School Districts: Increase in SSF aid to schools in 1997-99 of $3.5 million. (Note: SB 5523 reduced the General Fund appropriation to the SSF by $3.5 million thus negating the revenue effect of this bill.)

In 1999-01, the 75% dedication to the SSF will increase school district revenue an estimated $10 million. This transfer will grow in the future as the Education Endowment Fund grows. (Note: If SB 346 is approved by voters, this revenue will be used to repay school lottery bonds.)

HJR 71

Amends state Constitution. Permits the state to guarantee general obligation bonds issued by qualified school districts, education service districts, and community colleges. Allows the state to pay guaranteed indebtedness by using available state funds, borrowing from the Common School Fund, or issuing state bonds. Limits state bonds to one-half of one percent of state taxable property value. Repays state for any district bond payments from state funds allocated to district education programs, recoverable district funds, other designated state funds, and, if necessary, a state property tax.

Requires Legislature to enact implementing legislation (HB 3556).

Submits amendment to voters at the November, 1998 general election.

REVENUE IMPACT:

Education Districts: See HB 3556 which implements this constitutional amendment.

SB 5519

Makes $4,150 million in General Fund appropriations and lottery fund allocations to the State School Fund (SSF).

Appropriates $50 million from the General Fund for one-time school classroom needs in 1997-98.

Limits total SSF distribution to $2,891.1 million in 1997-98 and $2,985.9 million in 1998-99. Dedicates any excess to repaying lottery bonds if program (see SB 346) approved by voters. Repeals 1998-99 limit if lottery bonds not approved.

Designates amount needed from SSF appropriation and community college support appropriation to fully replace Measure 50 school losses. Clarifies this means schools can impose fees without a local vote.

Designates $3,317.2 million from SSF appropriation and community college support appropriation to be tax relief under the state spending limit.

Makes other education appropriations.

REVENUE IMPACT:

See HB 2192 and the appropriation summary at the end of this section.

SB 5523

Makes numerous education and non-education appropriations to Emergency Board, including $5 million for school security needs that was part of the final school funding budget discussions.

Reduces the 1998-99 General Fund appropriation to the State School Fund by $3.5 million. Allocates $3.5 million in Education Endowment Fund earnings to the SSF.

Establishes expenditure limit for school lottery bonds.

Makes other budget changes.

REVENUE IMPACT:

School Districts: The Department of Education must propose a distribution of the security funds and ask the Emergency Board to allocate the funds.

HB 5051

Allocates lottery funds.

Adjusts State School Fund (SSF) appropriations and allocations to shift $5 million from the first year (1997-98) of the biennium to the second.

Sets process for reducing lottery allocations if lottery revenue insufficient.

REVENUE IMPACT:

School Districts: The SSF shifts compensates for changes in the Measure 50 revenue estimates to preserve the year-to-year school funding level in the final school funding budget agreement. See HB 2192 and the appropriation summary at the end of this section.

K-12 SCHOOL APPROPRIATIONS SUMMARY

	General Fund	Lottery	Endowment Fund	Bond Proceeds	Total
1997-98					
State School Fund					
SB 5519	1,843,100,000	200,300,000			2,043,400,000
HB 5051	-22,405,530	27,405,530			5,000,000
Total SSF	1,820,694,470	227,705,530			2,048,400,000
Classroom needs					
SB 5519	50,000,000				50,000,000
Security grants					
SB 5523	5,000,000				5,000,000
Total 1997-98	1,875,694,470	227,705,530			2,103,400,000
1998-99					
State School Fund					
SB 5519	1,901,800,000	204,800,000			2,106,600,000
HB 5051	-22,950,640	17,950,640			-5,000,000
SB 5523, HB 3695	-3,500,000	0	3,500,000		0
Total SSF	1,875,349,360	222,750,640	3,500,000		2,101,600,000
Special bonds					
SB 5523, SB 346				150,000,000	150,000,000
Total 1998-99	1,875,349,360	222,750,640	3,500,000	150,000,000	2,251,600,000

Note: This table includes only those school appropriations that were part of the legislative debate over total school funding. The budget contains other education appropriations for specific purposes.

TIMBER TAXES

SB 107

Extends time from 6 to 12 months for the Attorney General to prosecute where the costs of the State Forester for fire suppression have become a lien on property.

Clarifies the obligation of timber or grazing land owner to pay assessments and taxes for fire protection.

REVENUE IMPACT:

State: Other Fund revenue increase of $500,000 for the 1997-99 biennium. This estimate embraces the Department of Forestry's estimate. It presumes that the changes will reduce legal challenges and will make the Department of Justice more successful in recovering fire costs. As such they are highly speculative.

SB 360

Requires State Forester to establish a system for classifying land in forestland-urban interfaces. Requires 3 to 5 classes that recognize differences in fire hazard, fire risk, and structural characteristics.

Permits counties to establish forestland-urban interface classification committees. Specifies membership and procedures for committees. Requires committees to classify all forestland-urban interface within the county. Requires State Forester to make these classifications if a county fails to do so within two years.

Requires State Board of Forestry to set standards for minimizing fire hazard for each forestland-urban interface classification, to make these available to all owners, and to establish a written evaluation to certify compliance with the standards.

Makes owner who fails to meet standards liable for up to $100,000 of extraordinary fire suppression costs if a fire originates on the owner's land or the ignition or spread of a fire is directly related to failure to minimize fire hazards. Begins this provision two years after rules are adopted or January 1, 2002, whichever is later.

When determining fire protection district assessments, allows State Forester to allocate higher costs of fire protection in a forestland-urban interface classification to the owners in that classification.

REVENUE IMPACT:

State: Other Fund revenue increase for Department of Forestry of $168,666 in 1997-99 and $255,766 in 1999-01 from increases in fire protection district assessments. Landowners in forestland-urban interfaces will pay additional per acre assessments of about 3¢ a year for the 1997-99 biennium and about 4¢ a year for the 1999-01 biennium.

HB 2129

Extends funding of Small Tract Optional Tax (WOSTOT) and reforestation tax credit administration from Western Oregon Severance Tax receipts until June 30, 1999. Funds State Forestry costs of assisting Eastern Oregon non-industrial private landowners from Eastern Oregon Severance Tax receipts.

Values WOSTOT land in same manner as western designated forest land. Repeals law disqualifying WOSTOT land when stand age reaches 90 years. Increases maximum ownership from 2,000 to 5,000 acres. Repeals option to qualify a portion of a tax lot. Declassifies land solely devoted to Christmas trees and landowners with less than 10 acres if property sold or platted. Makes technical changes.

Begins July 1, 1997.

REVENUE IMPACT:

Local: Dedicating severance tax receipts to funding state programs reduces school revenue by $373,000 in the 1997-99 biennium. Diverting severance tax receipts that would have gone to non-schools increases property taxes. Thus non-school revenue is not affected. The reduced WOSTOT land values will shift about $135,000 a year ($270,000 per biennium) in taxes onto other taxpayers.

State: Other Fund revenue increase of $510,000 in the 1997-99 biennium.

HB 2133

Temporarily increases the maximum forest patrol assessments for forest fire protection to 55% of the per acre cost. Affects July 1, 1997 through June 30, 1999.

REVENUE IMPACT:

State: Increases fire protection district assessments (Other Fund) revenue by $1.3 million in 1997-99. Fire protection districts budgets are negotiated with the State Forester so that costs are split between the landowners in the district and the state General Fund. Assuming protection budgets are not affected, this bill reduces the state General Fund contribution and increases the contribution by landowners.

HB 2134

Imposes forest products harvest taxes of 55¢ per thousand board feet for the OSU Forest Research Laboratory and 70¢ for administering the Forest Practices Act.

Applies to 1998 and 1999 calendar years.

REVENUE IMPACT:

State: Increases Other Fund revenues as follows:

	1997-99	1999-01
Forest Research	$2,874,000	$1,718,000
Forest Practices Act	$3,658,000	$2,187,000

Note: These temporary taxes are renewed each biennium. The 1996 and 1997 rates were 50¢ for forest research and 65¢ for the Forest Practices Act. The revenue estimates represent partial biennium effects since the bill only affects the 1998 and 1999 calendar years.

HB 3700

Imposes temporary forest products harvest tax for watershed improvement. Sets the rate at $1.75 per 1,000 board feet for calendar 1998. Requires Department of Revenue set the 1999 rate, up to $2.00, to produce $15 million in total net receipts for the two years. Refunds any taxes collected after $15 million achieved.

Increases fishing license fee surcharges on January 1, 1998. Continues surcharges on catch fees and fishery permits. Sunsets surcharges on January 1, 2004. Dedicates first $1 million of 1997-99 surcharge revenue to watershed improvement.

Establishes Watershed Improvement Grant Fund from proceeds of above taxes above and other gifts and grants. Requires Governor's Watershed Enhancement Board to award grants from the fund for an independent science team, watershed and riparian habitat conservation and education, implementation of watershed enhancement and water quality improvement plans approved by ODOA or DEQ, and the acquisition of nonpossessory interests in land to protect watersheds. Limits eligible projects to those which are funded with matching contributions, are approved by technical committees, and benefit the public through improved water quality, fish or wildlife habitat, or education.

Makes harvest tax contingent on the appropriation of at least $15 million from the General Fund for the Oregon Coastal Salmon Restoration Initiative and related programs. Repeals the tax if any salmonid species is listed as threatened or endangered in Oregon under certain conditions.

REVENUE IMPACT:

State: Increase in Other Fund revenues of $8,244,000 in 1997-99 and $5,356,000 in 1999-01.

Note: This revenue impact is for the harvest tax imposed by this bill. Additional revenue also results from increased fees, as reported on the Fiscal Impact Statement.

HB 3734 [Vetoed by Governor]

Allows forest land owners to elect an alternative tax method. The alternative eliminates timber privilege taxes on harvest (the Western and Eastern Severance Taxes) and increases the property tax land value. Currently timber land is valued at 20% of indexed values set in statute. Under the alternative, the land would be at 100% of the statutory values. (In both cases, these values would be reduced by Measure 50.)

The election is irrevocable and applies to all designated forest land owned directly and indirectly by the person making the election. The election must be made between July 1, 1999 and January 1, 2000.

The land value increase under the alternative method begins in 2000-01 and the privilege tax elimination begins January 1, 2000.

REVENUE IMPACT:

Local: The bill generally reduces taxes of most timber owners. Some the tax savings mean lower government revenue while the rest represent tax shifts onto other taxpayers. The table below summarizes the statewide effect.

	1997-99	1999-01	2001-03
Revenue changes			
School districts	0	-27.7	-40.9
Counties	0	+4.0	+8.4
Other districts	0	+2.4	+5.1
Total revenue change	0	-21.3	-27.4
Tax shifts	0	-13.8	-22.5
Total timber owner savings	0	-35.1	-49.9

In millions of dollars

These estimates assume 98% of timber landowners elect the alternative. This appears reasonable because it produces lower taxes for most taxpayers, especially for large owners who are harvesting on a regular basis. Some owners, however, may elect to stay on the current system, particularly if their timber is far from harvest.

The estimates further assume Measure 50 as implemented in SB 1215. Under Measure 50, timber privilege taxes are offset against non-school taxes only. Measure 50 also fixes operating property tax rates. Because of this treatment, the effect of this bill varies by district.

For counties and other non-schools, eliminating privilege taxes does not reduce revenue. Instead it eliminates the offset, thus increasing property taxes to make up for the lost privilege taxes. In effect, this shifts the tax burden onto other taxpayers. Increasing land values, however, does increase revenue because Measure 50 fixes property tax rates. Thus counties and other local non-schools gain revenue under this bill.

For schools, eliminating the privilege tax reduces revenue. These losses outweigh the property tax gains. So schools lose revenue under the bill.

For bonds, property tax rates are not fixed. So all changes that affect bonds represent tax shifts.

TRANSPORTATION

SB 372

Makes available new special salmon license plate for cars, motor homes, and travel trailers. Imposes surcharge of $15 per plate on issuance and renewal. Pays up-front costs of salmon plate with General Fund loan. Splits net proceeds between the Governor's Watershed Enhancement Board and State Parks.

Makes available new veteran's license plate available only to veterans. Imposes $5 surcharge. Places Purple Heart medal image on plates issued to medal recipients. Requires Department of Veterans Affairs or other group requesting plate program to pay up-front costs. Dedicates net proceeds to Oregon Veterans' Home.

Increases surcharge for existing special plates from $2.50 to $5 generally. Increases Oregon college recognition plate surcharge to $16. Allows college plates to contain the institution's logo or mascot. Requires groups requesting special plates to pay all up-front costs. Stops manufacture of existing special plates unless groups reapply under above provisions.

REVENUE IMPACT:

State: Other Fund revenue increases as follows:

	1997-99	1999-01
Veterans Affairs	$ 85,000	$ 150,000
Higher Education	200,000	220,000
Watershed Enhancement	430,000	865,000
State Parks	430,000	865,000
Other Eligible Groups	7,500	10,000

This estimate assumes: roughly 3.5% of 370,000 veterans will buy plates; 7,800 persons will by college plates (based on a University of Oregon estimate that 2,600 persons will buy "duck" plates); salmon plates will be available in January of 1998 and 1% of vehicles will bite; and 1,000 vehicles will get plates for other eligible groups. Revenue for other groups that may apply, including Oregon Trail Plates, is indeterminate. (Note: each vehicle has two plates.)

SB 459

Allows Department of Transportation to enter into agreements to construct or operate a tollway or related facilities partially or wholly within the Portland metropolitan urban growth boundary. Requires criteria to authorize tollway include consideration of effects on community and local street traffic.

REVENUE IMPACT:

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

SB 757

Allows person requesting a motor vehicle fuel tax refund to use reasonable facsimiles in place of original invoices for documentation.

REVENUE IMPACT:

None.

HB 3043

Allows Port of St. Helens to construct and operate a toll bridge to replace the Lewis and Clark Bridge in Columbia County. Allows joint project with Port of Longview.

REVENUE IMPACT:

Local: Indeterminate. The bill establishes a process but does not require the toll bridge be built. If it is, the port could receive federal and local government revenue, bond proceeds, and tolls, rents, franchise, and other fees associated with the operation of the bridge.

MISCELLANEOUS

SB 1143

Replaces Oil Heat Commission program to clean and remove leaking underground tanks, currently available only to households continuing to use oil heat, with Department of Environmental Quality program available to all households. Pays sliding scale grants based on household income.

Redirects existing 3.5% oil heating assessment to new program. Sets minimum assessment of 2.865%.

REVENUE IMPACT:

State: The 2.865% assessment on heating oil sales will transfer about $3 million per biennium to the Underground Heating Oil Tank Technical Assistance and Grant Fund. This replaces the 3.5% heating oil assessment of the Oil Heat Commission. The assessment raised about $3.6 million per biennium.

HB 2002

Expands ability of television translator districts to impose charges on properties outside or surrounded by the district if there is reason to believe the property is using their signal.

Allows district to broadcast signals originating more than 500 miles away. Allows use of VHF equipment if district provides encoder.

REVENUE IMPACT:

Local television translator districts: Uncertain increase in revenue. The amount depends on local decisions to identify and classify properties using the signal. There are currently three districts operating in the state. The largest, Blue Mountain, estimates the bill could as much as double their revenue in the long run. District revenue next year without this bill is expected to be about $100,000.

HB 2059

Makes technical changes in Oregon tax statutes. Adjusts grammar, syntax and punctuation. Changes obsolete language or provisions. Conforms language to existing statutes. Inserts omitted provisions.

REVENUE IMPACT:

None.

HB 2061

Makes technical changes in Oregon tax statutes. Deletes obsolete provisions including discontinued HARRP, health pool tax credit, tire fee programs, and irrigation district delinquency certificates.

REVENUE IMPACT:

None.

HB 2104

Allows Oregon Racing Commission to allow horse and dog racing at the same facility under one license. Adds Pine Valley Fair Association to the list of non-profit licensees eligible to conduct races. Adds gambling offenses to grounds to deny a license. Makes technical changes.

Reduces the license fee for non profit greyhounds from 3% to 1.6% of gross mutual wagering and reduces the purse supplement for races consisting exclusively of Oregon bred horses and mules from 0.4% to 0.1% of gross mutual wagering.

Allows account wagering in person, by telephone, or by other electronic media as authorized by the Commission. Makes other changes.

REVENUE IMPACT:

State: General Fund increase of $100,000 in 1997-99 and $500,000 in 1999-01. This is based on speculative Racing Commission estimates of the net increase in wagering from allowing betting by telephone or over the Internet. The idea is untested and, in any event, will require time to implement.

The Pine Valley Fair is a small operation with no racetrack and currently there is no nonprofit greyhound racing. So these changes have no revenue impact.

HB 2108

Changes source of per capita personal income data used to distribute beer and wine taxes and liquor revenues to cities from the most recent U.S. Department of Commerce data to the most recent federal decennial census.

REVENUE IMPACT:

Cities: None in aggregate. Individual cities will gain or lose revenue depending on the relative change in their per capita personal incomes between the 1987 Commerce distribution and the 1989 census distribution. Commerce no longer produces these estimates. So further changes in the Census data will result in additional shifts.

HB 2180

Requires state agencies to transmit funds received to State Treasurer within one business day of receipt. Allows reasonably longer period if documented and submitted to the Secretary of State for review.

REVENUE IMPACT:

State and Local: Unknown. State agencies collect revenues for state and local governments. The sooner the revenues are transferred to the Treasurer, the sooner they earn interest. This bill pressures agencies to minimize the time between receipt and deposit of revenues. It does not guarantee revenues will be deposited sooner.

Interpretation of the existing law that money be deposited "forthwith" seems to have been relaxed by a recent Attorney General's opinion. This opinion followed a Secretary of State audit of the Department of Revenue's tax payment processing. The audit found that, on average, tax revenues were deposited three days after receipt and that 1994-95 interest earnings would have increased by $745,000 if the average was one day.

HB 2411

Extends the sunset on the existing 10¢ temporary cigarette tax to January 1, 2000.

REVENUE IMPACT:

Local:	**1997-99**	**1999-01**
Counties	$ -236,775	$ -88,350
Cities	-236,775	-88,350
State:		
General Fund		
Oregon Health Plan	$ 33,037,065	$ 14,558,544
Undedicated	-2,604,530	-971,850
Total	$ 30,432,535	$ 13,586,694
Other Fund		
Special Transit	$ -236,775	$ -88,350
Tobacco Use Reduction	-355,163	-132,525

Note: All revenue from the increased rate is dedicated to the Oregon Health Plan. Other programs lose revenue because the higher tax rate reduces cigarette sales.

HB 2479

Excludes cider from the privilege tax on wine. Imposes a tax on cider of $2.60 per barrel (31 gallons) but not less than the tax imposed on malt beverages.

Takes effect for the first reporting period after the effective date of act.

REVENUE IMPACT:

Reduces total beer and wine privilege taxes by $113,415 for the 1997-99 biennium and by $136,097 for the 1999-01 biennium. These reductions are distributed to both state and local governments as follows:

Local:	**1997-99**	**1999-01**
Cities	-$18,617	-$22,341
Counties	-$5,476	-$6,571
State:		
Other Funds		
Wine Board	-$3,900	-$4,680
Mental Health Division	-$54,757	-$65,709
State General Fund	-$30,664	-$36,797

These estimates assume this bill will tax as cider 9,750 gallons per month of cider currently taxable as wine and 525 gallons of cider which is currently exempt as the product of small wineries. It also assumes that the effective date of this bill is September of 1997.

HB 2585 [Vetoed by Governor]

Reduces the gross receipts tax rate for closed circuit and pay-per-view telecasts of boxing and wrestling events from 6% to 3.5%.

REVENUE IMPACT:

State: Reduces Other Fund revenues as follows:

	1997-99	1999-01
Boxing Commission	-$ 1,927	-$ 1,927
State Police	-$ 29,551	-$ 29,552
Children's Trust Fund	-$ 88,653	-$ 88,655

This estimate assumes current law tax rates would raise $279,919 in both the 1997-99 and 1999-01 biennia and Boxing Commission expenses are $170,665 each biennium of which $8,953 is available from other sources. Of any revenue in excess of Commission expense, 25% remains in the State Police suspense account and 75% is transferred to the Children's Trust Fund.

HB 2623

Expands standing to appeal rulings of local tax authorities to include persons affected as a result of contract, lease or other intervening instrumentality. (Under current law, the right of appeal is limited to the property owner.)

Changes basis for calculating Public Utility Commission assessment on electric companies from per dollar of gross operating revenues to per kilowatt hour of delivered electricity. Limits rate to 0.18 mill. Begins January 1, 1999.

REVENUE IMPACT:

None. The electric company fees are designed to be revenue neutral relative to fees collected in 1997.

HB 2870 [Vetoed by Governor]

Allocates $3.8 million in lottery revenue and $1 million in Racing Commission funds to racing industry development.

REVENUE IMPACT:

State: One-time General Fund revenue reduction of $1 million in 1997-99. Excess Racing Commission funds accrue to the General Fund. So allocating some of these funds to industry development reduces the amount that would otherwise be transferred to the General Fund.

HB 2901

Extends sunset of the telecommunications access fees that fund the Public Utility Commission's residential service protection and hearing and speech impaired programs from January 1, 1998 to January 1, 2002.

REVENUE IMPACT:

State: Other Fund increase as follows:

1997-99	$ 7,000,000
1999-01	$ 9,800,000

Access line charges are set by the PUC, not to exceed 35¢ per line per month, to cover the costs of the residential service protection and hearing and speech impaired programs. The 1996 rate was 25¢ per line per month. This rate produced surpluses and was reduced to 13¢ for 1997 with the expectation it would be increased to 20¢ for 1998. This estimates was based on about 2.1 million access lines and an annual growth of 2% in the number of lines. Analysis of monthly revenues suggests about 2.3 million lines and a rate closer to 18¢.

HB 3722

Changes procedures authorizing city-county consolidations. Changes makeup of Charter Commissions.

Requires that the question of merging an unincorporated area into a city-county be submitted to the electors in the unincorporated area. Makes city-county responsible for county functions in unincorporated areas excluded from the consolidation. Allows unincorporated areas electing not to merge into a city-county to seek to form a new county and specifies procedures to be followed.

Changes the allocation of city shared revenues to city-counties by increasing the proportion of the city-county population used in the distribution formula for city shared revenues over a 10 year phase-in period.

Requires a city-county charter to provide the following when an unincorporated area has elected not to merge into the city-county:

- Special districts will continue in the unincorporated area
- Initial taxes and fees will be at the rate in effect when the charter is adopted
- Any rate increase for taxes and fees, except for correctional facilities, libraries, and animal control, that exceed the rate of population growth in the unincorporated area will not take effect in that area without voter approval by the electors in the unincorporated area.
- The unincorporated area will receive rural service levels for basic city-county services.

REVENUE IMPACT:

Local: Indeterminate. This bill specifies the procedures for city-county consolidations but does not require any specific consolidation. If a consolidation occurs, there may be shifts in property taxes, other taxes and fees, and city and county shares of state revenues.