REVENUE MEASURES PASSED
BY THE
2005 LEGISLATURE

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2005 SESSION OVERVIEW

2005 Legislative Session
Overview of Revenue Policy

Summary

Two major external factors shaped revenue policy decisions in the 2005 session. The first was an improving economy and correspondingly higher revenue projections. The second was federal tax decisions in recent years that directly or indirectly affect Oregon's revenue system.

Although the national recession technically ended in November of 2001, Oregon's personal income tax growth remained below trend until the second year of the 2003-05 biennium. As revenue growth began to pick up, the General Fund revenue forecast for the upcoming 2005-07 biennium was revised upward in both March and for the final close of legislative session forecast. Table 1 compares the December 2004 forecast used for the Governor's Recommended Budget with the final General Fund revenue estimates upon which the Legislatively Adopted Budget is based.

GENERAL FUND REVENUE FORECASTS FOR THE 2005-07 BIENNIUM
Table 1: (IN MILLIONS)

FORECAST	BEGINNING BALANCE	GENERAL FUND REVENUE	GENERAL FUND RESOURCES
DECEMBER 2004	$90.6	$11,068.2	$11,158.8
2005-07 CLOSE OF SESSION	$325.8	$11,326.7	$11,652.5

Between the December 2004 forecast and the close of legislative session forecast, the estimate for 2005-07 General Fund resources was increased by $493.7 million. The higher revenue projections gave the Legislature additional flexibility in developing the 2005-07 budget.

Despite the increasing forecast, the close of session estimate calls for relatively modest General Fund growth in comparison with recent history (see Table 2). Overall General Fund resources are projected to increase 10.4% over the prior biennium. If this growth materializes, it would be the highest percentage change since the 99-01 biennium but still well behind the average biennial growth in the 1990s.

HISTORICAL GENERAL FUND RESOURCE GROWTH
Table 2: (IN MILLIONS)

BIENNIUM	GENERAL FUND RESOURCES	% CHANGE FROM PRIOR BIENNIUM
1991-93	$5,869.6	19.1
1993-95	$6,902.5	17.6

1995-97	$8,227.9	19.2
1997-99	$9,124.7	10.9
1999-2001	$10,460.0	14.6
2001-03	$9,729.0	-7.0
2003-05	$10,551.7	8.5
2005-07 Forecast	*$11,652.5*	*10.4*

General Fund revenue remains highly sensitive to economic conditions due to the dominance of the highly income elastic personal income tax. Personal income taxes are projected to comprise 89.5 % of General Fund revenue in the 2005-07 biennium.

The other major external factor shaping state revenue policy was changes in federal tax law. Oregon is particularly sensitive to changing federal income tax law because of its income tax dependence. The 2003 Legislature changed the state's "rolling reconnect" policy with respect to federal tax base changes. This policy had been in effect since 1997. The 2003 legislation connected Oregon's tax code automatically to changes in federal depreciation treatment and retirement saving accounts but not all changes in federal law pertaining to the definition of taxable income. Therefore, the Legislature must take specific action to connect to other federal tax base changes. The 2003 Legislature did restore the rolling reconnect provisions for federal tax base changes taking place after January 1, 2006.

The 2005 Legislature was confronted with a series of changes to the federal tax base enacted in 2003, 2004 and 2005. The three pieces of federal legislation with the most significant implications for Oregon are the Medicare Prescription Drug Improvement, and Modernization Act (December 2003), the Military Family Tax Relief Act (November 2003) and the American Jobs Creation Act (October 2004). Each of these measures contained some key elements that required changes in state law to become part of the Oregon tax code. Each of these federal acts potentially impacts the state's General Fund.

In addition to these changes in federal income tax law, Oregon and other states continue to review their estate tax laws in response to major changes in federal law approved in 2001. Oregon does not automatically connect to changes in the federal estate tax law.

Senate Bill 31

SB 31 was clearly the most significant tax bill approved by the 2005 Legislature. It connected Oregon to the bulk of federal tax changes occurring prior to December 31, 2004. It also moved up the date for return to the rolling reconnect policy to January 1, 2005. In addition the bill contains a series of tax incentives, some of which represent significant changes in the state's overall income tax policy.

SB 31 connects Oregon to a number of changes in the federal tax code. The most important of these changes are:

- Expanding the definition of qualifying child for purposes of claiming working family child care credit.
- Changing how donations of used automobiles are calculated for purposes of charitable contribution deduction.

- Allowing a deduction for teacher classroom expenses.
- Repealing and phasing out of the extraterritorial income exclusion (ETI) related to income from foreign subsidiaries.
- Excluding income from federal subsidies for certain prescription drug benefit plans offered by employers. SB 31 connects to this particular provision only through December 31, 2007.
- Excluding Qualified Production Activities (QPAI) deduction.

SB 31 does not connect Oregon tax law to the QPAI deduction contained in the American Jobs Creation Act of 2004. Oregon taxpayers will add-back this deduction taken on their federal returns for purposes of calculating their Oregon tax liability.
In-lieu of the QPAI deduction, the Legislature enacted a series of tax changes that effectively make SB 31 revenue neutral. These changes are:

- Converting Oregon's earned income tax credit (currently set at 5% of the federal credit) into a refundable credit. This will allow taxpayers to take the full value of the credit regardless of their tax liability. Refundability takes effect with the 2006 tax year. In addition, the earned income credit is increased to 6% of the federal credit starting January 1, 2008.
- Accelerating the shift in the state's corporate apportionment formula to a sales only basis. Both the 2001 and the 2003 Legislatures increased the weight placed on the sales factor for purposes of calculating taxable income for multi-state corporations. The 2003 Legislature set July 1, 2008 as the date that a full 100% sales factor would be in place. SB 31 moved this date of full implementation to corporate tax years beginning on or after July 1, 2005.
- Expanding the research and development credit for qualified activities. Again building on actions taken by the 2003 Legislature, SB 31 increases the total amount of the credit that can be taken by corporate taxpayers from $750,000 to $2 million. The new cap is effective beginning January 1, 2006.
- Expanding the residential energy tax credit to large purchases of solar energy equipment beginning with the 2006 tax year.
- Creating an exception to the state's sales throwback rule for calculating the sales factor in the corporate apportionment formula. The exception applies to certain sales that are shipped from a public warehouse in Oregon. The corporation must be engaged solely in the activity of storing goods with employees who are engaged only in soliciting sales.
- Establishing a new tax credit for voluntary emergency medical technicians practicing in rural areas. The credit is limited to $250 per filer.

SB 31 also adjusts the property tax law by creating an exemption for a city or public entity not located in Oregon that owns property rights to the Pacific Northwest intertie.

The combined net General Fund revenue impact from all the provisions of SB 31 is a reduction of $3.2 million in the 2005-07 biennium and a reduction of $650,000 in the 2007-09 biennium.

For more detail on SB 31, see pages 16-17.

Other Significant Revenue Bills

SB 853

SB 853 establishes a new tax credit for contributions to newly created university based venture development funds. These new funds are designed to assist in converting innovations based on university research into marketable products. Taxpayers who contribute to the funds can take 60% of the amount contributed as a credit on their Oregon return. No more than 20% of the contribution can be taken in any single tax year. Total venture development contributions eligible for the credit are capped at $14 million. This means the revenue impact is capped at $8.4 million (60% of $14 million). This revenue loss will be recaptured over time under the provisions of the bill. The venture development funds are required to transfer 20% of the income generated from funded activities to the state General Fund until the entire $8.4 million is returned.

SB 996

SB 996 increases the cap allowable for the affordable housing lenders tax credit. The new legislation allows the Department of Housing and Community Services to certify up to $11 million in lenders tax credits up from the current cap of $6 million. The measure also extends the current sunset on the tax credit from December 31, 2009 to December 31, 2019.
The new cap is expected to reduce General Fund revenue by $960,000 in the 2005-07 biennium and $6.9 million the 2007-09 biennium.

HB 2933

HB 2933 provides income tax relief to military personnel by connecting Oregon to recent changes in federal law, including the Military Family Relief Act of 2003. The most important provision of this act is the increase in the amount of death benefits that are excluded from taxation. The bill also exempts Oregon National Guard troops on active duty who are assigned to an Oregon location from state income taxes. This provision is retroactive allowing troops assigned to the Umatilla area in 2001 to amend their returns and exclude the income they received while on active duty. Finally the bill provides additional flexibility for military personnel returning from active duty in terms of filing income tax returns and being subject to possible penalties.
HB 2933 is expected to reduce General Fund Revenue by $2.8 million in the 2005-07 biennium and $875,000 in the 2007-09 biennium.

HB 2450

HB 2450 makes modest adjustments to the school distribution formula. It continues the high cost disability grant and small high school supplement fund. Both were scheduled to sunset in the 2003 legislation. HB 2450 removes the sunsets. The high cost disability grant is modified slightly with the threshold eligible for reimbursement from the state rising from costs above $25,000 per student to costs above $30,000 per student. The total grants remain at $12 million per year with reimbursements prorated if total eligible applicants exceed the amount available. Starting with the 2007-09 biennium, HB 2450 increases the cap on funds available through facility grants. The grants taken from the State School Fund were created in 1997. The current cap is $17.5 million. HB 2450 raises the cap to $25 million. The grant is designed to defray costs up to 8% of eligible new facility expenditures.

HB 3466

HB 3466 repeals the state lottery games based on sports action. Net revenue from these games is currently dedicated to college athletics. The games will be eliminated on July 1, 2007. Lottery revenue will decline by about $3 million per year without the games. College athletics will receive a new dedication equal to 1% of the economic development fund. The economic development fund consists of net lottery proceeds after transfers to counties and debt service on lottery backed bonds. The new sports account is expected to receive roughly $5 million per year from the 1% dedication.

For more detail on these bills see the index on pages 5-9.

Unresolved Revenue Issues

The House and Senate Revenue Committees devoted considerable time to a series of issues that did not result in significant legislation in the 2005 session. These issues are likely to be candidates for interim committee work as well as potential legislation in the 2007 session. The major issues that fall into this category are:

- **Tax Compliance**

  Actions taken by the Internal Revenue Service and California have led many states to reconsider how they are enforcing compliance with their tax laws. In particular the revenue generated in California has caused many states to look at abusive tax shelters and how they might be curtailed. In addition, states continue to use general amnesties as a means of raising revenue and bring more taxpayers into the tax payment system. Both the House and Senate revenue committees approved versions of SB 480 that contained a voluntary compliance initiative and new penalties to draw in taxpayers who have used abusive tax shelters and a general amnesty. 40 states have enacted general amnesties since 1980, some multiple times. However, Oregon has not done so. SB 480 did not become law thereby affording lawmakers further time to assess options and look at results in other states.

- **Reserve Fund Enhancement**

  The revenue effects of the 2001 recession convinced the Legislature to refer a constitutional amendment creating the Education Stability Fund in 2002. This reserve fund is available for all public education if certain economic or budgetary triggers are met. The fund currently receives 18% of Lottery earnings. However, the magnitude of the revenue decline in 2001-03 has led to consideration of additional revenue sources to build the reserve fund more quickly and possibly raise the current cap—now set at 5% of the prior biennium General Fund budget. Both revenue committees approved SB 841 which would have statutorily committed ending balance up to 2% of the General Fund to the Education Stability Fund. In the end the Legislature did approve a task force to review options for the reserve fund (SB 1102) but did not take action to increase the revenue stream flowing into the reserve fund.

- **School Finance**

  A perennial concern of the legislature since the passage of Measure 5 in 1990 has been school funding stability and adequacy. The 2005 Legislature considered a proposal initially in HB 3460, later melded into a version of HB 2450, to dedicate a fixed percentage of projected personal income tax revenue to the State School Fund. This proposal also called for an enhanced reserve fund. Although a modified version of the proposal was later brought forward by the Governor, no legislative action was taken.

ALL REVENUE MEASURES ENACTED

Personal and Corporate Income Tax

SB 25 (CH 297)

Allows the Treasury Department the ability to accept donations for awarding scholarships, grants and other incentives to account owners and their beneficiaries. Allows the Treasury Department the ability to encourage participation in awarding grants or scholarships, providing other incentives to account owners and their beneficiaries or entering into promotional arrangements. Specifies the sources of the Oregon 529 College Savings Network Fund to include gifts and donations made to the State of Oregon. Clarifies that the board can use the money in the fund to pay the administrative costs and expenses of the board and the College Savings Network, to provide scholarships or grants to account owners, potential account owners and their beneficiaries. Excludes Oregon College Savings Network and Board from public contracting law. Applies to public contracts entered into on or after the effective date of the 2005 Act. Attaches an emergency clause to this Act so it takes effect March 1, 2005.

REVENUE IMPACT:

State: This Act will allow the Treasury Department to take measures to increase participation in the College Savings Program. An increase in participation in the College Savings Program could lead to an increase in the Oregon tax subtraction which would reduce personal income taxes to the state. The revenue loss is uncertain and unquantifiable but minimal, less than $50,000 per year.

SB 31A (CH 832)

Expands the residential energy tax credit to taxpayers who purchase large solar electric systems. Increases the limit on the residential energy tax credit per solar electric system to $3 per watt of installed output, up to 2,000 watts ($6,000). Limits the total amount of the tax credit for the electric solar systems to not exceed 50% of the installed cost of the solar electric system. Retains the current law annual limit on the residential energy tax credit of $1,500. Applies to tax credits beginning tax year 2006. Places a 10 year sunset on the tax credits.

Provides a corporate sales throwback exemption for sales that are shipped from a public warehouse. Narrows the scope of the sales throwback exemption to certain taxpayers with sole activity in Oregon being storage of goods in a public warehouse or storing goods in a public warehouse and the presence of employees within this state solely for purposes of soliciting sales. Allows the Department of Revenue the ability to determine if a warehouse meets the definition of ‘public warehouse’ and is not used for tax avoidance purposes. Applies to tax years beginning after January 1, 2006.

Begins a single sales (100% sales factor) corporate apportionment formula July 1, 2005. Increases the maximum amount of the research and development tax credit to $2 million beginning January 1, 2006. Makes Oregon’s earned income tax credit refundable beginning January 1, 2006. Increases the percentage of the federal earned income tax credit to 6% beginning January 1, 2008. Places a 5 year sunset, January 1, 2011, on the refundability of Oregon’s earned income tax credit.

Establishes a new personal income tax credit for volunteer emergency medical technicians (EMT) who have at least 20% of their total emergency medical technician services as a volunteer in rural areas service rural areas in Oregon. Provides a new definition of rural (areas that are at least 25 miles from any city with a population of 30,000 or more) for the new EMT personal income tax credit. Restricts the EMT tax credit to $250. Applies to tax credit certifications made by the Office of Rural Health beginning on or after January 1, 2006. Requires the Office of Rural Health to provide a report, no later than October 1, 2006, to the House and Senate Interim Committees on Revenue. Place a 5 year sunset on the new income tax credit.

Changes Oregon’s date reference for statute pertaining to the definitions of S corporations. Adds a section on who can represent taxpayers in a conference with respect to taxes. Specifies that the Department of Revenue’s rules describing these individuals be consistent with federal law in effect on December 31, 2004. Changes the definition of “Internal Revenue Code (IRC)” as the federal IRC as amended and in effect on December 31, 2004. Re-establishes Oregon’s automatic connection to the federal definition of taxable income beginning on or after January 1, 2005. Connects Oregon’s definition for qualifying child to the federal definition for purposes of the working family child care and the personal exemption tax credit for a disabled child. Requires personal income taxpayers who claim sales taxes in lieu of income taxes as a deduction on their federal income taxes to add back the sales tax deduction in computing Oregon’s income taxes. Requires Oregon to conform to federal law which does not allow a dividend deduction for certain dividends received. Conforms Oregon’s tax treatment of dividends received from foreign controlled corporations with federal law under the 2004 American Jobs Creation Act as well as in the future. Disconnects Oregon tax law from a provision contained in the 2004 American Jobs Creation Act, the qualified production activities subtraction. Disconnects Oregon tax law from the income exclusion of the federal subsidies for prescription drug plans contained in the 2003 Medicare Prescription Drug Act beginning January 1, 2008. Cancels interest or penalties for taxpayers with tax deficiencies that are attributable to the federal law connection changes in this Act. Specifies that if a refund is due, it will not be paid with interest. Allows amended returns for changes in Oregon’s law due to federal tax law changes for tax years before January 1, 2005. Takes effect 90 days after the end of the legislative session. Resolves legal conflicts with other legislation.

Provides an exemption for a city or public entity of a state other than Oregon, if these entities do not own any fee title interest in any real property in Oregon and the property, that is owned in Oregon by these entities, is tangible or intangible property, property rights or property interests in or related to the Pacific NW AC Intertie. Applies to tax year beginning on or after the date a written capacity agreement described above is executed, and in any tax year beginning on or after July 1, 2005.

REVENUE IMPACT:

State: This Act will make numerous changes to the corporate and personal income taxes. There are 4 major policy changes that either create a new personal income tax credit or expand an existing corporate or personal income tax credit. In addition to these income tax credit expansions, which reduce personal or corporate income taxes, there is also an acceleration of the single sales corporate apportionment factor beginning July 1, 2005 which will reduce corporate income taxes. Connecting to recent federal tax law changes will increase taxes on some taxpayers and decrease taxes on other taxpayers. Due to the disconnect of two federal law provisions, the overall change in the general fund revenues from the connection to federal tax law alone will be an increase in general fund revenue in the current and future biennia. The overall revenue impact from all provisions in this Act will be a loss in general fund revenue as specified in the table.

SB 31A*: State General Fund Revenue Impact ($ million)

Fiscal Year	Biennium Revenue Impact ($ million)		
Policy Change	**2005-07**	**2007-09**	**2009-11**
100% Sales Factor	-$ 4.54	-$ 3.18	$ 0
Expand research and development tax credit	-$ 1.99	-$ 6.47	-$ 9.25
Expand residential energy tax credit	$ 0	-$ 0.52	-$ 0.79
Makes Oregon's earned income tax credit refundable and increases the percentage and sunsets the refundability of the tax credit	-$ 7.10	-$ 15.90	-$ 15.55
New Personal Income tax credit for volunteer EMTs serving rural areas	-$ 0.38	-$ 0.57	-$ 0.59
Connection to federal tax law with 2 exceptions	$ 10.85	$ 25.99	$ 23.33
TOTAL:	**- $ 3.16**	**- $ 0.65**	**- $ 2.85**

This Act will also decrease corporate excise taxes for certain sales that are not thrown back to Oregon from other states if the sales are shipped from public warehouses in Oregon and the taxpayer's activities in Oregon are very limited. Given the Department of Revenue rules which would eliminate tax avoidance by companies using public warehouses, the corporate tax revenue loss from eliminating the sales throwback rule for certain sales would be minimal annually.

LOCAL: There will be a reduction in property tax revenue from this Act which exempts certain property value from taxation. This assumes the Department's case will be upheld by the Oregon Tax Court. If this Court rules against the Department the revenue impacts are zero.

Nonrecurring

BN 05-07 = -$4.57 million

Recurring

BN 05-07 -$1.00 million

BN 07-09 -$1.03 million

SB 32 (CH 136)

Provides the Department of Revenue the authority to establish rules to waive penalties on taxpayers for good and sufficient cause that results due to the incident being the first offense for the taxpayer. Allows the Department of Revenue the authority to establish rules to waive penalties so the actions will enhance the long-term effectiveness, efficiency or administration of the tax system.

REVENUE IMPACT:

State: This Act will allow the Department of Revenue to waive penalties for first time tax violators of state tax law. This Act will decrease general fund revenue but only by a minimal amount, less than $50,000 each year.

SB 33 (CH 335)

Specifies that if a taxpayer fails to file a report or return or pay a tax on time, the Department of Revenue shall add a 5% delinquency penalty on the amount of tax owed. Clarifies that only one 5% delinquency penalty can be assessed per tax return and that the Department of Revenue can accept a notice of tax deficiency as a reason for not imposing a delinquency penalty of 5%. Takes effect 90 days after the end of the 2005 legislative session.

REVENUE IMPACT:

State: This Act will allow the Department of Revenue to base the delinquent tax penalty on the actual tax amount the taxpayer is required to pay, not on the amount of tax reported on the tax return. This Act could increase some taxpayers' penalties assessed and could decrease other taxpayers' penalties assessed from the current law penalty calculation but the impact will only be minimal, less than $50,000, each year.

SB 853B (CH 234)

Authorizes state public universities to establish university venture development funds. States that the purpose of the funds is to provide capital for entrepreneurial programs and proof of concept funding for commercially viable products and services. Grants taxpayers who contribute to fund 60% credit against personal and corporate income taxes. Limits credit to 20% of contributions for any given tax year. Caps total venture development fund contributions eligible for tax credits at $14 million--$10 million to the Oregon University System and $4 million to the Oregon Health and Science University. Requires development funds to transfer 20% of income received from funded activities to General Fund until total amount of credits (up to $8.4 million) is reimbursed.

REVENUE IMPACT:

State: The revenue impact estimate is based on contributions to the venture development funds totaling $14 million over the 2006 through 2008 tax years. The total credit impact is $8.4 million expected to be distributed over the 2006 through 2010 tax years. The revenue loss will be recaptured under the provisions of the bill. The amount of time necessary for the General Fund transfers from the income generated by the projects is highly speculative. Transfers are assumed to begin in the 2010 tax year. The timing of the following estimate is subject to considerable variability but the total impact over the long term is highly certain due to the constraints in the bill.

BIENNIUM	TOTAL CREDIT	GENERAL FUND TRANSFERS	NET REVENUE IMPACT
2005-07	-1.2 MILLION	0	-1.2 MILLION
2007-09	-5.0 MILLION	0	-5.0 MILLION
2009-11	-2.2 MILLION	0.3 MILLION	-1.9 MILLION
2011-13	0	1.8 MILLION*	+1.8 MILLION

* General Fund transfers would continue into the future until the entire $8.4 million in tax credits is offset.

SB 896 (CH 693)

Establish a new employer tax credit for wages paid to employees who assist in the manufacture of a water transit vessel. Defines water transit vessel. Specifies that the tax credit is the lesser of $5,000 or 15% of the wages paid to employees during the tax year. Restricts the tax credit to the tax liability of the taxpayer. Clarifies that the wages included in the tax credit calculation can not include wages from employees that the employer receives federal funds for on-the-job training. Allows both a deduction and a credit for the employer. Specifies the employer's total full-time employees must be larger than in the prior year. Applies to persons initially hired on or after January 1, 2006 and the credit begins tax year 2006. Sunsets the tax credit on January 1, 2013.

REVENUE IMPACT:

State: This Act will allow a manufacturer of water transit vessels to claim a tax credit for 15% of the wages paid to new employees hired after January 1, 2006 up to an annual cap of $5,000. The employment forecast for this industry, until 2012, is projected to be less than 50 employees hired in this industry between 2006 and 2012. Given the 2003 average annual wage for this industry of $36,642 and a tax credit of 15% of the average annual wage per new employee as well as the annual cap of $5,000 per employer per year, the state general fund revenue loss would be minimal, less than $50,000 per year.

SB 996B (CH 476)

Changes the annual cap on the amount of affordable housing tax credits that the Housing and Community Services Department can certify to $11 million. Applies to tax years 2005 and beyond. Extends the sunset on the affordable housing tax credit program out 10 years from December 31, 2009 to December 31, 2019.

REVENUE IMPACT:

State: The following table provides the reduction in corporate excise taxes from increasing the annual cap on the affordable housing corporate tax credit from $6 million to $11 million.

SB 996B: Revenue Impact ($11 million cap)	
Fiscal Year	**Revenue Loss ($)**
2005-06	$ (174,491)
2006-07	$ (785,018)
2005-07 biennium	**$ (959,509)**
2007-08	$ (2,735,972)
2008-09	$ (4,210,208)
2007-09 biennium	**$ (6,946,180)**
2009-10	$ (4,206,805)
2010-11	$ (12,859,213)
2009-11 biennium	**$ (17,066,018)**

HB 2191B (CH 559)

Creates a new rebate for people who invest $1 million or more in actual expenses on film, television shows, or commercial productions in Oregon. Details that the Oregon Film and Video Office will pay a rebate to a taxpayer who has been certified by the office, has made special withholding payments and has verifiable actual production expenses to support a claim for a labor rebate. Specifies that the labor rebate equal the amount withheld and deposited in the Greenlight Oregon Labor Rebate Fund. Allows the Oregon Office of Film and Video to deduct the amount of the labor rebate costs incurred to verify the actual film production expenses. If a taxpayer does not have verifiable actual film production expenses in excess of $1 million, then the office may not pay a labor rebate and the moneys in the Greenlight Oregon Labor Rebate Fund may be used for purposes of the Oregon Office of Film and Video. Sunsets the labor rebate on January 1, 2012. Specifies the special withholding rate at 6.2% of the compensation paid for employees who are engaged in qualifying film production until January 1, 2007. For tax years, 2007 and beyond, the Department of Revenue may prescribe by rule a different withholding rate for qualified employers. Requires the person who has the special withholding rate to file a report with the Oregon Film and Video Office. Allows the Department of Revenue up to .5% of the amounts deposited into the suspense account to cover administrative costs. Excludes the labor rebate from Oregon taxable income. Effective 90 days after the end of the 2005 legislative session.

REVENUE IMPACT:

State: The reduction in general fund revenue from the transfer of personal income withholding taxes to the Greenlight Oregon Labor Rebate Fund will decrease general fund revenues by the amounts shown in the table.

Comment: These general fund loss estimates are based on an average withholding rate of 6.2% each year for the next biennium and could change per year if the withholding rate is adjusted significantly by DOR rule. It assumes 2 full feature film productions, 6 independent films, 2 television movies and 10 commercials per biennium. If all of these Oregon film productions are not produced, then the loss to the state general fund revenue will not be as large and the transfer from the general fund to the Greenlight Oregon Labor Rebate Fund will not be made. If additional film productions are made in Oregon, then the revenue loss estimates will be higher to the state general fund and the rebates paid will be higher.

HB 2191B – Personal Income Tax Revenue Impact

Fiscal Year	General Fund Revenue Loss ($ millions)	Other Funds Revenue Increase ($ millions)
	Personal Income Taxes	Greenlight Oregon Labor Rebate Fund
2006-07	-$ 1.58	$ 1.58
2007-08 2008-09	-$ 1.70 -$ 1.67	$ 1.70 $ 1.67
2007-09 biennium	**-$ 3.37**	**$ 3.37**

HB 2389C (CH 826)

Creates a state personal income tax credit for mobile home owners who are involuntarily moved from an in-state mobile home park due to the termination of an owner's rental agreement from the closure of the park. Requires that the fair market value of the mobile home be $110,000 or less to qualify for the tax credit; and household income must be less than $60,000 or less in the tax year in which the mobile home is involuntarily moved. Stipulates that the personal income tax credit will be equal to the lesser of $10,000 per owner or the cost to the owner of moving his mobile home to another location. Allows the total personal income tax credit to be taken in equal payments over 3 years; however, an additional 2 years may be taken if 100% of the credit can not taken within 3 years due to insufficient tax liabilities during this period of time. Makes the personal income tax credit refundable, if the owners' household income does not exceed 200% of federal poverty guideline (FPL) gross annual income for a family unit of the same size as the qualified individual's household. Exempts from personal income or corporate excise taxes the capital gains on the sale of a manufactured dwelling park to one of the following: a tenants' association, facility purchase association, tenants' association supported by nonprofit organization, a community development corporation or a housing authority. Applies to tax years beginning on or after January 1, 2006 and ending before January 1, 2008.

Directs the Housing and Community Services Department to encourage manufactured home dwelling park landlords to provide information to the Department on the number of available spaces in manufactured dwelling parks. Restricts a jurisdiction from prohibiting the placement of a manufactured dwelling in a park solely on the basis of its age if the dwelling is being relocated by reason of the closure of a mobile home or manufactured dwelling park. Applies to tax years beginning January 1, 2006.

REVENUE IMPACT:

State:

Personal Income Tax	Corporate Income Tax
FY0507= -.25 million	FY0507 =$0*
FY0709= -.37 million	FY0709 =$0*

*Between 2001 and 2005, among the 47 mobile home parks that closed, only 1 (i.e., 2%) was sold to a mobile home tenant association. The capital gains tax associated with this sale was roughly $120,000. There is a possibility that a mobile park will be sold to an entity during the next two biennia that will enable a seller to obtain a capital gains tax exemption. However, based on this history of sales, there is a 98% probability that a sale to a tenant association will **not** occur during this period of time. Therefore, absent any estimate of the behavioral changes associated with the proposed exemption on a capital gain, the best FY0507 and FY0709 revenue impact estimate is the one that has the highest probability of being realized (i.e., $0).

HB 2448 (CH 48)

Permits the Department of Revenue to refund amounts determined to be overpayments on original tax returns which were filed more than 3 years after the due date. Limits the refund amount to the taxes paid within 2 years from the date of filing of the claim for refund. Conforms language to correct legislative form. Takes effect 91 days after the end of the legislative session.

REVENUE IMPACT:

State: This Act will allow the Department of Revenue to provide personal income tax refunds to certain taxpayers who did not file their return within 3 years from the due date and overpaid the tax. The additional revenue loss from this measure is uncertain but minimal, less than $50,000 per year.

HB 2449B (CH 210)

Specifies that the default apportionment of tax refunds among married couples is based on the adjusted gross income of each spouse, not the gross earnings reported by the employer. Allows the Department of Revenue the flexibility to accept other methods of apportioning personal income tax refunds to individuals filing a joint tax return by rule. Applies to alternative tax refund apportionment requests made after the effective date of this Act.

REVENUE IMPACT:

State: None.

HB 2451A (CH 49)

Requires the $6,000 of earned income, to qualify for the working family child care tax credit, come from Oregon sources for nonresidents. Specifies that the greater of either the federal adjusted gross income or the Oregon adjusted gross income for the tax year must not exceed 250% of the federal poverty level. Applies to tax years beginning on or after 2005.

REVENUE IMPACT:

State: This Act will increase state general funds by reducing the usage of the working family child care tax credit by nonresidents. The increase in state revenue will be between $26,426 and $28,044 annually over the next 2 bienniums.

HB 2451A – Revenue Increase ($)	
Fiscal Year	**Revenue Increase**
2005-06	$26,426
2006-07	$26,955
2005-07 biennum	**$53,381**
2007-08	$27,494
2008-09	$28,044
2007-09 biennum	**$55,537**

Note: These estimates assume that annually approximately 200 nonresidents will be disqualified from receiving the working family child care tax credit with an average credit amount of $127. These estimates also assume no change in current law tax credit requirements for part-year residents.

HB 2452B (CH 387)

Provides guidelines for allowing pass through entities to file a composite personal income or corporate excise tax return with the Department of Revenue on behalf of the nonresident owners who choose to be part of the composite return. Specifies that a composite income tax return must include at least one nonresident owner. Outlines the components of the composite income tax return such as the share of distributive income from Oregon sources of each electing owner and the amount of tax withheld by the pass through entity for each electing owner. Allows an electing owner to file a nonresident personal income tax or corporate excise tax return for the tax year in which the owner was part of a composite tax return and be given credit for any tax paid on his/her behalf by the pass through entity. Requires pass through entities to withhold taxes on distributive income from nonresident owners if the owners are not electing to be part of a composite tax return provided there is at least one nonresident owner with a distributive share of income in excess of $1,000. Outlines other conditions under which a pass through entity is not required to withhold taxes on behalf of nonresidents. Provides an exception from having personal income taxes withheld for nonresidents who have distributive income from certain trusts. Applies to tax years beginning on or after January 1, 2006.

REVENUE IMPACT:

State: This Act will require pass through entities to pay withholding taxes on Oregon source distributive income to nonresident owners who are not electing to be part of a composite tax return. This Act will increase state general funds by providing the Department of Revenue with this additional mechanism for collecting personal income taxes assessed on Oregon sourced distributive income of nonresident shareholders of pass through entities. The amount of additional tax collected each year is indeterminate but minimal, less than $50,000 per year.

HB 2453 (CH 54)

Extends the current law time period for taxpayers to claim a refund or be given a notice of deficiency for income, gains, losses, deductions or credits that are from a pass through entity. Allows the Department of Revenue up to 3 years from the date the pass through entity files a tax return to make a refund or send a notice of deficiency for income, gains, losses, deductions or credits that are from a pass through entity. Effective 91 days after the end of the legislative session.

REVENUE IMPACT:

State: This Act will allow additional refunds as well as claims to be assessed on taxpayers who have Oregon source distributive income, gains, losses, deductions or credits from pass through entities. The overall impact is indeterminate but minimal, less than $50,000, annually.

HB 2454 (CH 55)

Specifies the allocation procedure in statute for pass through entities' income, gain, loss, deduction or credit for part-year residents and non-residents. Specifies that the allocation to Oregon of income, gain, loss, deduction or credit from a pass through entity shall be based on the percent of total days in the tax year that the taxpayer was a resident of Oregon for part-year residents. Specifies that the allocation of Oregon source income, gain, loss, deduction or credit from a pass through entity shall be based on the percent of total days in the tax year that the taxpayer was an Oregon nonresident. Applies to tax years beginning on or after January 1, 2002. Allows audits or adjustments to occur by the Department of Revenue for any tax years in which a tax return is under appeal or any tax year in which a claim for refund may be made after the effective date of this 2005 Act.

REVENUE IMPACT:

State: None.

HB 2933C (CH 519)

Eliminates the outstanding personal income tax liability, interest and penalties for a member of the Armed Forces who is on active duty or who is a member of the National Guard, the military reserve forces or other militia, performing service under Title 10, for 90 days or more consecutive days and lose their life while on active duty. Specifies that the personal income tax, interest and penalty elimination is provided to taxpayers who die on active military duty on or after Sept. 11, 2001. Restricts the outstanding tax liability, interest and penalties to the period of time the military personnel had been on active military duty. Permits taxpayers to amend prior years' tax returns until December 31, 2006. Allows all Oregon active duty military personnel 6 months after they return to Oregon to pay their unpaid personal income tax liability, interest and penalties. Effective for future active duty military personnel returning to Oregon on or after 90 days after the end of the legislative session. Exempts from personal income tax the military compensation for active duty Oregon National Guard, military reservists or organized militia who perform their military service in Oregon. Applies to tax years beginning on or after January 1, 2001. Allows refunds of personal income taxes beginning January 1, 2001 and before January 1, 2002 if the claim for refund is based on the inclusion of military compensation. Refunds must be made before July 1, 2006. Establishes an automatic connection to federal law changes pertaining to the exclusion amount from federal taxable income for combat zone compensation received by a member of the armed forces. Applies to tax years beginning on or after January 1, 2001 or any tax year affected by the Military Family Tax Relief Act of 2003. Connects Oregon tax exemption treatment to federal law changes in the future for combat zone compensation received by a member of the armed forces. Effective 90 days after the end of the legislative session.

REVENUE IMPACT:

State: This measure will decrease personal income tax liability for military personnel and active duty military personnel performing service in Oregon. This Act will also exempt the tax liability of all deceased military personnel since Sept. 11, 2001. This Act will also connect Oregon to recent changes in federal law and any future changes in federal law pertaining to military compensation. HB 2933C will connect to the 2003 Federal Military Tax Relief Act as well as the recent increase in the military death benefits to $100,000. The following table provides the personal income tax revenue loss estimates from the various changes to military compensation.

HB 2933C – Personal Income Tax Revenue Impact

Fiscal Year	Personal Income Tax Revenue Loss ($ 000)		
	Connecting to Federal Legislation	Exempting all active duty pay within Oregon	TOTAL
2005-06	-$ 1,365.9	-$ 858.3	-$2,224.2
2006-07	-$ 485.8	-$ 73.2	-$ 532.0
2005-07 biennium	-$ 1,851.7	-$931.5	-$2,783.2
2007-08	-$ 409.7	-$ 75.2	-$ 484.9
2008-09	-$ 313.5	-$ 77.2	-$ 390.7
2007-09 biennium	-$ 723.2	-$152.3	-$ 875.5

Comment: It is assumed over time that the number of active duty military deaths of Oregonians declines. In addition, it is assumed that only a small portion of the military personnel will defer their personal income tax liability for 6 months. In addition, the personal income taxes will eventually be paid in the next fiscal year so the overall revenue impact from allowing military personnel to defer taxes for 6 months is minimal each year. It is also assumed that the tax liability that is exempt from income tax would be for the military pay only and not the tax liability of the spouses of military or other income earned prior or after military service.

HB 2951B (CH 485)

Extends the current law sunset date of January 1, 2007 on the dependent care assistance income tax credit to January 1, 2017.

REVENUE IMPACT:

State: Under current law, the dependent care assistance tax credit will sunset on January 1, 2007. Extending the sunset date on the tax credit will have the following revenue losses to the state general fund.

HB 2951B– Tax Revenue Loss ($) from Sunset Extension

Fiscal Year	Corporate Excise	Personal Income	Total
2007-08	-1,719,575	- 55,000	-1,774,575
2008-09	-2,129,632	- 56,650	-2,186,282
2007-09 biennium	**-3,849,207**	**-111,650**	**-3,960,857**
2009-10	-2,258,569	- 58,350	-2,316,919
2010-11	-2,352,729	- 60,100	-2,412,829
2009-11 biennium	**-4,611,298**	**-118,450**	**-4,729,748**

HB 3350B (CH 595)

Provides a new definition for qualified location for the small city business development income tax exemption. Expands the county unemployment rate criteria from highest quartile to top half of county unemployment rates in the state as criteria for determining the qualified location for the income tax exemption. Expands the county per capita personal income criteria from lowest third to bottom half of county per capita personal incomes in the state as criteria for determining the qualified location of tax exemption. Specifies that either the county unemployment rate or the per capita income criteria can qualify a county for the small city business development income tax exemption. Applies to tax years beginning on or after January 1, 2006. Eliminates the minimum annual compensation requirements under current law that employers must pay employees in order to qualify for the income tax exemption. Specifies that OECDD must still approve applications that meet the other requirements, besides the minimum annual compensation requirements, specified in current law under ORS 285.506 (5)(a) and (b) and ORS 285.506 (5)(c). Applies to tax years 2006 through 2010. Restores the minimum annual compensation requirements under current law in order for businesses to qualify for the income tax exemption beginning January 1, 2011. Eliminates the cap of $100 million of real market value on the total amount of investment allowed in each rural renewable energy development zone. Allows the total amount of investment per project that can be approved to be set forth in a local resolution for the rural renewable energy development property tax exemption. Effective 91 days after the end of the legislative session.

REVENUE IMPACT:

State: This Act will reduce income taxes paid by new businesses beginning 90 days after the end of the legislative session for tax year 2005. The revenue loss estimates are provided in the table below. In the 2005-07 and 2007-09 bienniums, the revenue loss would be minimal, less than -$50,000. In the 2009-11 biennium, the revenue loss is estimated at -$74,494.

Comment: It is assumed that only 3 new businesses will be started initially in the first year and that only half of the businesses will have tax liability in the first year. In future years, it is assumed that progressively more businesses will have tax liability to exclude and that by 2010 39 new businesses will have come to small cities between 2006 and the end of 2010. In 2011, the wage requirement for the new jobs will be in effect in law again and this will reduce the number of new businesses that qualify for the income exemption.

LOCAL: This Act will change the total limit on the rural renewable energy development enterprise zones from $100 million in real market value per zone to an undefined amount determined in a local resolution or $100 million in real market value per project if the local resolution does not specify the total property tax exemption amount. This change would most likely reduce local property taxes over current law because it is allowing local governments to negotiate an exemption amount in excess of $100 million in real market value. The additional amount of the property tax revenue loss is indeterminate.

HB 3358 (CH 575)

Creates a personal income tax credit for taxpayers who contribute to an individual development account (IDA) under certain conditions. Requires a taxpayer who has contributed to an individual development account to have purchased a primary residence during the tax year and used all or part of an IDA to pay for settlement, financing or other closing costs. Specifies that the tax credit is equal to the lesser of either the amount of money withdrawn from the IDA for purchase of a primary residence, the amount of reasonable settlement, financing and other closing costs incurred or $2,000. Limits the tax credit to the tax liability of the taxpayer and does not allow a carry forward of the tax credit. Allows this tax credit for nonresidents or part-year residents without proration. Applies to tax years beginning on or after January 1, 2006.

REVENUE IMPACT:

State: This Act will reduce personal income tax revenue due to the new personal income tax credit for taxpayers who use IDA funds to pay for costs associated with home purchases.

HB 3358 – Revenue Loss Estimates ($ 000)	
Fiscal Year	**Personal Income Tax Reduction**
2006-07	**- $ 23.59**
2007-08	**- $ 32.34**
2008-09	**- $ 41.54**
2009-10	**- $ 51.18**
2010-11	**- $ 61.01**

Assumptions: These revenue estimates assume 75 IDA accounts initially will purchase homes using IDA account funds and claim a tax credit with an average tax liability of $315. Over time it is assumed that the number of individual development accountholders using the tax credit will grow to 200 taxpayers per year.

Property Tax and Local Government Revenue

SB 29 (CH 213)

Clarifies that a property's real market value, not some other type of value such as assessed value, will be multiplied by the change percent ratio (CPR) in order to determine a property's maximum assessed value. Effective Date January 1,2006

REVENUE IMPACT: None

SB 31A (CH 832)

Creates an exemption for cities or public entities of a state other than Oregon, if they do not own any fee title interest in any real property in Oregon. [A fee title or fee simple interest in property means that an owner has unconditional power of disposition of the property during the owner's lifetime]. Restricts the exemption to cities or public entities located outside Oregon that have tangible or intangible property, property rights or property interests in or related to the Pacific Northwest AC Intertie. Applies to tax years beginning on or after the date a written capacity agreement is executed, and in any tax year beginning on or after July 1, 2005.

REVENUE IMPACT:

Local:

Nonrecurring	BN 05-07 = - $4.57 million
Recurring	BN 05-07 = - $1.00 million
	BN 07-09 = - $1.03 million

SB 267 (CH 224)

Establishes that the Oregon Tax Court may determine the real market value or the correct valuation of property that is subject to special assessment based on evidence before the court, without regard to the values pled by parties. Applies to appeals on or after the January 1, 2006 and to appeals that are pending in tax court on the effective date January 1, 2006.

REVENUE IMPACT: None

SB 283A (CH 688)

Creates an exemption or special assessment for a limited liability company (LLC) if the LLC is wholly owned by one or more nonprofit corporations and the property would qualify for exemption or special assessment if directly owned by the non-profit corporation. Lowers the existing 70% Medicaid-residency requirement to 50% for certification of a long term care facility as a nursing facility, assisted living facility or residential care facility. Applies to certifications issued for tax years beginning on or after July 1, 2005. Establishes that the Department of Revenue may prosecute any officer, employee or member who may be jointly and severally liable for the payment of withheld personal income taxes. Grants the Tax Court the authority to determine if additional individuals are liable for unpaid withholding taxes, without being confined to the Department of Revenue's initial determination of liability. Applies to cases taken to Tax Court on or after the effective date, November 4, 2005.

REVENUE IMPACT:

State:	Personal Income Tax	
	BN 05-07 =	<+$50,000 minimal
	BN 07-09 =	<+$50,000 minimal
Local:	Property Tax	
	BN 05-07 =	- $.13 million
	BN 07-09 =	- $.14 million

SB 341 (CH 6)

Establishes that a city located in an urban growth boundary that was incorporated after 1990 may issue an 18 month obligation in anticipation of tax revenues or other income prior to the beginning of the fiscal year in which the city expects to receive these revenues. Establishes that these obligations may not exceed 80% of the lawfully available funds that the city reasonably expects to receive; and the anticipated revenues used to retire the obligations may not include grant income. Declares emergency. Takes effect upon passage, March 24, 2005.

REVENUE IMPACT: None

SB 479C (CH 637)

Creates a 5-year property tax exemption for purchases of certain types of new equipment by qualified companies. Qualified companies must be engaged in the business of freezing, canning, dehydrating, concentrating, preserving, processing or repacking raw or fresh fruit, vegetables, legumes, seafood, or nuts, excluding seeds and grains. The exemption pertains to activities that occur before point of first sale by the processor. Applies to tax years beginning on or after July 1, 2006, and ending on or before July 1, 2011. Effective January 1, 2006.

REVENUE IMPACT:

Local: BN 05-07 = - $ .93 million

BN 07-09 = - $ 1.95 million

SB 839A (CH 176)

Extends the sunset provision from January 2006 to January 2012 for a current statue that exempts multi-family rental units located in (a) light rail station areas, (b) transit-oriented areas, or (c) a designated area where units are subject to a low income housing contract with an agency or subdivision of this state of the United States. Effective January 1, 2006.

REVENUE IMPACT:

Local: BN 05-07 = - $ 0.31 million

BN 07-09 = - $ 2.07 million

SB 847A (CH 470)

Creates a local option 10-year property tax exemption for newly-constructed, 'single-unit', owner-occupied housing units that are located in a city's 'distressed' area. A 'single-unit' is defined as a single dwelling unit that is occupied by one person or one family. It may be a single-family, detached housing unit, a row house, a town-home that shares a common wall with other similar units, or a condominium in a multi-family building. A 'distressed 'geographic area is defined as a deteriorated residential area that is unsafe and may contain a significant number of vacant or abandoned dwellings in it. A unit that is qualified for the exemption must have a market value that is no more than the lesser of 120% of the city's median housing value or a percentage adopted by the city. Sunsets on July 1, 2015. Takes effect on November 4, 2005.

REVENUE IMPACT:

Local BN 05-07 = - $3.93 million

BN 07-09 = - $4.2 million

SB 879A (CH 237)

Modifies the process for administering Oregon's strategic investment program by requiring that applicants submit their applications to the Oregon Economic and Community Development Commission. Modifies conditions that must be satisfied for approval of these applications. Applies to eligible projects on or after January 1, 2006.

REVENUE IMPACT: None

SB 887C (CH 844)

Prevents the City of Beaverton from annexing certain territories, unless the city obtains approval from the residents of these territories. This provision is repealed on January 2, 2008. Describes the process for cities to follow in order to obtain resident approval for proposed territorial annexations. The provisions related to this process shall be repealed on July 30th 2035, unless amended before that date. Prohibits annexation of territory within a city's urban growth boundary if the property is zoned for industrial use, exceeds certain acreage requirements; and the land has been used continuously by a business for specified periods of time. These provisions shall be repealed after the effective date of this 2005 Act and before January 2, 2035.

REVENUE IMPACT: None

SB 899B (CH 750)

Establishes that a taxing district must submit its annual budget documents to its county's tax supervising and conservation committee if that county does not have a county clerk. Section 7 establishes that each county with a population of 500,000 or more, according to estimates provided by the Portland State Population Research Center, shall elect either seek to establish a tax supervising and conservation commission under ORS 294.605 or require that each municipal corporation submit its financial summary to the county prior to the date of this entity's first budget committee meeting. Effective January 1, 2006.

REVENUE IMPACT: None

HB 2199B (CH 119)

Moves oversight of the State's 'vertical housing program' from the Economic and Community Development Department to the Oregon Housing and Community Service Department (OHCSD). Expands the partial exemption to cover land values and revises the formula for determining the portion of a building that is exempt based on the portion of total floor space that is allocated for low-income residential use. Under prior law the number of floors allocated exclusively for low-income residential determined the value of the exemption. Allows the exemption if only one building in a vertical housing project is multi-level, as opposed to prior law which required that all buildings had to be multi-level. Sunsets on or after January 1, 2016. Takes effect 90 days after Sine Die (i.e., October 10, 2005).

REVENUE IMPACT:

Local:	BN 05-07 = - $ 0.26 million
	BN 07-09 = - $1.36 million

HB 2234 (CH 667)

Authorizes designation of 6 additional E-Commerce enterprise zones effective July 1, 2006. Changes the sunset provision for Long Term Enterprise Zones (LTEZs) from December 31, 2006 to June 30, 2009.For tax years beginning on or after January 1, 2005, HB2234 clarifies that corporations located in LTEZs, may not take all of the available tax credits against their corporate income taxes if taking these credits will produce a net corporate tax liability that is below LTEZ thresholds. Clarifies that no transfers into LTEZ Fund will be made unless the taxpayer had a tax liability before taking credits against .it.

REVENUE IMPACT:

State:	Corporate Income Tax
	BN 05-07 = - $.18 million
	BN 07-09 = - $4.5 million
Local:	Property Tax
	BN 05-07 = - $0.01 million
	BN 07-09 = - $0.08 million

HB 2356B (CH 239)

Modifies procedure for approval of subdivision plat or partition plat. Effective June 16, 2005.

REVENUE IMPACT: None

HB 2511B (CH 389)

Adds the International Association of Lions Clubs, the Soroptimist International, the Rotary International, and the Kiwanis International to the list of exempt 'fraternal' organizations. Effective January 1, 2006.

REVENUE IMPACT:

Local:	BN 05-07 = - $0.02 million
	BN 07-09 = - $0.02 million

HB 2581 (CH 657)

Establishes that vermiculture is an agricultural activity that is eligible for partial exemption.

REVENUE IMPACT: None

HB 2659A (CH 394)

Retains the existing statutory 6-year limit for filing a refund claim. However, the approval process for a claim is simplified. Following the submission of a claim to the county governing authority on or before the end of the 6-year expiration period, an order from the Department of Revenue, or the Oregon Tax Court, or the Supreme Court will constitute a final determination of the matter. In addition, a county assessor or tax collector may issue a written stipulation that constitutes a final determination of the matter. Effective 90 days after Sine Die (i.e., October 10, 2005).

REVENUE IMPACT:

Local: BN 05-07 = - $3.3 million

BN 07-09 = $0

HB 2776B (CH 549)

Eliminates the calendar year (CY) 2010 sunset date for the historical property, special assessment program which has a 15-year term for each property.

Subject to approval by the governing body in which the historical property is located (either a city or the county for properties located in unincorporated areas), owners of historically designated residential properties may reapply and obtain a second 15 year period of special assessment. Repeals the special assessment when a property is either sold or transferred, unless the new owner assents to the preservation plan in effect for the property.

REVENUE IMPACT:

Local: BN 05-07 = - $0 .48 million

BN 07-09 = - $3.1 million

HB 2916 (CH 128)

Eliminates that requirement that a library must maintain actual operating expenditures for public library services, or maintain a percentage of property taxes dedicated to library services in order to be eligible for state financial assistance. Effective June 30, 2005.

REVENUE IMPACT: None

HB 2945B (CH 520)

Increases homestead or personal property exemption amounts for qualified disabled veterans; and modifies the eligibility requirements. The exempt amounts are increased from $10,160 to $15,000 of assessed value for a disabled veteran and from $13,500 to $18,000 for a veteran with a service-connected disability. Modifies the veteran's income eligibility requirement by limiting it to no more than 185% of the federal poverty guidelines. Become effective on July 1, 2006.

Grants a property tax exemption on homestead property up to a $60,000 of assessed value if claimants satisfy the following criteria: (1) they are members of Oregon National Guard, military reserves or active militia, and (2) after performing service under Title 32, changed their status to performing service under Title 10 of the United States Code for more than 178 days during the tax year in which the exemption is claimed. Provides for refunds if taxes have been paid. Requires that exemption amount will grow annually by 3% during the time period that the homeowner is eligible to claim the exemption. Creates an April 1 filing date for the exemption that must be applied for each year. Adds a $10 late filing fee if a person filed for the exemption in the prior year, but did not file on time in the current year. Stipulates that the exemption will pertain to homestead property and that only one valid claim will be allowed in any one year. A claim may be submitted by either the qualified person or the lawful occupant of the homestead that is owned by qualified person. Takes effect on the 91st day after the date on which the regular session of the 73rd Legislative Assembly adjourns sine die.

REVENUE IMPACT:

Local:	BN 05-07 = - $2.25 million
	BN 07-09 = - $4.41 million

HB 3143C* (CH 704)

Authorizes the Department of Economic and Community Development to approve designation of up to 10 urban or rural enterprise zones, bringing the number of enterprise zones up to a total of 59. Removes from ORS 285C.306 the population density requirement associated with the designation of a reservation enterprise zone. A company located in an enterprise zone (EZ) that is disqualified from the EZ tax abatement program, will not be subject to paying property taxes for prior years if the disqualification was a direct result of physically destroyed property that was beyond the control of the firm. Enables a port, with prior consent of a city, to apply to the Economic and Community Development Department any wholly or partially shared territory of both the port and the city as an enterprise zone. Enables a city, with prior consent of a port, to apply to the Economic and Community Development Department any wholly or partially shared territory of both the port and the city as an enterprise zone. Enables a port located in whole or in part within an existing enterprise zone to submit a request to the Economic and Community Development Department to be a cosponsor in an existing enterprise zone. Stipulates that the request must be a submitted with a copy of resolutions of approval by both the governing body of the port and the current sponsors of the existing enterprise zone.

REVENUE IMPACT:

Local: Non-recurring

BN 05-07 = - $70,000

Recurring

BN 05-07 = - $1.31 million

BN 07-09 = - $6.87 million

HB 3359 (CH 135)

Exempts from property tax, aircraft used or held by foreign-owned carriers. Applies to tax years retroactively on or after July 1, 2004. Takes effect January 1, 2006.

REVENUE IMPACT: None

HB 3441A (CH 417)

Provides that the electors of a municipal corporation having a population exceeding 200,000 that is located in a county that has a tax supervising and conservation commission may elect by resolution to create a budget committee, Takes effect January 1, 2006.

REVENUE IMPACT: None

Timber Taxes

SB 786A (CH 541)

Establishes that the State Forester may use means to acquire seedlings other than operating a state forestry nursery. Requires that the State Forester report to an interim committee of the Legislative Assembly no later than October 1, 2008 on the means that are selected to secure forest tree seedlings. Effective January 1, 2006.

REVENUE IMPACT: None

HB 2122C (CH 796)

Establishes various forest products harvest tax rates for the calendar years 2006 and 2007. Retained the previously enacted rates of $.50/thousand board feet (MBF) as a funding source for fire suppression and $.67/MBF used as funding for Oregon's Forestry Research Laboratory. The rate for funding the administration of the Forest Products Harvest Tax is reduced from $.79/MBF to $.55/MBF. Revenue estimates are based on estimates that 8.19 billion board feet will be harvested in both 2005-07 and 2007-09.

REVENUE IMPACT:

State: Forest Products Harvest Tax

BN 05-07 = + $22.19 million

BN 07-09 = + $22.86 million

HB 2327C (CH 802)

Establishes policy for funding fire protection. Declares that State Forester shall prepare a budget request for a General Fund appropriation that may be used for either the purchase of insurance under ORS 477.775, or the placement of centrally assessed fire suppression resources; or short term contingency resources based upon predictions of a heavy fire season. Forbids Forester or other state agency from interfering with owner taking action to suppress fire on owner's land unless action would increase risk to persons or equipment.

Changes the level of the unemcumbered balance of the Oregon Forest Land Protection Fund (OFLPF) from $15 million to $22.5 million, below which the State Forester may levy or assess each improved parcel a $38 surcharge, except as provided in ORS477.760 in order to defray the cost of increased fire suppression of forestland caused by the existence of improvements.

Changes ORS 477.760 (3) by increasing from $22.5 million to $30 million, the OFLPF reserve base threshold level above which no taxes, surcharges or assessments pursuant to ORS 321.015 (2) (i.e., the $.50/thousand board feet rate of the Forest Products Harvest Tax used for fire suppression),ORS 477.277 (i.e., additional assessments to maintain the reserve base), or ORS 477.880 (i.e., acreage assessments in selected areas) may be collected for the following fiscal year. Declares that these taxes, surcharges and assessments shall be reduced by 50% for the following fiscal year if the OFLPF reserve base exceeds $22.5 million but is less than or equal to $30 million.

For the purposes of making the levy and assessment of costs against forestland under ORS477.270 (i.e., the cost of forest protection to privately owned property if the unencumbered balance of the OFLPF from over $22.5 million but less than or equal to $30 million, the minimum rate charged by the State Forester is increased from $15 to $16.50 per parcel or lot. For a balance over $30 million, the rate is set at $15 per parcel or lot; and for a balance at or below $22.5 million, the rate is set at $18 per parcel or lot

Defines annual expenditures of the OFLPF to mean the expenses of the OFLPF obligated in any 12-month period designated by the Emergency Fire Cost Committee by rule that corresponds to the policy period of any insurance for emergency fire costs. Declares that prior to February 1 of each year, the Emergency Fire Cost Committee and State Forester shall determine whether fire insurance is advisable and if they agree to purchase insurance, the payment will be made from the General Fund. Directs the State Forestry Department to reimburse the General Fund one half of the premium amount that was paid from the General Fund to purchase 'emergency fire suppression insurance' coverage for the period from April 1, 2005 to March 31, 2006. Declares state of emergency.

REVENUE IMPACT: None

HB 2340A (CH 620)

Unless expressly prohibited from doing so by the documents that created it, a rural fire protection district board may adopt an ordinance, as provided in ORS 198.510 to 198.600 that creates a fee for any service it provides. However, the fee may not exceed the cost of the service provided. Grants the fee authority in addition to any authority granted under local law or by the documents that created the district.

REVENUE IMPACT:

Local: This bill contains an enabling language, which if used will yield possible (maximum) revenue to the respective districts up to the following ceiling.

Service Fees provided by Rural Fire Protection Districts

BN 05-07 = + $12.8 million

BN 07-09 = + $13.0 million

HB 2868A (CH 400)

Simplifies the time requirements for filers and clarifies the administrative process for handling a filer's application for the continued qualification of a parcel as a small tract forestland (STF) specially assessed property. Establishes that when a STF designated property is either sold or transferred, the new owner/transferee has 30 days from date of notification to apply for a continued STF designation. If this application is filed before June 1, the assessor shall process the application beginning that July 1. If the application is filed after June 1, the assessor may not disqualify the land as STF, but he/she will process the application for the subsequent July 1. Creates a $200 late filing fee for applications filed after the 30 day notification period has ended, but on or before December 15th of the first year for which the forestland would otherwise have been disqualified from the STF assessment.

Establishes how additional taxes will be computed if a parcel is disqualified for a STF special assessment. Unless the tax assessor disqualifies a parcel from the STF and determines that it does not constitute forestland, the parcel will automatically qualify for special assessment as either a Western or Eastern Oregon forestland designation. If a disqualified STF parcel is eligible for a special assessment designation as Western or Eastern Oregon forestland, as exclusive farm use, or as a wildlife habitat, then additional taxes are computed as the difference between the taxes that were paid under the STF assessment and the amount that would have been owed under one of these other designations for the lesser of 10 years or the number of consecutive years that the land was designated STF. If a disqualified STF parcel is not eligible for other types of special assessment, then the additional taxes are computed as the difference between the taxes that were paid under the STF assessment and the taxes that would have been owed against the land for the lesser of 5 years or the number of consecutive years the land was designated forestland.

Applies to tax years beginning on or after January 1, 2005; and to STF assessment disqualifications occurring on or after January 1, 2005. Effective 90 days after Sine Die (i.e., October 10, 2005).

REVENUE IMPACT:

Local: Late Filing Fees

BN 05-07= + $0.02 million

BN 07-09 = + $0.02 million

School Finance

SB 24 (CH 296)

Specifies that all types of income derived from the investment of the Common School Fund, after expenses and up to the amount the State Land Board deems appropriate, are credited to the Distributable Income Account within the Common School Fund.

Deletes the requirement that losses from the sale of Common School Fund equity investments be deducted from the Distributable Income Account.

REVENUE IMPACT:

School Districts: Funds in the Distributable Income Account will more likely be sufficient to meet the 2% minimum distribution policy of the State Land Board. Prudent investment policy can be followed without jeopardizing the minimum distribution policy.

SB 1071 (CH 834)

Creates Oregon Virtual School District within the Department of Education. Specifies purpose is to provide online courses for public school students in grades K-12. Requires courses to meet statutory academic content standards and State Board of Education criteria. Allows Superintendent to contract for online courses from various public sources. Exempts virtual district from statutes and rules applicable to other school districts unless specifically included. Grants State Board authority to adopt rules and specify criteria for online course selection and qualifications for student access.

Establishes Oregon Virtual School District Fund. Transfers $2 million to the fund from the State School Fund for the 2005-07 biennium. Specifies that the virtual district is not eligible for school formula revenue from the State School Fund. Requires the Department of Education to make a progress report to interim education committees prior to September 1, 2006 and to the 2007 Legislature prior to March 1, 2007.

Requires public charter schools that offer online courses to have 50% or more of their students reside in the school district where the charter school is located.

REVENUE IMPACT:

School Districts: Reduces school distribution formula revenue from the State School Fund by $1.9 million during the 2005-07 biennium. This is about $1.43 per weighted student.

Education Service Districts: Reduces revenue from the State School Fund by $100,000 during the 2005-07 biennium.

SB 5510 (CH 786)

Appropriates $5.24 billion to the State School Fund for the 2005-07 biennium. Limits the 2005-06 State School Fund distribution to $2,566.6 million and the 2006-07 distribution to $2,696.4 million. Makes $23 million of the 2006-07 distribution conditional on the June 2006 forecasted General Fund revenue available for appropriation being more than the close-of-session estimate. Takes effect July 1, 2005.

REVENUE IMPACT:

School Districts and ESDs: The biennial split of the State School Fund appropriation is about 49% in the first year and 51% in the second year of the biennium. The State School Fund yearly appropriation will be divided approximately as follows given current local revenue estimates:

State School Fund		($ Millions)	
	2005-06	**2006-07**	**2005-07 Biennium**
School Formula	$2,440.4	$2,542.8	$4,983.2
ESDs	113.7	117.6	231.3
Small HS Districts	2.5	2.5	5.0
Virtual School	1.0	1.0	2.0
State Special Ed	9.0	9.5	18.5
Total	2,566.6	2,673.4	5,240.0

With local formula revenue, the school district average formula revenue per weighted student estimate is $5,485 in 2005-06 and $5,670 in 2006-07. The ESD average revenue per weighted student estimate is $290 and $300.

The above table does not include up to $23 million more in 2006-07. This amount will be split 95.25% for school districts and 4.75% for ESDs.

HB 2450 (CH 803)

Continues the high cost disability grant in the school equalization formula. Increases eligible high costs per disability student to those above $30,000 from those above $25,000. Maintains limiting the grant total to $12 million per year and prorating grants if eligible costs exceed the limit.

Continues the $2.5 million per year small high school supplement fund. Maintains funding from the State School Fund. Distribution is proportional to small high school average daily membership and is not part of the school formula. Small high schools must be in districts with less than 8,500 weighted average daily membership.

Beginning in the 2007-09 biennium, increases the biennial limit for facility grants in the school distribution formula from $17.5 million to $25 million. Maintains facility grants at 8% of school construction costs and the prorating of grants if 8% of costs exceeds the biennial limit.

REVENUE IMPACT:

School Districts: Shifts up to $12 million per year from all districts to districts with high cost students. This is an average reduction of about $15 per weighted student. Using 2003-04 high cost data, 80 districts with high cost students gain an average of $9,560 per high cost disability student or $18 per weighted student.

Shifts $2.4 million per year from all districts to small districts with small high schools. This is a reduction of about $4 per weighted student for all districts. The 99 districts with small high schools gain an average of about $170 per small high school student or $26 per weighted student.

Beginning in the 2007-09 biennium, shifts $7.5 million per biennium from all districts to districts receiving a facility grant. This is a reduction of about $6 per weighted student per year for all districts. Usually 30-40 districts qualify for a facility grant each year.

Education Service Districts: Shifts about $100,000 per year from ESDs to school districts with small high schools.

HB 3183 (CH 412)

Modifies the procedure for distributing Common School Fund income to school districts. Directs Common School Fund income shared with school districts to the Department of Education rather than to counties for distribution to school districts. Repeals the role of county administrators and treasurers in the distribution process.

REVENUE IMPACT:

School Districts: School districts will receive Common School Fund earnings somewhat sooner. The improved cash flow can yield a minor gain in interest income (or reduced interest expense) that is estimated at less than $50,000 a year.

HB 3184 (CH 828)

Beginning in 2006-07, increases the school district share of state and local school formula revenue from 95% to 95.25%. Decreases the share of education services districts (ESDs) from 5% to 4.75%. Changes the comparable ESD percent of their component districts school formula revenue from 5.263% to 4.987% (4.75%=4.987% X 95.25%). Decreases ESD minimum revenue from $1 million to $950,000 before final rebalance to stay within the 4.75% allocation.

Requires ESDs to provide regionalized core services to component school districts. Specifies service goals. Requires a local service plan developed with component school districts. Specifies service areas to be provided and annual performance measures. Mandates plan be adopted by the resolution process. Describes service delivery options. Beginning in 2006-07, allows entrepreneurial services if part of the service plan and approved by the component districts.

Establishes a pilot project for a revised governance structure for 3 ESDs. Names Williamette, High Desert and Northwest Regional ESDs as pilot ESDs. Specifies ESD division into 5 zones by April 1, 2006 with 5 members of the 9 member board from the zones and elected by the component school district boards. Allows subsequent division into 7 to 11 zones with the election of one director from each zone. Requires reports to interim committees by October 1, 2006 and 2008. Repeals pilot ESD structure June 30, 2010.

Directs Department of Education to identify redundant services in the K-12 system. Requires elimination, correction or explanation. Specifies department to report by October 1, 2006 with recommendations to education interim committees.

REVENUE IMPACT:

School Districts: Beginning in 2006-07, school district revenue increases by 0.25% of state and local formula revenue for school districts and ESDs. Assuming a $5.24 billion State School Fund, the estimated increase is $10 million in 2006-07. This is an average of about $15 per weighted student.

Education Service Districts Beginning in 2006-07, ESD revenue decreases by 5%. The decrease is the same as the increase for school districts (5% of the ESD 5% share is 0.25%). The average reduction is about $15 per weighted student except for the five districts that will likely qualify for the $950,000 minimum (before rebalance). These five districts have a reduction of about $50,000 each or 5%, but the per weighted student loss is greater.

HB 5023 (CH 794)

Appropriates $400,000 to the Department of Education to equalize school local option property taxes in the 2005-07 biennium. Appropriates $800,000 to the Emergency Board for allocation to the Department of Education to equalize school local option property taxes in the 2005-07 biennium. If not allocated by the Board before December 1, 2006, remaining funds can be used for an alternative purpose.

Appropriates funds to the Emergency Board and for other programs. Adjusts specified expenditure limitations.

REVENUE IMPACT:

School Districts: Three to six school districts with local option tax levies are likely to qualify for local option equalization grants each year of the biennium. Qualifying districts have assessed value per student below the 75th percentile district in the ranking of districts by assessed value per student. Grants are prorated if the total is more than the available funds.

HB 5162 (CH 440)

Increases the 2004-05 State School Fund appropriation from the General Fund by $1.1 million and decreases the Department of Education appropriation by the same amount.

Makes other appropriation and expenditure limit changes for the 2003-05 biennium.

REVENUE IMPACT:

School Districts: State School Fund revenue distributed in 2004-05 will increase by $1.047 million or about $1.60 per weighted student.

Education Service Districts: State School Fund revenue distributed in 2004-05 will increase by $53,000.

Transportation

SB 71 (CH 816)

Authorizes issuance of lottery bonds to fund $100 million in non-highway transportation projects. Creates the Multimodal Transportation Fund, where the funds will be deposited and administered. Specifies uses of moneys in fund by the Oregon Transportation Commission with input form the different modal advisory committees. Delineates general outlines of geographical equity in the selected projects. Sunsets January 2, 2012.

REVENUE IMPACT:

This bill funds the **"Connect Oregon"** initiative with $100 million in lottery bond proceeds. The plan includes an additional $15.3 million to cover bond issuance costs and reserve requirements. The initiative proposes funding through loans or grants for a multitude of private and public entity projects. The bonds are a combination of taxable and tax-exempt issuances. Lottery bond sales are assumed to take place in May of 2006 and May of 2007.

All of these revenue truncations will be occurring within the Multimodal Transportation Fund (MTF) created by this bill. The decreases in revenue coming as debt service will be amounts that would have otherwise augmented the general fund.

In Millions	**2005-07**	**2007-09**
Bond proceeds	$100.00	0
Debt Reserves	$15.32	
Debt service Payments	($1.9)	($27.3)
Total	**$113.4**	**($27.3)**

SB 152A (CH 756)

Authorizes the issuance of ten million in lottery bonds. Establishes grants amounts and dates for the same amount to finance the construction of passenger terminal in North Bend Airport.

REVENUE IMPACT:

The bill establishes two dates for issuing lottery bonds for grants to finance construction of passenger terminal at the North Bend Airport. The first bond issuance for $6.0 million is to be transferred to the North Bend Airport Improvement Account by December-15-2005. The second amount of $4.0 million is to be issued and transferred before December-15-2007. The first series is expected to hold a rate of about 5.7%, while the second will go at a slightly higher rate of 6.5% in 2007. The bill allows Issuance costs and reserves which are included in the amounts bonded. The payments on the $6.0 million bond are about $515,000 a year, while the payment on the $4.0 million bond is estimated at $363,000. However, the first year of each biennium when the bonds are issued, will see only half a payment due to the late issuance date (November).

In Millions	**2005-07**	**2007-09**	**2009-11**
Bond proceeds	$6.00	$4.00	
Debt service Payments	($0.77)	($1.57)	($1.76)
Total	**$5.23**	**$2.43**	**($1.76)**

The debt service payments for both issuances will be about $1.8 million by the 2009-11 biennium. These payments will come out of (reduce) the lottery revenues otherwise available for discretionary allocation.

SB 487 (CH 257)

Sustains driving privileges and vehicle registration up to 90 days following the termination of active duty, for the Oregon National Guard and military reservists. Dismisses charges of vehicle operating without driving privileges, failure to renew vehicle registration, and improper display of validating stickers by the courts if charged prior to the 91st day following termination of active duty.

REVENUE IMPACT:

Other funds (Highway Fund), negative impact of less than $50,000 in the first year of implementation.

Under Current law, any member of the US Armed Forces can renew their driver's license up to six months after being discharged if they were licensed in Oregon at the time they entered the service. They cannot drive, however, while their driver's license is expired. DMV's defines Oregon National Guard and military reservists in the same category. Members of the US Armed Forces who are unable to return to Oregon can, and do, renew their driver license through the mail (without photo driver license). When a member of the Oregon National Guard or a military reservist is terminated from active duty and submits a registration renewal transaction to DMV, the new registration period will run for two years from the year in which renewal is made, but begins on the same month and day as originally issued (assumes a biannual registration). However, this will push only a small number forward in time rather than exempt them from registering. This will cause only a slight decrease in revenue (small impact) in one year which will be smoothed at latter time.

For traffic violations, this number is not determined, but judges have much leeway under current law, and would have to assume that many would have waved fines as a matter of acceptable circumstances.

SB 997B (CH 375)

Authorizes vehicle dealers to charge a fee for preparing documents to issue or transfer a certificate of title or registration or to issue plates. Authorizes the Department of Transportation to adopt rules informing costumers of their choices and to limit fee.

REVENUE IMPACT: No state or local impact

SB 998C (CH 770)

Increases starting weight for vehicles before they are required to register based on weight from 8,000 to 12,000 pounds. Allows these newly defined weight groups to be treated as passenger vehicles on highway speeds and traffic laws.

REVENUE IMPACT:

The bill changes the weight ceiling for passenger vehicles form 8,000 to 12,000 pounds. Current law treats vehicles above 8,000 pounds as Trucks classified in 2,000 pounds increments. This bill will affect the classification of more than 12,500 vehicles. Those vehicles will no longer pay the graduated (by 2,000 lb. increments) annual registration fee stipulated in ORS 803.420, rather a flat fee of $54 a biennium. Since the weight-based registration fee is much higher (six multiples) than the flat fee, the revenue impact for this class of vehicles is quiet substantial. This naturally will pose new issues to the Highway Cost Allocation **(HCAS)** for that class in particular and in general to the Trucks as constitutionally specified group. This bill primarily reduces Truck revenue contribution by a half percentage point to 32.9% in the 05 -07, and by 0.64% in the 07-09 biennium. This reduction might cause the portions and rates of other Weight groups to change in order to compensate for the change.

Affected vehicles in 2005- 12,545 Trucks	**1/1/06 to 7/1/06**	**FY 07**	**FY 08**	**FY 09**
Weight Registration Trucks	($969,532)	($1,993,447)	($2,039,280)	($2,077,116)
Weight Registration (C/N) Charitable/Nonprofit	($10,281)	($21,138)	($21,034)	($20,943)
Weight Registration (PF) Permanent Fleet	($126,019)	($259,106)	($257,833)	($256,714)
Total Reduction	**($1,105,832)**	**($2,273,691)**	**($2,318,146)**	**($2,354,773)**
Passenger Vehicle Registration (2 year cycle) T	$290,821	$290,821	$298,242	$298,242
Passenger Vehicle Registration (2 year cycle) C/N	$10,094	$10,094	$10,351	$10,351
Passenger Vehicle Registration (2 year cycle) PF	$37,801	$37,801	$38,765	$38,765
Plate Fees (one time)	$55,725	$55,725		
Total increase	**$394,440**	**$394,440**	**$347,359**	**$347,359**
Grand Total	**($711,392)**	**($1,879,251)**	**($1,970,788)**	**($2,007,414)**

Registrations are a source of the State Highway Fund (SHF) revenues, and the bill will cause the reductions shown in the table. The State Parks will see a minimum but most likely positive impact.

State: The State will bear about 60% of the negative impact to SHF, or about $1.6 million in 05-07, and $2.4 million in 07-09.

Local: The Local governments will endure the remaining 40% of the negative impact to SHF, or about $1.0 million in 05-07, and $1.6 million in 07-09.

HB 2741B (CH 280)

Allows rental and leasing companies to register new vehicles for annual, biennial, or four-year registration period. Imposes a $1 fee for companies electing the one or two year options.

REVENUE IMPACT:

There are no DMV exact figures for vehicles registered to rental or leasing companies. However, using other sources and estimates, the number of rental and lease vehicles in Oregon is approximated to 1,300. Out of that total about 400 are introduced to the fleet each year as new vehicles. The $1 fee is likely to apply to most new vehicles generating about $800 a biennium in new revenue. On the other hand, assuming 50% will go for 1 year and the rest for 2-year registrations will cause registration revenue to decrease commensurate to a postponement of revenue spread over at least four biennia. The resultant revenue reductions are about $42,000 for the 2005-07 biennium and a small amount of $877 for the 2007-09. After adding the revenue generated by the $1 extra fee, this leaves the 07-09 biennium at practically no impact.

This leaves the total impact to the State Highway Fund (SHF) with a small amount of about $41 thousand in the next biennium and hardly any impact for 2007-09.

State: About 60% of the impact

Local: About 40% of the impact

Tobacco, Liquor, and Lottery

SB 363A (CH 166)

Modifies disclosure requirements of lottery game retailers. Allows Oregon Lottery Commission to determine, based on the director recommendation, when it is reasonable to waive disclosure requirements.

REVENUE IMPACT: No Impact

SB 840A (CH 177)

Allows wine manufacturers that do not expect to owe privilege tax to file annual statements (instead of monthly) of quantities produced, purchased or received. Applies for calendar years reporting on or after January 1, 2006.

REVENUE IMPACT: None

HB 2237 (CH 267)

Requires Oregon State Lottery Commission to adopt alternative dispute resolution process for contract dispute issues with lottery game retailers.

REVENUE IMPACT: No impact

HB 3466B (CH 810)

Repeals authority to establish electronic lottery games based on results of sporting events. Transfers 1.0 % of moneys transferred to Administrative Services Economic Development Fund to Sports Lottery Account for purpose of funding sports programs at state institutions of higher education. Takes effect on July 1, 2007.

REVENUE IMPACT:

The bill reduces the total transfer to the Economic Development Fund (EDF),thus all sub-funds will share in the reduction proportionate to their percentages. The use of those funds for intercollegiate sports programs is constitutionally permissible. Current law requires that an amount equal to the net proceeds of Sports Action Lottery games be transferred to the Intercollegiate Athletic Fund. This amount is transferred along with other net proceeds (net receipts less expense) to the Economic Development Account. Of that account, 18% is transferred to the Education Stability Fund, 15% is transferred to the Parks and Natural Resources Fund, County Fair Account gets a 1%, and not less than 1% is transferred to the Problem Gambling Addiction Fund. This bill, however, does not affect transfers to counties from video lottery (2% of net receipts) or bond payments.

The Amounts available for discretionary appropriation will absorb the largest shift. The reductions to the different sub-funds are:

Changes in Lottery Revenue In millions

Fiscal Years	**07-08**	**08-09**	**09-10**	**10-11**
Revenue Transfer Forecast (EDF)	($2.88)	($2.94)	($2.98)	($3.08)
Counties (2% of Video)	$0.00	$0.00	$0.00	$0.00
Education Stability Fund	($0.52)	($0.53)	($0.54)	($0.56)
Parks and Natural Resources Fund	($0.43)	($0.44)	($0.45)	($0.46)
Gambling Addiction	($0.03)	($0.03)	($0.03)	($0.03)
County Fairs	($0.03)	($0.03)	($0.03)	($0.03)
Debt Service on Lottery Bonds	$0.00	$0.00	$0.00	$0.00
Sports programs (Intercollegiate Athletic Fund)	**$2.18**	**$2.33**	**$2.52**	**$2.66**
Discretionary	($4.06)	($4.24)	($4.46)	($4.66)

The Intercollegiate Athletic Fund will receive the new 1.0% dedication. The increase, however, will be the new amounts less the revenue lost by the repeal of the lottery sports games.

(millions)	**07-08**	**08-09**	**09-10**	**10-11**
Sports Account New revenue (1 % of Total)	$5.07	$5.27	$5.51	$5.74
Sports Games Reduction (Sports Action)	($2.88)	($2.94)	($2.98)	($3.08)
Total Increase to Sports Account (IAF)	$2.18	$2.33	$2.52	$2.66

Transient Lodging Taxes

HB 2089A (CH 610)

Allows state or local government to withhold payment of tax collected on camping and recreational vehicle spaces until amount collected by agency reaches or exceeds $100. Allows private entities to withhold payment under the same terms for the sum $100 or by December 31 of each year if the $100 threshold is not met.

REVENUE IMPACT: No impact

HB 2197A (CH 187)

Modifies definition of “transient lodging” for transient lodging tax purposes to include houses, cabins, condominiums, apartment units, tent spaces and other dwelling units that are used for temporary occupancy. Exempts nonprofit facilities from state transient lodging tax. Exempts units in health care facilities or facilities licenses and registered or certified by DHS. Authorizes Department of Revenue to adopt rules. Applies to transient lodging tax reporting periods beginning on or after January 1, 2006.

REVENUE IMPACT:

The legislature instituted the state Transient Lodging Tax, through HB 2267, in the 2003 session. The Transient Lodging Tax is primarily dedicated to funding the Tourism Commission in the promotion of tourism in the state. The 1% tax rate was intended to apply to all transient lodging facilities; however, an AG opinion advised DOR that the language in the law was not inclusive enough to encompass all intended facilities. This bill is attempting to recapture and specify vacation homes, cabins, condominiums, apartments, and other dwelling in the definition of the units where the tax applies.

Lodging providers are to collect the tax, and retain 5% for their cost of collection. The overall administration of the tax is to be performed by the Department of Revenue (DOR), with maximum administrative expenses of 2%. The 2003 estimates, inclusive of the larger domain, assumed $20.41 million for the 05-07 biennium, and $22.51 million for 07-09. Collections started in the 03-05 biennium with the expected obstacles conventional when setting up new programs, however, through February the department collected $8.21 million. With only two more quarters to go until the end of the biennium, the collections are likely to fall short of the $16.5 million in the original estimate.

Over the last 10 years, total room sales in the state have increased by almost 49% to about $815 million. Therefore, it is still likely that the 05-07 and later biennia will come close to the original estimates, particularly after including the impacts of this bill. The impact of this bill is, however, isolated to about 1 to 1.5 percent of the 2003 total collections. This percentage amounts to about $205 thousand in 2005-07 (January implementation date lowers the fiscal year amount). The impact in 2007-09 is $281 thousand. Additionally, new revenue, which comes form allowing the tax to apply to campsites, tents and other parks, will generate about $113 thousand in an average year. However, for the 2005-07, where implementation will miss the peak season, the new revenue will be about $140,000. The 2007-09 biennium will benefit from a full collection cycle and generate $226 thousand.

Unemployment Insurance Taxes

SB 37B (CH 214)

Allows the Employment Department to assess unpaid Unemployment Insurance (UI) tax debt against a reorganized successor employer if the enterprise is substantially the same as the entity that acquired the debt. Allows for an appeal to the imposed tax to an administrative hearing Judge.

REVENUE IMPACT:

The Employment Department reports that in FY 2003 about $5.1 million in Unemployment Insurance (UI) taxes were written off as uncollectible. Although tax debt write off is expected to continue, The Department expects that about 5% of the total will be recovered as a result of sharpening the law by this bill.

The total debts write off, under current law, reported in 2003 is assumed to grow by a bout ½ a percent a year. It is reasonable to assume that the proposed law will reach its intended (similar to other collection programs) recovery rate over few years. The collection is assumed to increase gradually over 5 to 6 years before it reaches the 5 percent recovery. The assumed percentage of debt recovery before it reaches the 5 percent level is tabulated in the first row. Moreover, the bill becomes affective January 2006, which leaves only 2 quarters for collections in the first fiscal year.

	FY 2006*	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**
Recovery rate up to 5% of total	30.0%	65.0%	76.5%	83.5%	91.5%	98.5%
Unemployment Insurance Trust Fund	$77,173	$168,045	$198,765	$218,038	$240,122	$259,785
Interest	$2,171	$7,800	$14,657	$22,398	$31,642	$42,034
Total	**$79,344**	**$175,845**	**$213,423**	**$240,435**	**$271,765**	**$301,818**

HB 2124A (CH 35)

Prohibits transferring or acquiring a business primarily for the purpose of obtaining a lower unemployment tax rate or advising another person to engage in such activity. Specifies factors to be used in determining the purpose of the transfer. Requires recalculation of unemployment tax rates when an employer transfers a business to another employer and requires the new rate to be based on the transfer of unemployment experience attributable to the transfer. Makes violation a Class C felony, provides a penalty tax rate, and authorizes a civil penalty of up to $10,000. Provides a limited amnesty under certain conditions if the employer pays all past due taxes owed. Specifies that provisions apply beginning in the January 1, 2006 tax year. Deletes requirement that rates be recalculated for immediate next quarter and clarifies reference to tax rates vs. experience rates.

REVENUE IMPACT:

Congress prohibited the rate manipulation known as “SUTA Dumping” in 2004. Congress passed P.L. 108-295, the SUTA Dumping Prevention Act of 2004. States have also recognized the problem and Oregon currently has strict laws prohibiting such activities, including transfer of experience when an employer acquires all or part of another business. A number of aspects or Oregon laws, however, require modification in order to comply with new federal requirements. This bill accomplishes the task and allows the State to recover some of these taxes, which DOE estimates at about $1.4 million a year. If these amounts are recovered fully and immediately, it will put back about 3 million a biennium + interest into the UI Fund, however, some time is expected before the whole amount can be realized. FY 2006 will only see a limited time for enforcement efforts (one quarter at 40% recovery). Recovery is assumed (based on recovery efforts of other revenue) to accelerate to 61% in the following year until it reaches 83% by 2010.

	FY 2006	FY 2007	FY 2008	FY 2009
Recovery rate	40%x25%=10%	61%	72%	79%
Unemployment Insurance Trust Fund	$140,000	$854,000	1,008,000	1,106,000
Interest	$788	$20,857	$45,553	$72,650
Total	$140,788	$874,857	$1,053,553	$1,178,650

HB 2125 (CH 181)

Holds Indian tribal employers to the same standards applied to local governments that pay Unemployment Insurance taxes for Extended Benefits.

REVENUE IMPACT: No impact

HB 2127 (CH 183)

Lowers unemployment tax rates paid by employers. Lowers the employers' unemployment tax rates under schedule I – VIII, A by 0.09% for all unemployment tax rates except for employers with an assigned tax rate of 5.4%, the highest tax rate and renames the table to schedule I – VIII, B . Reduces the rounding multiple for determining 80% of the average annual wage from $1,000 to $100. Reduces the employers' unemployment tax rate for the first tax year employer by 0.7% for the first two categories of employers, 0.6% for the third group of employers, 0.5% for the fourth category of employers, 0.3% for the fifth category of employers and .2% for the sixth through eighth categories of employers. Replaces schedule I-VIII H (schedule used in first quarter of odd-numbered years) with schedule I-VIII C which has 0.09% lower unemployment tax rates for all tax rates except for employers with an assigned tax rate of 5.4%, the highest tax rate. In addition to the payroll tax rates outlined in the new schedules B and C, a 0.09% payroll tax on the wages subject to tax will be assessed. Deposits of the 0.09% payroll tax will be made into the Supplemental Employment Department Administrative Fund. Adjusts the 7% Insured Unemployment Formula by lowering the number of weeks in a month from 3.3 to 3.0. Applies to unemployment insurance taxes beginning on or after January 1, 2007. Repeals the Unemployment Compensation Benefit Reserve Fund after June 30, 2008. Requires any remaining balance in the Unemployment Compensation Benefit Reserve Fund to be transferred and deposited into the Unemployment Compensation Trust Fund to be used to pay unemployment compensation benefits. Specifies that moneys in the Supplemental Employment Department Administration Fund that are in excess of 150% of the amount collected for the first quarter of the previous even numbered year shall be transferred to the Unemployment Compensation Trust Fund. Requires these transfers to be made by December 31 of the odd-numbered year.

REVENUE IMPACT:

STATE: This Act will reduce overall state revenues by lowering the employer payroll tax rate schedules used and payroll tax redirection. However, additional interest earnings will be earned in the UI Trust Fund.

HB 2127 Revenue Impact ($ millions)

Tax Reduction Components	**FY 06-07**	**FY 07-08**	**FY 08-09**	**2007-09 Biennium**
Adjusting the 7% formula	- $31.1	- $90.9	- $61.2	- $152.1
Reducing the Base Year Tax Rate	- $2.0	- $8.3	- $7.4	- $15.7
Rounding changes to the Taxable wage base	- $6	- $2.8	- $6.5	- $9.3
Total Tax Reduction Effect	**- $33.7**	**- $102.0**	**- $75.1**	**- $177.1**
SEDAF Funding and Additional Earned Interest	**FY 06-07**	**FY 07-08**	**FY 08-09**	**2007-09 Biennium**
Unemployment Tax Redirection (SEDAF funds under HB 2127)	- $9.6	- $28.2	- $29.8	- $58.0
Additional Earned Interest (higher UI Trust Fund balance and higher interest rate on UI Trust Fund)	$1.4	$13.0	$15.9	$ 28.9
Reed Act Funds (retain principal in UI Trust Fund)	$ 0	$14.0	$15.0	$29.0
Total SEDAF funding and additional earned interest	**- $8.2**	**- $1.2**	**$1.1**	**- $0.1**
Overall Impact on UI Trust Fund	**- $41.9**	**- $103.2**	**- $74.0**	**- $177.2**

This revenue impact does not include the impacts of increased collections to the general fund by taxing higher corporate profits caused by the tax cut. Nor does it include the increased taxes generated by the increased employment as a result of higher investment of the freed capital.

HB 2950A (CH 283)

Specifies that an employer's child care expenses to its employees should not be included in wages for state unemployment insurance payroll tax purposes. Applies to tax years beginning on or after January 1, 2006. Takes effect 91 days after the end of the 73rd legislative session.

REVENUE IMPACT:

State:. Under current law, dependent care assistance payments are subject to Oregon state unemployment insurance payroll taxes and this Act will eliminate that payroll tax on dependent care assistance payments and lower other fund revenue to the state.

HB 2950A: Other Funds Tax Revenue Loss ($)

Fiscal Year	Reduction in Other Funds (Payroll Taxes)
2005-06	- $ 54,314
2006-07	- $117,535
2005-07 biennium	**- $171,849**
2007-08	- $129,441
2008-09	- $142,374
2007-09 biennium	**- $271,815**
2009-10	- $153,768
2010-11	- $166,977
2009-11 biennium	**- $320,745**

Comment: These estimates assume an initial unemployment payroll tax rate of 2.6% in 2005 and growth in the tax rate to 3% by 2011. These revenue loss estimates also include a 25% annual reduction due to the annual cap on the employees' wages and benefits being subject to the payroll tax. These estimates assume that up to $5,000 per employee of child care expenses (federal law limit) can be excluded from wages and benefits assessed Oregon's unemployment insurance payroll tax.

Bonding and other Financial Management

SB 21 (CH 294)

Deletes prohibition on investment of certain funds in foreign securities. The funds in section1 are state controlled as defined in ORS 293.701. Section 2 refers to Local Government Investment Pool as defined in ORS 294.805 - 895.

REVENUE IMPACT: No impact

SB 22 (CH 295)

Removes prohibition on State Treasurer investing certain funds in common stocks. Allows the investment by the State Treasurer of PERS and IAF in direct ownership position in equities without contracting through outside fund management company.

REVENUE IMPACT: No impact

SB 23B (CH 443)

Makes numerous technical changes to procedures for issuing, selling and maintaining bonds issued by public issuers. Resolves confusion in the language of 5% and 1% debt limit for pension obligation bonds. Identifies borrowing and replaces obligation where appropriate. Clarifies statutes for the financial technique of interest rate swaps. Revamps many statutes to update and bring them to current common practices. Updates requirements for bond sale to today's technology of download and electronic delivery, rather than by mail allowing 10 days to reach the destination. Updates disclosure requirements. Allows a Council of governments to act as a municipality under that structure of rules. Removes from statutes outdated language and references relating to bonds that are no longer constitutionally allowed. Fixes the timing conflict between Levy time (November) and budget fiscal year starting on July for local government property tax bond levies. Completes the cleaning and housekeeping language in the statutes for Municipal debt process.

REVENUE IMPACT: No impact

SB 302A (CH 180)

Imposes limits on terms for members of the Oregon Investment Council. Limits appointed members to no more than two four-year terms in any 12-year period. No member may serve as chair for more than 4 years in any 12-year period. Requires full sound recordings for all meetings of Oregon Investment Council.

REVENUE IMPACT: No impact

SB 718A (CH 179)

Directs members of Oregon Investment Council to declare potential conflicts of interest in writing not later than three-business day after discovering conflict. Authorizes Oregon Government Standards and Practices Commission to impose civil penalty for violation.

REVENUE IMPACT: No impact

HB 2030A (CH 28)

Requires state agencies to follow standards adopted by State Treasurer regarding electronic funds transfer. Authorizes state agencies to adopt rules allowing agencies to make payments by electronic funds transfer. Prohibits agencies from requiring payee to open bank account as condition of receipt of payment.

REVENUE IMPACT: No impact

HB 2031 (CH 110)

Clarifies provisions related to duties of state officer regarding modern financial practices. Establishes electronic check clearing house process.

REVENUE IMPACT: No impact

HB 2032 (CH 111)

Authorizes State Treasurer to exempt state agencies from cash flow projection or reporting requirements for issuance of general obligation or revenue bonds upon making certain findings and determination that the projections are not needed.

REVENUE IMPACT: No impact

HB 2033A (CH 112)

Clarifies provisions regarding public funds, pool managers, depository banks and custodian banks. Allow financial institutions that accept deposits of public funds under $100,000 (the level of coverage of deposit insurance) to do so without entering into collateralization agreements. Clarifies that credit unions are not required to enter into collateralization agreements to accept deposits of public funds (they cannot accept funds above the level of their deposit insurance coverage). Clarifies that time deposits, which are allowed as local government investments, are subject to statutes that govern public financial administration. Makes changes to reflect the administrative instead of the investment role of the State’s custodian bank. Clarifies that negotiable certificates of deposit are not subject to the public financial administration statutes. Also makes organization and other clarifying changes to the statutes.

REVENUE IMPACT: No impact

HB 2034 (CH 58)

Authorizes deposit of public moneys into financial institutions outside Oregon in specified circumstances. Allows public official to exceed limitations on amount deposited without collateral in specified circumstances. Establishes an enabling language for banks to use the vehicle of certificate of deposits divided into several banking institution in order to retain a level of insurance guaranteed by regulatory agencies while the amounts of deposits are greater than$100,000. Allows local governments a higher level of insured flexibility for their funds, while the banks benefit from higher levels of deposits.

REVENUE IMPACT: No impact

HB 2041 (CH 113)

Modifies definition of “issuers” authorized to issue private activity bonds. Removes the specification that a government unit is the only entity eligible to issue bonds, which allows nonprofits and other agencies to issue the private activity bonds.

REVENUE IMPACT: No impact

HB 2052 (CH 643)

Increases Housing and Community Services Department revenue bond limit by $500 million to total of $2.5 billon. Deletes provisions relating to repealed section of Internal Revenue Code.

REVENUE IMPACT:

This bill allows the increase of a debt ceiling for Housing and /Community Services to 2.5 billion. However, bond proceeds of for 2005-07 will not climb over the current $2 billion ceiling by much. The need for the ceiling increase is estimated to be only a $1.5 million for the first biennium. That much revenue in bond proceeds with about $44,000 of investment income is 05-07 impact. On the other hand, a bout $344 million worth of bonds will be net (after refunding mechanism of short-term issuance) sold in the 07-09 biennium. The actual bond proceeds will be $518.7 million, however, $181 million of that is in short term debt, which will be retired in the same biennium. Additional revenue of $10 million coming from investment income in the 07-09 biennium is included in the revenue estimates.

HB 2257 (CH 120)

Corrects and simplifies statutes that pertain to authorizing bond issuance amounts. Effective January 1, 2006.

REVENUE IMPACT: No impact

HB 2729A (CH 500)

Authorizes cities and counties to create community forest authorities. Specifies the process of creation, makeup of board, duties, authorities and powers of community forest authorities. Authorizes community forest authorities to issue revenue bonds or other revenue obligations to loan to nonprofits for maintaining commercial forestlands. Authorizes authority to manage finances and specifies taxing status and obligations. specifies that the Community Forest authority acts as a financing tool through issuing bonds, and does not own the land. Nonprofits will borrow the money from the authority to manage and own the lands. Declares an emergency and takes effect upon passage

REVENUE IMPACT: No impact

HB 2927A (CH 282)

Allows the board of directors for a soil and water conservation district to issue general obligation bonds with the approval of a majority of the electors within the district. Clarifies that taxes may be levied to pay principal, interest and premium, with a 30-year maturity and an amount not to exceed 2 and 1/2 percent of the districts real market value. Requires the board further specify its obligation to the bonds, to issue refunding bonds and adds the role of the county treasure.

REVENUE IMPACT: No impact

Miscellaneous

HM 7

Expresses support by the Oregon House of Representatives to the Congress and President of the United States to permanently abolish the federal estate tax. Acknowledges the hardships that businesses face paying the tax as well as the hardships families suffer if businesses have to close and employees lose their jobs in order to pay the federal estate tax. Stipulates that copies of this memorial shall be sent to the President of the United States and to each member of the Oregon Congressional Delegation.

REVENUE IMPACT: No impact

HB 2054 (CH 74)

Deletes statutory loan amount limit for single-family home ownership loans. Directs Housing and Community Services Department to establish by rule the threshold of property purchase price that triggers the loan review process by State Housing Council. Extends council review requirement to additional forms of funding awards. Transfers responsibility for submitting funding award proposals from Director of the Housing and Community Services Department. Applies to loans, grants and other funding awards proposed by department on or after January 1, 2006. Extends housing finance bond maturity period by 5 years. Declares emergency, effective on passage.

REVENUE IMPACT: No impact

HB 2147A (CH 757)

Deletes suspense accounts related to provider tax assessments. Clarifies that a purpose of the Hospital Quality Assurance Fund, Long Term Care Facility Quality Assurance Fund, Medical Care Quality Assurance Fund and Pace Quality Assurance Fund is paying refunds to health providers. Allows long-term care facilities to pay the provider tax electronically. Modifies the definition of patient day. Changes and clarifies the requirements necessary to qualify as a waivered long-term care facility. Requires the Department of Human Services to refund any provider tax underages assessed prior to the effective date of this Act for any assessment period beginning earlier than July 1, 2004. Restricts the Department of Health and Human Services from assessing any provider tax underages beginning fiscal year 2005-06 so future provider taxes will be based on projected long-term care facilities' revenue and not actual revenue of these health facilities. Extends the sunset on the long-term care provider tax, one year, to July 1, 2008. Specifies that this Act is revenue raising and requires a 3/5 majority vote to approve. Takes effect 90 days after the end of legislative session.

REVENUE IMPACT:

STATE: This Act will reduce the provider taxes paid by long-term care facilities in two ways and increase long-term care provider taxes by extending the tax by one year. First, this Act will require the Department of Health and Human Services to refund additional adjustment assessments of provider taxes that have been and could be collected in the future under current law. DHS will not be required to assess long-term care facilities at 6% of revenue but up to 6% of revenue. In future years, DHS will be restricted to base the long-term care provider taxes on forecasted long-term care facilities' revenue and not on actual revenues each year.

In addition, this Act will clarify the definition of waivered facilities that are exempt from paying the long-term care facilities provider tax. Under current law, DHS has received legal advice from the Attorney General which states that certain continuing care retirement communities (CCRC) facilities could potentially be subject to tax. This Act will clarify the ambiguity in current law and allow certain CCRCs to be exempt from the provider tax and exempt 4 or 5 additional facilities from paying the provider tax that could potentially be assessed under current law. Both of these changes will result in lower long-term care facilities' provider taxes collected in Oregon.

This Act also extends the sunset in current law on this provider tax by one year from July 1, 2007 to July 1, 2008. This sunset tax extension will increase provider tax collections by $40.7 million in fiscal year 2007-08 and increase federal funds that could be leverage.

The overall impact of this Act will be to lower Other Funds, provider tax revenue, initially in the first two fiscal years beginning fiscal year 2005-06 and then the provider tax revenue will increase for one year due to the long-term care facilities' provider tax sunset extension. See the tables on the following page for the annual revenue impact.

HB 2147A Revenue Impact ($ millions) – Other Funds

Fiscal Year	Long-term Care Facilities tax waiver policy	Adjustments in provider taxes	Sunset Extension	Total Other Funds Revenue Change
2003-05 BN accrued	$ 0	-$ 1.69	$ 0	-$ 1.69
2005-06	-$ 1.20	$ 0	$ 0	-$ 1.20
2006-07	-$ 1.25	-$ 2.20	$ 0	-$ 3.45

2005-07 biennium	**-$ 2.45**	**-$ 2.20**	**$ 0**	**-$ 4.65**
2007-08	-$ 1.58	-$ 2.00	+$40.7	+$37.12
2008-09	$ 0	-$ 2.00	$ 0	- $ 2.00
2007-09 biennium	**-$ 1.58**	**-$ 4.00**	**+$40.7**	**+$35.12**
Total (all yrs**)**	**-$ 4.03**	**-$ 7.89**	**+$40.7**	**+$28.78**

By extending the long-term care provider tax by one year, this will allow DHS to leverage additional federal fund as outlined in the table below in fiscal year 2007-08. The reduction in federal funds from lower provider tax revenue may not be realized if general funds are used to offset lower provider tax revenue but this is not specified in the Act.

HB 2147A Revenue Impact ($ millions) – Federal Funds

Fiscal Year	Federal Funds Revenue Change
2003-05 biennium accrued	-$ 2.7
2005-06	-$ 1.9
2006-07	-$ 5.5
2005-07 biennium	**-$ 7.4**
2007-08	+$59.4
2008-09	-$ 3.2
2007-09 biennium	**+$56.2**
Total (all yrs**)**	**+$53.5**

HB 2469 (CH 124)

Allows the taxable estate value for Oregon estate tax purposes to be reduced by the value of all of the Oregon special martial property in the estate. Broadens the definition for Oregon's special martial property to include trusts with discretionary income distributions. Allows an executor of the estate to elect the amount of the trust that will qualify for the martial deduction. Specifies the requirements and forms necessary to qualify property as Oregon special martial property. Clarifies that upon the death of the surviving spouse, the value of Oregon's special martial property will be included in the gross estate value. Allows amended estate tax returns to be made for deaths occurring on or after January 1, 2002 and before the effective date of this 2005 Act for the elections specifies this legislation. Specifies that if a refund is paid as a result of an amended estate tax return pertaining to a change to the Oregon special martial election, the refund does not need to be paid with interest unless the refund is made on or after March 1, 2007. Takes effect 90 days after the end of the 2005 regular legislative session.

REVENUE IMPACT:

State: Overall the provisions in this Act will only change the timing of when estates will pay Oregon's estate tax. Under current law, taxpayers can make special marital elections for Oregon estate tax purposes that are different from their federal marital elections. For certain types of trusts, the taxpayer may be paying additional attorney fees for changing wills and trusts to order to make the special marital deduction in Oregon different from the federal election. This Act will make it easier for Oregon taxpayers to make the special martial election. The overall impact of this Act is indeterminate in the upcoming biennium as the Department of Revenue will make refunds to estates if those estates have paid Oregon estate taxes already instead of paying attorney fees to change their trusts to fully utilize Oregon's special marital election. It is anticipated that the number of estates, who will be receiving a refund in the upcoming biennium, will be small. In the long-term, there will be no revenue loss to the state general fund because estates will pay Oregon's estate tax after the death of the surviving spouse.

HB 2656A (CH 623)

Makes Oregon Beef Council Assessment fees on cattle mandatory. Gives a range of the assessment between $0.5 and $1 per head of cattle determinable by rules. Allocates and appropriates up to 50 cents of the fee for specified uses.

REVENUE IMPACT:

Current law allows the Oregon Beef Council to assess up to 50 cent on each head of cattle sold in the state. The revenue generated is used by the Council for multiple functions in service of the beef industry. The Council today charges up to the 50 cent limit allowed under current law. The new dedication is specified for 5 different uses (programs), each receiving 10 cents. With ongoing programs at 50 cents, and the dedications for 50 cents of the new fee, the new law under this bill will most likely reach the full $1.

	FY 2006	**FY 2007**	**BN 05-07**		**FY 2008**	**FY 2009**	**BN 07-09**
Old 50 cents	$ 443,495	$ 448,817	$ 892,312		$ 454,203	$ 459,653	$ 913,856
New 50 cents	$ 443,495	$ 448,817	$ 892,312		$ 454,203	$ 459,653	$ 913,856
Total	$886,990	$897,634	$1,784,624		$908,406	$919,306	$1,827,712
New Revenue	**$ 443,495**	**$ 448,817**	**$ 892,312**		**$ 454,203**	**$ 459,653**	**$ 913,856**