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OVERVIEW

Introduction
This section of the report summarizes the major actions related to revenue policy taken by the 2009 Legislature. It is intended to give an overview of major revenue related legislation. Details for individual bills can be found in the main body of the report. The overview section is divided into two segments. The first segment shows how deteriorating economic conditions dominated revenue policy decisions. This is accompanied by a comparison of the current recession with the severe downturns in 1980 to 1983 and 2001 to 2003. In addition, some comparisons with the Great Depression (specifically the 1929 to 1933 decline) are discussed. This segment is followed by a summary of major Legislative actions taken in response to the economic conditions. These actions centered around four areas: direct General Fund revenue raising, restraints on tax credit policy, connections to the federal tax code and tax compliance efforts. In addition, the Legislature took major policy actions involving long-term structural issues. These issues go well beyond revenue policy but they all contain a major revenue component. Specifically these long-term structural issues are transportation, health care funding and low income housing finance.

Deteriorating Economic Conditions

Comparison with Previous Downturns
The current recession began in December of 2007. The end date has not been determined (the National Bureau of Economic Research officially dates U.S. business cycles) but the current state economic forecast (released in May of 2009) is based on the contraction ending in the second half of 2009. The 2007-2009(?) Recession has had two very distinct phases. The first, lasting from the beginning of the recession in December of 2007 until September of 2008, was relatively mild with growing exports helping to soften the overall weak conditions in a number of sectors and regions of the country including the Pacific Northwest. However, the economy at both the national and the state level went into a much sharper decline with the financial panic that began in September. Lost confidence in the financial system triggered a liquidity crisis on a global scale. At this point, U.S. consumers cut back spending substantially and world trade, including U.S. exports, fell sharply. The result was major cutbacks in employment and surging unemployment in the U.S. and even more so in Oregon. The rate of decline clearly moderated in the spring of this year but the overall economy remains very weak and the outlook highly uncertain.

Assuming the recession lasted at least through June of 2009, its duration would be greater than 18 months making it the longest national recession since the 1929-33 decline which lasted 43 months from August of 1929 to March of 1933. There were a series of recessions over the next 4 decades none of which lasted longer than 13 months. The first oil shock of the 1970s triggered a 16 month recession lasting from November of 1973 to March of 1975. The second oil shock in 1979 led to a 6-month recession starting in January of 1980. This was followed by a short one-year expansion after which the economy fell into deep recession lasting from July 1981 to November 1982 for a total of 16 months. The twin recessions of the early 1980s were the last time Oregon’s labor market conditions were comparable to where they currently stand. The last recession was relatively short, though the recovery, especially in Oregon, was slow and weak. That recession began in March of 2001 and ended in November of 2001 for a duration of 8 months.

The impact of the major contractions occurring in the early 1930s, the early 1980s, the early part of the 2000s and finally the current recession can be seen in Table 1.

Table 1: Comparison of Major Economic Contractions

Biennium most affected by Contraction	Change in US Real GDP	Change in Oregon Unemployed	Change in Oregon General Fund Revenue
1933-34*	-18.6%	?	-25.3%
1981-83	+0.5%	+58.1%	+3.4%
2001-03	+2.4%	+45.5%	-12.9%
2007-09	-2.4%	+148.0%	-8.4%

*Calendar Years

Note on calculations: The change in real GDP figures are based on the following periods: 1930 to 1932, 1980 to 1982, 2000 to 2002 and 2007:Q2 to 2009:Q2. The change in unemployed Oregonians is based on the following periods: January 1980 to January 1982, June 2001 to June 2003 and June 2007 to June 2009. The change in General Fund revenue is based on a comparison of actual revenue adjusted for Legislative changes to rebalance the budget compared with the prior biennium. Revenue for the 1933-34 biennium is not adjusted for policy actions because data are unavailable.

Table 1 demonstrates the calamitous impact of the Great Depression on U.S. total output and on the state's General Fund revenue in 1933 and 1934. The state budgets were based on calendar years at that time. Unemployment data at the state level for that period is unavailable. However, the U.S. Bureau of Labor Statistics estimates that the unemployment rate for the U.S. peaked at 24.9% in 1933. The numbers clearly show that the Great Depression stands alone in modern economic history for both its depth and duration. State tax systems across the country were transformed by the impact of the Great Depression on state budgets. 24 states enacted sales taxes and 16 states enacted personal income taxes during the 1930s. Oregon instituted its personal income tax in 1930 as a way to reduce the state's dependence on property taxes. The personal income tax generated $3.5 million in the 1931-32 biennium, its first biennium of operation, but fell 34.3% to 2.3 million in the 1933-34 biennium despite an increase in the personal income tax rate. Income tax revenue began growing rapidly in the mid-1930s with General Fund revenue increasing 30.5% in the 1935-36 biennium and 15.6% in the 1937-38 biennium.

Prior to the current recession, the most severe contraction for the state economy in the post World War II era occurred in the early 1980s. Oregon's unemployment jumped sharply as high interest rates pushed the nation into a sharp downturn. The number of unemployed Oregonians increased 58.1% between January of 1980 and January of 1982. The state's unemployment rate peaked at 12.1% in November of 1982. General Fund revenue, in the absence of Legislative changes, would have increased 3.4% for the 2-year period—less than ½ the inflation rate for that period. Actions taken by the Legislature, primarily a 3-year increase in personal income tax rates, pushed General Fund revenue growth up to 10.7% for the 1981-83 biennium.

The 2001 economic contraction was relatively mild compared to the early 1980s. The unemployment rate peaked at 8.5% in July of 2003 and overall jobs, though negative for a 3-year period, did not decline nearly as much as the earlier period. However, the percentage decline in General Fund revenue was the most severe since the 1933-34 biennium. In the absence of legislative revenue actions, primarily a $450 million bond sale in the spring of 2003, General Fund revenue would have declined 12.9% compared to the prior biennium. Even with legislative actions, General Fund revenue came in 7.5% less than the 1999-2001 biennium. The run-up in stock prices in the 1990s generated large taxable capital gains which peaked in the 1999-2001 biennium. The subsequent stock market collapse in 2001 sharply reduced capital gains income.

The full impact of the current recession is yet to be determined. Preliminary real GDP numbers for the second quarter of 2009 show a drop of 2.4% over the past 2 years. This is the largest drop over a two-year period since 1929-33. The unemployment rate in Oregon reached 12.2% in May and June of 2009 and is likely to go higher. The number of unemployed in Oregon jumped 148% between June of 2007 and June of 2009. The more than doubling of the unemployed not only reflects the economic stress in the state but also is an indicator of the pressures on the state budget. Rising unemployment leads to increased demand for the Oregon Health Plan, food stamps and other human resource programs.

2007-09 General Fund revenue came in 8.4% below the previous biennium after adjustment for fund transfers to balance the budget. A large 2% surplus kicker refund ($1.084 billion) sent out in the fall of 2007 explains most of this decline. Adjusting for the refund, General Fund revenue would have been essentially even with the prior biennium (+0.1%).

Declining Revenue and the Budget Development Process

The timing of the recession means that much of its revenue impact will be felt in the coming 2009-11 biennium even if a modest recovery begins in the second half of 2009. Current law General Fund revenue was projected at $12,517.5 million in the May forecast used for the legislatively adopted budget. This figure is 1.8% below actual General Fund revenue in the 2005-07 biennium. Over this 4-year period, inflation is expected to push up the general price level 8.1% as measured by the Portland-Salem consumer price index. This leaves General Fund revenue roughly 10% below the 2005-07 level in inflation adjusted terms.

The unexpected depth and duration of the recession triggered sharp drops in the state economic and revenue forecast thereby complicating the legislative budget process. Table 2 shows the magnitude of changes in the 2007-09 and 2009-11 General Fund forecasts over the course of the budget development process.

Table 2: Declines in the General Fund Revenue Forecast

FORECAST	2007-09 BIENNIUM (in millions)	2009-11 BIENNIUM (in millions)
SEPTEMBER 08	$12,897.5	$15,467.8
DECEMBER 08	$12,731.6	$14,749.4
MARCH 09	$12,018.4	$13,050.0
MAY 09	$11,757.9	$12,517.5
CHANGE SEPT 08 TO MAY 09	-$1,139.6	-$2,949.5
% CHANGE SEPT 08 TO MAY 09	-8.8%	-19.1%

The Governor typically makes major budget decisions based on the September forecast of even numbered years and then finalizes those decisions for the Governor's Recommended Budget based on the December forecast. The Legislature typically develops a broad budget outline for the Legislatively Adopted Budget based on the March forecast for odd numbered years and then finalizes based on the May forecast and legislative actions. Table 2 shows that throughout this entire budget decision process revenue estimates were dropping sharply for not only the 2009-11 budget being developed but also for the already adopted 2007-09 budget. Comparing the May 2009 forecast with the September 2008 estimates (about the time the economy went into rapid decline), shows that the 2007-09 estimate dropped $1.1 billion or 8.8% while the 2009-11 projection declined nearly $3 billion or 19.1%.

The budget process combines revenue projections with the estimated costs of maintaining the current level of public services plus additional costs resulting from previous legislation. This budget level is referred to as the essential budget level (EBL). Summing up the cost estimates and comparing them with current law revenue projections gives the Legislature an estimated gap that will need to be filled through budget cuts (from the EBL), fund shifts including reserves and/or revenue increases. Therefore the 2009-11 budget gap estimate not only reflects deteriorating revenue conditions but also rising costs associated with increased demand for human services caused by the surge in unemployment as well as growth in the prison population and growing student enrollment. The budget gap estimate is based on the General Fund and Lottery Fund (minus dedications to the reserve fund). The estimate of the General Fund-Lottery budget gap following the May revenue forecast and use of $911 million in Federal stimulus funds was $3.3 billion or 19.7 %. For details on the state budget see “Budget Highlights: 2009-11 Legislatively Adopted Budget” produced by the Legislative Fiscal Office.

Major Revenue Policy Measures

General Fund Revenue Raising Actions

Legislative leadership set a target of $800 million in General Fund revenue raising actions to fill a portion of the budget gap. The bulk of the target revenue was raised through the passage of two bills: HB 3405 and HB 2649. HB 3405 contains an increase in the corporate income tax rate, a new corporate minimum based on Oregon sales and increases in Secretary of State filing fees. It is expected to raise $261 million in the 2009-11 biennium. HB 2649 increases personal income tax rates for high income filers, phases out the federal tax subtraction for high income filers and establishes a one-year $2,400 exclusion for unemployment benefits in conformity with the federal exclusion approved by Congress in February of 2009. The net revenue impact of HB 2649 on 2009-11 General Fund revenue is estimated at $472 million. The combined 2009-11 revenue impact of HB 3405 and HB 2649 is estimated at $733 million. The remainder of the $800 million revenue target was filled with reductions in the business energy tax credit (HB 2472), tax compliance efforts (especially a tax amnesty program contained in SB 880) and actions taken by the Ways and Means Committee such as the extension of the Oregon Liquor Control Commission bottle surcharge as well as a series of fund shifts.

HB 3405 replaces Oregon’s $10 corporate minimum with a graduated tax based on Oregon sales ranging from $150 to $100,000 for C-corporations. The new corporate minimum is an alternative to the net corporate income tax. C-corporations pay the higher of the two. For S-corporations, the minimum tax is increased from $10 to a flat $150. In addition, a new flat $150 minimum is applied to partnerships. HB 3405 also adjusts net corporate income tax rates. Currently Oregon’s tax rate is a flat 6.6% on all net corporate income. HB 3405 establishes a new 7.9% marginal rate on net corporate income above $250,000 for the 2009 and 2010 tax years. The new marginal rate drops to 7.6% for income above $250,000 in the 2011 corporate tax year. Starting in the 2013 corporate tax year, the 7.6% marginal tax rate applies only to net corporate income above $10 million. Finally HB 3405 adjusts corporate filing fees imposed by the Secretary of State. Currently all corporations pay a $50 annual filing fee. Under HB 3405, all Oregon corporations pay an additional $50 per year while corporations based outside Oregon pay an additional $225.

HB 2649 establishes a new 10.8% marginal personal income tax rate for taxable income above $125,000 and below $250,000 in the case of single filers and above $250,000 and below $500,000 for joint filers. For taxable income above $250,000 for single filers and $500,000 for joint filers, a new marginal tax rate of 11% is established. These new rates apply to tax years 2009, 2010 and 2011. Starting with the 2012 tax year, the 10.8% and 11% brackets are eliminated and replaced by a new 9.9% rate which applies to taxable income above $125,000 for single filers and $250,000 for joint filers. HB 2649 also establishes a phase-out schedule for the federal tax subtraction starting at $250,000 adjusted gross income for joint filers and $125,000 adjusted gross income for single filers. Currently the federal tax subtraction is capped at $5,800 (adjusted for inflation each year) with no income test. Finally, HB 2649 in effect connects to a federal provision excluding the first $2,400 in unemployment compensation from taxable income for the 2009 tax year only.

Due to the significance of these two measures for state tax policy and the strong possibility of a voter referendum (to be held January 26, 2010); the Legislature Revenue Office will publish a detailed research report on these measures in the fall.

Tax Credit Limitations

Deteriorating economic conditions also led to legislative actions to reduce or limit tax credits. The revenue committees focused much of their efforts around limiting growth in the business energy tax credit (BETC). The BETC, established in 1979, was greatly expanded by the 2007 Legislature. The 2009-11 Tax Expenditure Report estimated that the credit would reduce General Fund revenue by $143.8 million in its pre-session form—making it the largest state tax credit with the exception of the personal exemption credit. The result of these efforts to reduce the projected revenue impact of the BETC was HB 2472. The main elements of HB 2472 are a reduction in eligible costs for renewable energy projects greater than 10 megawatts from $20 million to $10 million and a reduction in the credit percentage from 50% to 35%. In addition, HB 2472 eliminates allowance for a 10% cost overrun on projects, expands the authority of the Department of Energy to deny preliminary certifications for projects and tightens the definition of projects for purposes of credit eligibility. HB 2472 is expected to reduce the revenue impact of the BETC in 2009-11 by $19.6 million, from $143.8 million to $124.2 million. On August 7, the Governor vetoed HB 2472. The Legislature is determining its response for the February 2010 special session.

The Legislature approved HB 2067 in an effort to ensure a systematic review of all state personal and corporate income tax credits. The measure establishes a sunset date for all credits that did not have one previously and groups all credits into general policy areas. Exceptions are made for four credits deemed to be part of the overall income tax structure such as the personal exemption credit. Three major groups are established with sunset dates set for the beginning of 2012, 2014 and 2016. The measure has no revenue impact in the 2009-11 biennium but is expected to increase revenue by $59.3 million in the 2011-13 biennium if all scheduled sunsets are allowed to occur. However, this is highly unlikely. The intent of the bill, as clearly expressed in revenue committee discussions, is to review, evaluate and possibly modify credits including potential expansions rather than to generate revenue.

Despite the overall policy direction of limiting credits and rejecting most new credit proposals, the Legislature did expand two existing credits. HB 2472, which reduced the renewable energy credit, did contain a provision that expanded the existing credit for manufacturing facilities to include the production of electric vehicles. This portion of the bill is expected to have a negative revenue impact in 2009-11 of $2.2 million. The Legislature also approved SB 621 which expanded the film and video industry credit from $5 million per year to $7.5 million per year. This credit is used to subsidize film and video production in Oregon. The credit was originally established by the 2003 Legislature.

Federal Connection Policy

Going into the 2009 session state policy was to automatically connect Oregon tax law to changes in the federal personal and corporate income tax base unless the Legislature acted to prevent the connection. This policy, known as the rolling reconnect, was designed to reduce the administrative costs of compliance for state taxpayers and the Department of Revenue. Early in the session, as the major tax elements of the Obama administration’s stimulus package became clear, the Legislature acted to freeze the state’s connection to the federal code. The Legislative Revenue Office estimated that connecting to the tax provisions of the American Recovery and Reinvestment Act would have reduced General Fund revenue by $135 million in the 2009-11 biennium. The Legislature responded with passage of HB 2157. Because the Legislature approved HB 2157 before the federal changes became law, it had no revenue impact from current law. HB 2157 conformed to federal tax law unrelated to base changes up through December 31, 2008 and froze connection to base changes at that date thereby disconnecting from the changes contained in the American Recovery and Reinvestment Act of 2009.

Late in the session, the Legislature approved HB 2078. HB 2078 moves the federal connection date up to May 1, 2009 but makes exceptions for certain provisions that would reduce state revenue. These provisions are bonus depreciation, Section 179 expensing for small business and the discharge of indebtedness by financial institutions. The bill also disconnects from the one-year exclusion of unemployment compensation income in the event that HB 2649 is referred and defeated by voters in January of 2010. HB 2078 connects to all provisions of the American Recovery and Reinvestment Act not specified in the bill. These include provisions allowing a deduction for extended health insurance benefits and an expansion of the earned income tax credit program. Finally, HB 2078 re-establishes the rolling reconnect policy to changes in the federal tax base starting January 1, 2011 and going forward.

Tax Compliance

The February 2008 special session approved SB 1082 which directed the Department of Revenue to estimate the magnitude of the personal income tax gap between what tax collections would be if all provisions of state law were strictly adhered to and what was actually collected. The department was also asked to make recommendations to the Legislature for statutory changes that would potentially reduce the size of the gap. The Department of Revenue reported their findings to the revenue committees on January 30, 2009. The tax gap was estimated at 18.5%--meaning that personal income tax collections would be 18.5% higher if tax law were strictly followed. The department also identified the primary areas of non-compliance. These primarily involve income sources or deductions subject to little or no information reporting. These include numerous deductions, partnership/s-corporation income, proprietor income and rents & royalties. The report also included recommendations for statutory changes primarily involving information sharing among state agencies and other entities.

Building on the extensive work of the revenue committees in 2005, the Legislature approved Oregon's first tax amnesty program. The program is designed to provide taxpayers with an opportunity to comply with the law without being subject to penalties and at reduced interest obligations, improve compliance over the long-term by bringing taxpayers into the collection system and raise revenue in the short run to help fill the 2009-11 budget gap. SB 880 directs the Department of Revenue to conduct an amnesty program between October 1 and November 19, 2009. The program includes taxes due on personal and corporate income, inheritance and local payroll taxes. Taxpayers can participate for tax years in which they have not received a notice of deficiency from the Department of Revenue. Those that chose to participate will have all penalties waived and a reduction of 50% for interest payments that would otherwise have been due. Those that chose not to participate and are later found to be out of compliance; will be subject to an additional 25% penalty. This provision sunsets in 2012. The bill is expected to generate $16.4 million in net revenue to the state after costs incurred by the Department of Revenue for conducting the program.

The Legislature approved a number of other bills designed to increase compliance with the tax laws. These bills include HB 2815, HB 3082 and SB 690. HB 2815 establishes an interagency compliance network to share information among state agencies. HB 3082 establishes a pilot program to require occupational licensees to demonstrate compliance with state tax laws. SB 690 expands the Department of Revenue's authority to disclose information to the State Board of Tax Practitioners and the State Board of Accountancy. It also allows the department to disclose taxpayer information to local law enforcement officials under certain circumstances. The short-term impact of these measures on General Fund revenue is expected to be minor but over time they are expected to have an impact on the state's tax gap. Finally, the Joint Ways and Means Committee approved policy packages adding additional staff for compliance and a collections "speed-up" project. This appropriation contained in SB 5540 is expected to increase General Fund revenue by $36.9 million in the 2009-11 biennium.

Long-Term Structural Issues

Well before the magnitude of the economic downturn became evident, the Governor and the Legislature were preparing significant revenue packages to address long-term structural concerns. These efforts led to the passage of 3 major bills providing substantial revenue. Building on this interim work, the Legislature approved HB 2001, HB 2116 and HB 2436. These bills are designed to provide funding for transportation, health care and affordable housing, respectively.

HB 2001 is expected to generate $290.5 million for the Highway Fund in the 2009-11 biennium and $601.3 million in 2011-13. The key revenue raising elements of the bill are a 6 cent increase in the gas tax effective January 1, 2011 with a corresponding 24% increase in the weight mile tax tables (effective 10-1-10) to maintain highway cost responsibility. The Highway Fund is also set to receive additional revenue from a variety of transportation fee increases including passenger vehicle registration fees, heavy vehicle registration fees, customized plate registration fees, fees for motorcycles and mopeds and trip permit fees. The bill also authorizes the sale of $100 million in Lottery backed bonds for deposit in the Multimodal Transportation Fund for grants to non-highway transportation projects.

The Legislature knew well in advance of the regular session, that the health provider taxes approved in 2003 and scheduled to sunset in October of 2009 would have to be restructured due to federal requirements. The Legislature responded with HB 2116. The bill creates a 1% assessment on health insurance premiums and Medicaid managed care capitation payments. It also directs the Department of Human Services to establish a new hospital assessment rate based on consultation with hospital representatives. These rates are effective October 1, 2009 through September 30, 2013. The provider taxes are expected to generate $422.1 million in the 2009-11 biennium and $619.6 million in the 2011-13 biennium. Revenue from the provider taxes will be combined with federal funds to support a wide variety of health programs.

The Legislature also took action to increase the revenue available to support affordable housing programs. HB 2436 increases the document recording fee by $10 for titles and deeds. These fees are collected at the county level. The document fee increase takes effect 91 days after the close of session and is expected to generate $15.2 million in new revenue for the 2009-11 biennium and $26.5 million in the 2011-13 biennium. The new revenue will be directed to the General Housing Account, the Emergency Housing Account and the Home Ownership Assistance Account.

SUMMARY OF INDIVIDUAL REVENUE BILLS

PERSONAL AND CORPORATE INCOME TAX

HB 2004 (CH 911)

Establishes the Oregon Political Party Fund. Allows resident taxpayers filing a full-year tax return to designate a contribution to the Oregon Political Party Fund. Each contribution may be up to $3 per taxpayer, reduces the amount of tax refund due, and is directed to the major or minor political party designated on the form. Requires the Department of Revenue to list all major and minor political parties in the instructions for the tax return. Identifies certain conditions under which the designation would be considered void and no contribution made. For example, if more than one political party per taxpayer is designated to receive a contribution then it is considered void. Applies to tax year beginning on or after January 1, 2009.

Revenue Impact: None

HB 2067 (CH 913)

Assigns most income and corporate excise tax credits one of three sunset dates – January 1 of 2012, 2014, or 2016. (Excludes the personal exemption credit, the credit for taxes paid to another state, the claim of right income credit, and the corporation surplus refund credit.) Allows taxpayers claiming the rural medical credit at the time of sunset to continue claiming the credit for an additional ten years. Creates a default sunset date for new tax credits of six years after the credit is first effective unless statute specifies a different date or states that no sunset is required.

The intent of the bill is to provide for a systematic review of the tax credits during the interim period in preparation for legislative action to be taken during the session prior to the sunset date. The table below shows each of the tax credits grouped according to the effective sunset date. In general, those that sunset in 2012 pertain to environmental or business policy; those that sunset in 2014 pertain to community service or housing policy; and those that sunset in 2016 pertain to child care and medical policy.

January 1, 2012	January 1, 2014	January 1, 2016
Film Production Development Contributions	Reservation Enterprise Zone	Costs in-lieu of Nursing Home Care
Qualified Research Activities[1]	Youth Apprenticeship Sponsorship	Long-Term Care Insurance
Qualified Research Activities (Alternative)[1]	Contributions of Computer Equipment	Disabled Child
Long-term Rural Enterprise Zone[2]	Employer Provided Scholarships	Elderly or Permanently Disabled
Electronic Commerce Enterprise Zone	Earned Income Credit[1]	Loss of Limbs
Water Transit Vessel Manufacturing	Rural Medical Practice	Severe Disability
Crop Gleaning	Volunteer Rural Emergency Medical Technicians	Public University Venture Development Fund
Riparian Lands Removed from Farm Production	Farmworker Housing Construction	Child and Dependent Care
Diesel Truck Engines (New)[1]	Farmworker Housing Lender's Credit	Working Family Child Care
Diesel Truck Engines (Retrofit and Repower)	Oregon Affordable Housing Lender's Credit	Employer Provided Dependent Care Assistance
Fish Screening Devices	Mobile Home Park Closure	Child Care Division Contributions
Alternative Energy Devices (Residential)	Political Contributions	Individual Development Account Contributions
Alternative Fuel Stations	Oregon Cultural Trust	Individual Development Account Withdrawals
Business Energy Facilities	Retirement Income	Oregon Life and Health IGA Assessments
Energy Conservation Lender's Credit		TRICARE Health Care Providers
Biofuel Consumer Credit		Oregon Veterans' Home Physician
Biodiesel Used in Home Heating		
Production or Collection of Biomass		
Reforestation		
Fire Insurance		
Workers' Compensation Assessments		

[1]Current law contains the indicated sunset date, so no statutory change is necessary.
[2]Certification for this credit is related to property taxes, so the sunset date is technically June 30, 2012.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	**Minimal***	**$59.3**	**$106.8**

* A revenue loss of less than $50,000.

The revenue impacts assume no legislative action is taken on any tax credit and that the tax credits sunset on the dates specified in the bill. The revenue impact for individual credits can be either positive or negative. A negative impact occurs when an existing sunset date is extended. A positive revenue impact occurs when either a sunset date is created or moved forward in time. In 2009-11 there is a small negative impact. Over the subsequent two biennia the net impact is positive because the combined positive impacts of creating sunsets is larger than the combined negative impact of extending sunsets. In the 2011-13 biennium, nearly all of the net impact (97 percent) is due to the sunset changes to the Business Energy Tax Credit and Residential Energy Tax Credit.

The net impact in the 2013-15 biennium is made of roughly $48 million in revenue reductions and $154 million in revenue increases. The largest revenue reductions (79 percent) are due to the extension of the working family child care credit and the credit for contributions to individual development accounts. The gross revenue increase is dominated by the Business Energy Tax Credit (55 percent) and the Residential Energy Tax Credit (22 percent) which total nearly $120 million.

HB 2068 (CH 288)

Clarifies existing statute that certain tax credits (the biomass producer credit, the business energy tax credit, the credit for contributions to the Oregon Production Investment Fund, and the diesel engine repower/retrofit credit) may be sold or transferred only to C-corporations, S-corporations, or personal income taxpayers. Clarifies existing statute that an income or corporate excise tax credit that is transferable may be transferred or sold only once, unless specifically stated otherwise in statute. Requires the Department of Energy to establish by rule a formula to be used in determining the transfer price of credits. Requires the formula to incorporate inflation projections and market real rate of return. Requires the department to update transfer prices quarterly using the formula.

Revenue Impact: Between a revenue loss of less than $50,000 and a revenue gain of $50,000.

Much of the bill simply clarifies existing statute. The part of the bill that could have a revenue impact is the policy regarding the transfer price of the credits. By updating the price more frequently, it allows the department to better respond to market conditions. The expected result is a transfer price system that more accurately reflects market expectations. Under the existing system, rapid changes in the economy can lead to periods where the transfer price is higher or lower than market conditions would otherwise suggest. This bill is expected to mitigate those factors.

HB 2078 (CH 909)

Establishes a connection date of May 1, 2009 to the federal definition of taxable income and most other provisions. Maintains a December 31, 2008 connection date for bonus depreciation, the discharge of indebtedness, and Section 179 expensing. Maintains a December 31, 2008 connection date for deduction of unemployment compensation if HB 2649 fails to become law. Clarifies the definition of “severe disability” to include deafness; clarifies the definition of “qualifying child” for purposes of the Working Family Child Care credit. Establishes a continuous tie – a “rolling reconnect” – to the federal definition of taxable income as of January 1, 2011. Eliminates the Residential Energy Tax Credit and the Business Energy Tax Credit for gasoline-hybrid vehicles as of January 1, 2010. Refines definitions related to the biomass tax credit.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	$0.9	$4.3	Minimal

The revenue impact for each biennium is the net impact of tying to various provisions of The American Recovery and Reinvestment Act of 2009, eliminating the credit for gasoline-hybrid vehicles, and clarification of the biomass credit provisions. The provisions that result in the most significant revenue loss pertain to the payments through the health insurance assistance program (-$4.7 million in 2009-11) and the expansion of the earned income tax credit (-$0.9 million in 2009-11). The health insurance assistance program would allow eligible individuals (those who lose their job between September 1, 2008 and December 31, 2009) to purchase health insurance at the rate of 35 percent of the total cost. Current federal law states that the 65 percent subsidy is not taxable. Also, the federal earned income tax credit is increased for certain claimants for tax years 2009 and 2010 by increasing the percentage of earnings eligible for the credit and reducing the phase-out. One provision that results in a revenue gain is the treatment of built-in losses ($2.4 million in 2009-11). Congress overturned an IRS ruling that allowed financial companies to apply the losses of an acquired company to the profits of the acquiring company. Updating the connection date reduces the amount of the built-in losses that could be claimed on Oregon tax returns.

The elimination of the tax credit for gasoline hybrids results in a revenue increase roughly $4.7 million per year. The changes to the biomass tax credit are expected to have the effect of both increasing and decreasing revenue, with the net impact expected to be a revenue loss of roughly $0.5 million per year. The revenue gain is expected to come from the tightening of the definitions for biomass and biofuels. The revenue loss is expected from creation of the certification process, which adds a degree of certainty for potential transferees, and the clarification that taxpayers that qualify as both an agricultural producer and a biofuels producer are eligible for the credit. The revenue impact assumes that these credits sunset as per HB 2067 on January 1, 2012, so these changes have no effect in the 2013-15 biennium.

Note: HB 2157 was passed into law early in the 2009 session and generally updated our federal connection date from December 31, 2007 to December 31, 2008. HB 2078 reflects the current connection date for our tie to federal law because it was passed into law after HB 2157.

HB 2157 (CH 5)

Updates Oregon's date of connection to certain federal laws from December 31, 2007 to December 31, 2008. Ends the continuing connection to the federal definition of taxable income and connects to the definition as of December 31, 2008. Updates statutes pertaining to the tax qualification status of the Public Employees Retirement System plans and to unemployment insurance. Includes income tax provisions pertaining to the definition of charitable organizations, federal Adjusted Gross Income (for the purposes of Oregon's Elderly Rental Assistance and Senior Deferral programs), rules for S-corporation representation before magistrate, the Department of Revenue, and the Oregon Tax Court. Provides a mechanism for a taxpayer to have interest or penalties canceled for tax deficiencies that are attributable to the federal law connection changes in this Act. Specifies that if a refund is due a taxpayer for a tax year beginning before January 1, 2010 due to any retroactive treatment from these federal tax law connection changes then the refund will not be paid with interest. Clarifies that taxpayers must file an amended return for changes in Oregon's law due to these federal tax law changes for tax years before January 1, 2010. Allows the Department of Revenue to make changes to tax returns that do not file amended returns.

Revenue Impact: A revenue loss of less than $50,000 per biennium.

The most significant revenue impact pertains to the provision that permanently includes military combat pay in the definition of earned income for purposes of the federal earned income credit. This change directly affects Oregon by increasing the Oregon earned income credit, thereby reducing Oregon personal income tax revenue.

Note: HB 2157 was passed into law early in the 2009 session and generally updated our federal connection date from December 31, 2007 to December 31, 2008. HB 2078 reflects the current connection date for our tie to federal law because it was passed into law after HB 2157.

HB 2164 (CH 202)

Codifies an existing Department of Revenue administrative rule that states that "active service" includes weekend drills, annual training, summer camp, special school attendance and battle assemblies. Applies to tax years beginning on or after January 1, 2009.

Revenue Impact: None

Because this bill simply codifies an existing administrative rule, it has no impact on the number of military personnel who may claim the subtraction or on the amount they may claim. Consequently, there is no revenue impact. In 2008, the Department of Revenue implemented a temporary rule that recognized those activities listed above as being included in the definition of "active service". The reason for the rule was to recognize the original legislative intent of the statute and to accommodate for changes over time in the terms used to describe active service.

HB 2180 (CH 912)

Requires the Department of Energy, in consultation with the Public Utility Commission and the Economic and Community Development Department, to prepare a report on the financial aspects of wind energy and conservation projects certified under the Business Energy Tax Credit (BETC) program. Directs the study to include capital investments, federal and state tax incentives, revenues, costs, and return on investment. States that the purpose of the report is to determine the extent to which facilities depend on state incentives for initial and continued operation. Requires the Department of Energy to report to the Legislature by February 1, 2011.

Revenue Impact: None

HB 2261 (CH 82)

Edits existing statute for clarity and codifies the Department of Housing and Community Services practice of financing loans that qualify lenders for the Oregon Affordable Housing Tax Credit with proceeds from tax exempt bonds. Resolves conflict with HB 2157.

Revenue Impact: None

HB 2472 (VETOED)

Establishes grounds for mandatory denial of preliminary certification for projects exceeding $5 million that fail to meet certain criteria. Requires affected applicants to have applied for all required state and local licenses and permits, to not be in arrears on any tax owed to the state or local governments, and to keep the facility in continuous operation for at least five years after it is placed in operation. Prohibits the Department of Energy from issuing a final certification unless all necessary permits and licenses have been issued and allows them to require the other conditions to be met to issue or revoke a final certification. Allows the Department of Energy, when considering an application, to consider the number of jobs created, the economic benefits, the revenue impact as compared with the projected benefits, and whether or not construction of the facility is dependent upon preliminary certification. Prohibits the Department of Revenue from paying interest on amounts due to a credit claimed by a credit transferee upon the filing of an amended tax return. Treats electric vehicle manufacturers as renewable manufacturing facilities for purpose of the credit. Allows the Department of Energy to consider multiple applications as a single application for certain purposes if the facilities are in such close proximity, or so closely related, that they constitute a single facility. Eliminates the automatic 10% increase in the credit due to higher than estimated project costs. Reduces the project cost cap from $20 million to $10 million and the credit percentage from 50% to 35% for renewable projects with installed capacity greater than 10 megawatts. Applies to preliminary certifications issued on or after the effective date of the bill. The lower cap and percentage apply to completed applications received on or after July 1, 2009; all other provisions are applicable to preliminary certifications issued on or after June 1, 2009.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	**$19.6**	**$27.5**	**$20.1**

The estimated revenue impact in this statement is the net impact of all the policies contained in the bill. Generally, the provisions would reduce the amount of Business Energy Tax credits; however, the bill does expand one part of the credit by making electric vehicle manufacturers eligible for the credit as renewable manufacturing facilities. The largest share of the credit reduction is due to the reduction in the project cap from $20 million to $10 million and the reduction in the credit from 50% to 35% of eligible project costs; these reductions are for projects that exceed 10 megawatts of installed capacity. The second largest impact on reducing the amount of credits is due to the provisions related to the criteria for large projects. The revenue impact assumes that no new tax credits are issued after the sunset of January 1, 2012 (as per HB 2067).

Note: This bill was vetoed by the Governor so it will not take effect. However, the Assembly has the opportunity to respond to the veto during the February 2010 session.

Purpose Statement: To increase the focus of the credit in areas related to economic development while reducing the overall cost of the credit.

HB 2649 (CH 746)

Creates a 10.8% tax bracket for joint filers with taxable income between $250,000 and $500,000 (between $125,000 and $250,000 if single) and creates an 11% tax bracket for joint filers with income above $500,000 (above $250,000 if single); applies to tax years 2009 through 2011. Reduces top rate to 9.9% for joint filers with income above $250,000 (above $125,000 if single) for tax years 2012 and later. Phases out the federal tax subtraction for joint filers with adjusted gross income above $250,000 (above $125,000 if single). Excludes up to $2,400 of unemployment compensation for tax year 2009. Becomes effective 91 days following sine die.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	**$472**	**$375**	**$379**

Most of the revenue impact comes from the higher marginal tax rates – about 92 percent. The remaining eight percent is due to the phase-out of the federal tax subtraction. The leveling of the revenue impact in the latter two biennia is due to the reduction in the top rate to 9.9% beginning with the 2012 tax year. The 2009-11 impact includes a revenue reduction of roughly $32 million due to the exclusion of unemployment compensation.

HB 2653 (CH 842)

Removes an exception to the standard apportionment formula of allocating corporate income based on sales. The exception is to allow for the use of a double-weighted sales factor for forest product industry taxpayers that manage between 300,000 and 400,000 acres in Oregon and process at least 20 percent of their total wood chip supply for papermaking from sawmill residue generated within Oregon. Exempts corporations from penalty and interest due to underpayment of taxes attributable to the increased level of taxes contained in HB 3405A for tax year 2009.

Revenue Impact: None

There are no corporations that meet the criteria required to use this exception to the standard apportionment formula and that take advantage of this provision. And none are expected to do so in the future, so there is no revenue impact from this bill.

HB 2815 (CH 845)

Establishes Interagency Compliance Network to enforce compliance with laws relating to taxation and employment among persons paying employees in cash. Allows for information sharing among state agencies participating in the Network. Requires the member agencies of the Network to prepare a report every two years that details how the funds had been spent and provides an estimated revenue impact from the Network's activities. Appropriates $750,000 to the Emergency Board to be allocated to state agencies participating in the Network.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	**$3.8**	**$13.3**	**$15.2**
Other Funds	**$3.8**	**$13.3**	**$15.2**

The increased compliance is expected to result in greater collections primarily in personal income, corporate excise, unemployment insurance, and workers' compensation taxes, which accrue to both the General Fund and Other Funds. According to a Washington State study describing their experience with this type of broad compliance effort, annual collections to the state increased by factor that ranged from 7.6 to 10.2 of the amount of program costs (fiscal years 2004 to 2008). This estimated revenue impact for Oregon uses Washington's five-year average return on investment ratio of roughly 9 and phases in the impact over the next two biennia. The total impact is estimated to accrue equally to the General Fund and Other Funds. The estimates also assume that the continued funding for the program will be derived from revenue collected from the compliance efforts as funds are reinvested into the Network.

HB 2839 (CH 561)

Clarifies that prohibition against having a partner or spouse living at the time of establishing domestic partnership doesn't apply if domestic partners are registered in another state and also seek to register in Oregon. Creates mechanism for domestic partners to change surnames in manner comparable to that provided for married partners. Allows certain taxpayers to subtract from income any amount included in federal taxable income for health insurance benefits received by the taxpayer for their domestic partner – for tax year 2008. Eligible taxpayers must have been eligible to register as the partner on February 1, 2008, did in fact register as such by December 31, 2008, and received untaxed health benefits under state law prior to February 1, 2008.

Revenue Impact: A revenue loss of approximately $16,000 in 2009-11.

Roughly 125 taxpayers are expected meet the eligibility requirements and be able to reduce their taxable income under this law. The amount they can subtract depends on the month in which they registered as domestic partners. The earlier in the year they registered, the less this law would affect them. In total, the taxpayers affected by this bill would be able to reduce their taxable income by approximately $180,000, which results in the $16,000 revenue loss. This impact assumes that most of the impact will occur in the fall of 2009 as these taxpayers either file their 2008 tax return after having filed for an extension, or file an amended 2008 tax return.

HB 2970 (CH 521)

Requires the director of the Housing and Community Services Department to convene an interdepartmental work group with the purpose of expanding the number of eligible taxpayers claiming the earned income tax credit. The work group shall be within the Interagency Council on Hunger and Homelessness. Requires the work group to promote and facilitate interdepartmental collaboration to develop education and outreach strategies to ensure that eligible taxpayers are aware of both the tax credit and free tax preparation assistance. Requires the work group to develop recommendations to ensure state agencies maximize credit usage while decreasing inefficiencies. Requires the work group to report its findings to an interim Legislative committee on revenue by October 1 of each year. Repeals the bill on January 2, 2012.

Revenue Impact:

The revenue impact of the bill is indeterminate. The policy goal of the bill is to increase the utilization of an existing federal and state income tax credit. The existing body of research on the usage of the earned income credit suggests that between roughly 75 and 85 percent of those taxpayers eligible for the credit actually claim the credit. Research also suggests that participation varies with the personal circumstances of the taxpayers and whether or not they are required to file a tax return. Some of the characteristics that appear to be associated with eligible non-filers include eligibility for a smaller credit, a larger family, younger parents, lower level of education, and no prior tax filing experience.

The impact of outreach efforts would depend, in part, on the reasons for individuals not claiming the credits. Some individuals may not be aware of the credit because they aren't required to file a tax return. Other taxpayers may be eligible for a smaller credit and have decided that the benefit of the credit isn't worth the cost of obtaining it. For example, the credit available to filers without children is significantly less than for filers with children – about 10 percent of the credit available to filers with at least two children.

If the efforts of this work group result in a five percent increase in the number of filers who claim both the federal and state credits, roughly 12,000 additional Oregon tax filers would claim the credits. By claiming the federal credit, these filers would receive roughly $17 million from the federal government per year. Through the Oregon credit, which is currently six percent of the federal credit, they would receive roughly $1 million from the General Fund per year.

HB 3039 (CH 748)

Directs the Public Utility Commission to develop a solar power pilot program to demonstrate effectiveness of incentives for electricity delivered from solar voltaic energy systems. Allows customer-side and third-party solar systems to qualify. Allows electric companies to recover costs from ratepayers. Limits total pilot program to 25 megawatts. Sets goal of 75 percent to be generated by small-scale systems. Establishes solar voltaic generating capacity standard of 20 megawatts by January 1, 2020, with no single project greater than five megawatts. Requires electric companies to each achieve proportion of the standard equal to its share of retail electric sales. Establishes two-for-one credits for qualifying generating systems operational prior to January 1, 2016, for the purpose of complying with the renewable portfolio standard. Limits incentive eligibility to projects under 500 kilowatts. Makes pilot program provisions operative April 1, 2010. Encourages state agencies to use fuel cell power systems in lieu of other power equipment and directs the Department of Energy to develop criteria for agencies to use in comparing fuel cell power systems with other equipment options.

Revenue Impact: None

There is expected to be no impact on revenue because the policy is not expected to significantly alter the current expectations for the use of tax credits related to these projects. Under existing law with the Renewable Portfolio Standards (RPS), it is assumed that utilities will be developing approximately 4 megawatts of these types of photovoltaic projects annually over the next several years. Under current law these projects would be eligible for business energy tax credits. At an assumed cost of $6 million per megawatt, this translates into $12 million dollars of business energy tax credits claimed each year. (This assumes projects are pre-certified by the credit's 2012 sunset date contained in HB 2067.) This assumption puts the utilities on pace to reach the goal of 20 megawatts of alternating current by 2014. Because solar projects remain relatively more expensive and the deadline for utilities to take advantage of the RPS incentives is 2016, there is expected to be little change from the current law assumptions regarding the use of business energy tax credits.

HB 3082 (CH 576)

Directs the Department of Revenue to implement a pilot project that requires occupational licensees to demonstrate compliance with personal income tax laws, corporate income or excise tax laws, or cigarette or other tobacco tax laws. Any state agency, board, or commission that participates in the pilot project may suspend, revoke or refuse to issue a license if the licensee is out of compliance. Allows the department to disclose to participating agencies whether or not a taxpayer is in compliance. Allows the department to consider the following four factors in determining whether or not a licensee is in compliance: 1) if the licensee has filed income or corporate excise tax returns for any of the three preceding years for which a return was required; 2) if the licensee has filed required cigarette or other tobacco tax reports for any of the three calendar years preceding a year in which a report was required; 3) if, after all appeals, the licensee has failed to pay any tax within 30 days after the date of assessment, has failed to enter into an approved payment plan, or has failed to follow the terms of an approved payment plan; or 4) has been convicted of a criminal offense related to the tax laws listed above. Limits participation in the project to no more than three state agencies, boards, or commissions. Requires the department to report to the Legislature no later than January 31, 2011. Repeals the pilot project on January 2, 2016.

Revenue Impact: Less than $50,000 per year.

The policy contained here builds upon conclusions from a January 2009 Department of Revenue report on personal income tax compliance in Oregon. That report identified working with licensing boards as a possible way to improve tax compliance within the personal income tax program. This bill expands that concept to include corporate and tobacco taxpayers and focuses the effort by limiting the scope to three licensing agencies, boards, or commissions. Because these three licensing entities are not specifically identified, it's not possible to estimate a precise revenue impact. The project is intended to be a pilot, so a portion of the effort will be to focus on the logistics of the program and determining the appropriate parameters of a possible larger effort. However, given that the intent of the project is to improve tax compliance, there is likely to be a modest positive impact on tax collections.

HB 3405 (CH 745)

Increases the C-corporation minimum tax from $10 to an amount that ranges from $150 for corporations with less than $500,000 in Oregon sales to $100,000 for corporations with Oregon sales of more than $100 million. (See the table below.) Increases the minimum tax on S-corporations from $10 to $150. Imposes a $150 entity tax on entities filing a partnership return. Creates a second marginal corporate tax rate of 7.9% that is applied to taxable income greater than $250,000 for tax years 2009 and 2010; reduces the rate to 7.6% for tax years 2011 and 2012. For tax years after 2012 the top tax rate of 7.6% applies to net income greater than $10 million. Other tax changes are applicable beginning with tax year 2009. Increases the Secretary of State filing from $50 to $100 for domestic corporations and to $275 for foreign corporations. Increases fee to file a 5-year uniform commercial code financing statement from $10 to $15 and increases the application fee for a 4-year notary public commission from $20 to $40. Becomes effective 91 days following sine die.

Oregon Sales ($)	Minimum Tax
< $500,000	$150
$500,000 to $1 Million	$500
$1 Million to $2 Million	$1,000
$2 Million to $3 Million	$1,500
$3 Million to $5 Million	$2,000
$5 Million to $7 Million	$4,000
$7 Million to $10 Million	$7,500
$10 Million to $25 Million	$15,000
$25 Million to $50 Million	$30,000
$50 Million to $75 Million	$50,000
$75 Million to $100 Million	$75,000
$100 Million or more	$100,000

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	**$261**	**$270**	**$231**

Most of the revenue impact is from the new minimum tax and new marginal tax rate for C-corporations. The minimum tax raises roughly $93 million in the 2009-11 biennium and decreases slightly in the subsequent two biennia as the trend toward fewer C-corporations continues and the economy improves. The new marginal tax rate results in approximately $108 million in revenue in the 2009-11 biennium. The higher minimum tax on S-corporations is expected to increase revenue by approximately $18 million per biennium. The entity tax on those filing a partnership return is expected to raise roughly $18 million per biennium. The increased Secretary of State filing fees are estimated to increase revenue by $30 million per biennium. The relatively slow growth in revenue for 2011-13 is the net impact the lower top tax rate and the expected rebound in corporate profits. The lower revenue in 2013-15 is driven by the smaller applicability of the top marginal tax rate.

SB 40 (CH 58)

Requires surplus revenue (kicker) refunds to be calculated after allowance of the credit for taxes imposed by another state.

Revenue Impact: None

The bill does not affect the usage of any tax credits and does not change the total amount of the surplus refund. Consequently, there is no revenue impact. It does, however, potentially change the kicker percentage and how the total kicker amount is distributed across taxpayers.

SB 93 (CH 791)

Allows the Oregon Judicial Department (OJD) to enter into an intergovernmental agreement with the federal government to intercept federal tax refunds to offset debt owed to OJD for past-due liquid and delinquent accounts for crime victim restitution payments, compensatory fines, other fines, costs, and assessments. Allows overpayments to state courts to be offset against federal tax obligations.

Revenue Impact: None

By itself this bill would have no revenue impact because federal legislation is required to allow the payment of non-tax debt with federal tax dollars. Federal legislation has been introduced that would accomplish this.

The Judicial Department estimates that if the federal legislation becomes law, they would collect up to $61 million in 2009-11 and $61 million in 2011-13, based on collections activity by the Division of Child Support and depending on the effective date. The Department of Revenue currently participates in a similar program for income taxes and collected an average of $6.6 million per year from 2005-2007, which represents roughly 1.5 percent of liabilities owed to the Department. Applying this same percentage to the outstanding debt for the Judicial Department results in an estimated collection amount of $20 million per biennium when fully implemented.

SB 180 (CH 401)

Requires an affiliated group that files a consolidated return to include certain entities in their state tax return. Pertains to real estate investment trusts and regulated investment companies. Changes the Department of Revenue rule making authority from mandatory to permissive. Applies to tax years beginning on or after January 1, 2010.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	**$0.6**	**$1.2**	**$1.2**

In recent years, the Department of Revenue has been able to identify several cases where corporations have created these captive entities for the sole reason of avoiding state tax. Because these entities serve no economic purpose, they are disallowed and their income is included in the consolidated tax return. For tax years 1999-2005, the Department has assessed an additional $2.8 million in tax per year. The revenue impact for this bill is the estimated amount of revenue that currently goes undetected under current auditing procedures.

SB 181 (CH 402)

Adds clarity to existing statute pertaining to the removal of inter-company sales and expenses associated with sales for intangible property. Clarifies that the expenses are to be added back to the return when the sales to a related member for the use of intangible property had been excluded from the return. Allows the corporation to claim a tax credit if tax has been paid on the income from the sales. Applies to tax years beginning on or after January 1, 2010.

Revenue Impact: A revenue gain of less than $50,000 per year.

Recent audits conducted by the Department of Revenue have revealed a handful cases (involving fewer than ten taxpayers over several years) where taxpayers have incorrectly included the expenses of such inter-company transactions while excluding the associated sales. For tax years 1999-2005, the Department has adjusted the tax returns and assessed a total estimated additional $50,000 in tax per year. The estimated revenue impact for this bill is the amount of revenue that currently goes undetected under current auditing procedures.

SB 182 (CH 403)

Adopts a uniform definition of a “financial institution” and replaces the two definitions currently in statute. Effective for tax years beginning on or after January 1, 2009. Applies to tax years that are subject to appeal, adjustment, audit, or refund for certain entities.

Revenue Impact: Between a revenue loss of less than $50,000 and a revenue gain of $50,000.

By creating a uniform definition of a “financial institution”, the apportionment factor used by these corporations could be affected. Depending on the specific characteristics of the affected companies, this change could result in slightly more or less tax owed than under current law.

SB 498 (CH 494)

Prohibits the Department of Revenue from applying an administrative rule that would change any particular of a tax return or report (such as income, an expense, deduction or credit) if the return or report was timely filed and the particulars were treated consistent with administrative rules in effect at that time. Applies to administrative rules adopted or amended by the department on or after the effective date of this Act. Takes effect on the 91st day after sine die.

Revenue Impact: None

SB 609 (CH 457)

Allows for decisions of the magistrate involving protective orders to be appealed to the regular division of the tax court and allows the magistrate to stay the case on merits until the request for a protective order is resolved. Requires that certain appeals to the regular division of the tax court be expedited and determined within 90 days, unless the tax court determines additional time is needed.

Revenue Impact: None

SB 621 (CH 787)

Increases the annual cap on the amount of tax credits for contributions to the Oregon Production Investment Fund from $5 million to $7.5 million. Clarifies the definition of expenses eligible for reimbursement. Resolves conflict with SB 863.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	- $4.7	- $2.5	$0

The bill would increase the annual amount of tax credits that may be taken against personal and corporate income taxes. The estimate assumes that not all of the higher credit amount will be used in the first year of the expansion, which is similar to the experience from tax year 2007 when the credit was last expanded. In subsequent years, the full amount of the credit is expected to be used. (The impact assumes that HB 2067 becomes law and the entire credit sunsets on January 1, 2012.)

A 2008 study by ECONorthwest examined the economic impact of the film and video industry in Oregon. While it doesn’t address the question of whether or not qualifying productions would have occurred in Oregon were it not for the credit, it does contain relevant analyses. For example, the authors concluded that the industry has an income multiplier of 2.12 and a jobs multiplier of 2.11. For every $1 million of income generated within the industry, income increased by $1.2 million in other sectors of the economy. And every 100 jobs within the industry are associated with 111 jobs in other sectors.

SB 690 (CH 640)

Allows the Department of Revenue to disclose taxpayer information to local law enforcement agencies under certain circumstances. Expands the department’s authority to disclose information to the State Board of Tax Practitioners and the Oregon Board of Accountancy. Clarifies that the Oregon Tax Court may impose a penalty in cases of frivolous arguments. Allows the department to report to consumer reporting agencies certain information regarding delinquent taxpayers and provide advance notice to those taxpayers. Affected taxpayers are those who have neglected or refused to pay any tax and have not filed an appeal with the Oregon Tax Court.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	Minimal	$0.1	$0.1

The policies contained in this bill add to the tools the Department of Revenue may use in enforcing Oregon’s income tax laws. The general nature of these tools is increased information sharing that is expected to provide better leads on where non-compliance may be occurring and to enable the department to collect outstanding liabilities. Following up on these leads may result in a collection stream with significant variance depending on the specific characteristics of individual taxpayers. The revenue impact shown here reflects a long-term average increase in General Fund revenue.

SB 5540 (CH 655)

Appropriates General Fund money to the Department of Revenue for biennial expenses. Establishes the agency's budget for the 2009-11 biennium by authorizing General Fund appropriations, Other Funds expenditure limitation, and Other Funds Nonlimited spending. Included in the appropriation are two policy packages that will affect the collection of tax revenue. The first involves additional staff working within the payroll and income tax programs. The second is an enhanced collections project intended to increase collections in the near term.

Revenue Impact:

$ Millions	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
General Fund	**$36.9**	**$21.1**	**$22.2**
Policy Package 152	$19.3	$22.1	$23.2
Collections speed-up	$17.6	-$1.0	-$1.0

The revenue impact is a consequence of two policy packages within the department's budget. The first component is referred to as Policy Package 152 where additional staff are used to improve the collections and filing enforcement functions within the payroll and income tax programs. In general, this work will target more complex filing enforcement cases, increase the number of field calls to debtors, and work more difficult accounts. The 2009-11 impact of $19.3 million assumes 22 months of relatively greater collections. The growth in 2011-13 to an impact of $22.1 million is due to a full 24 months of compliance activities and increased expertise among the new staff. The higher level in 2013-15 ($23.2 million) reflects continued growth in experience among department staff.

The second component is a continuation of the agency's collections "speed-up" project. Generally, the department allocates resources to balance long-term and short-term compliance efforts. In October of 2008 the department reallocated 20 staff to perform collection activities on accounts that were not getting detailed attention. They expect to collect $7.2 million in the 2007-09 biennium above what would have been collected otherwise. The department anticipates this project can be productive for an additional 18 months and expects higher collections of $17.6 million for the 2009-11 biennium. In essence, this temporary reallocation of resources moves staff from working on areas of long-term compliance to areas of short-term collections. The relatively small negative impacts in the subsequent biennia reflect the trade-off between the two approaches.

MEDICAL PROVIDER TAXES

HB 2116 (CH 867)

Establishes the Health System Fund (HSF). Creates 1% assessment on specified health insurance premiums to be administered by the Department of Consumer and Business Services. Directs the assessment to be paid into the HSF. Creates 1% assessment on capitation payments to a Medicaid managed care organization to be administered by the Department of Human Services (DHS). Directs the assessment to be deposited in the HSF. Modifies Oregon Laws related to the hospital assessment imposed on the net revenue. Directs the DHS Director to consult hospital representatives in setting the hospital assessment rate. Directs any moneys in the Medical Care Quality Assurance Fund on or after October 1, 2009, to be transferred to the HSF.

Revenue Impact (in $Millions):

Source	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Health System Fund	**$84.6**	**$78.1**		**$115.4***	**$169.7**	**$45.0**
Insurance Premium	**$29.4**	**$60.5**		**$89.8**	**$129.5**	**$34.6**
Medicaid managed care	**$7.9**	**$17.7**		**$25.6**	**$40.1**	**$10.4**
Other**	**$47.3**			**$47.3**		
Hospital Assessment***	**$102.2**	**$204.5**		**$306.7**	**$449.9**	**$112.5**

*Reflects revenues from assessment on insurance premium and Medicaid capitation payments. **Estimated balance in the Medical Care Quality Assurance Fund to be transferred to Health System Fund. ***Subject to change: see Impact Explanation.

Impact Explanation: All assessments in this bill apply from October 1, 2009. They sunset on September 30, 2013. While the assessment rates are fixed at 1% on health insurance premiums and Medicaid managed care capitation payments, the assessment rate on hospital net revenue is set by the DHS Director in consultation with hospital representatives. The rate will be set to achieve various policy objectives in relation to healthcare for qualified individuals. Policy decisions on the scope of programs and hospital reimbursement rates on different services will have an impact on the rate.

PROPERTY TAX AND LOCAL GOVERNMENT FINANCE

SB 192 (CH 892)

Makes changes in the historic property special assessment program. Requires property owners applying for historic property partial tax exemptions to submit and implement a preservation plan for participating property. Establishes the initial 10-year period of partial tax exemption, an application fee, certification procedures, and reporting requirements. Establishes methods of benefit calculation. Lists conditions for the initial term disqualification from the program. Defines condominium in the context of the program and establishes conditions for qualification and disqualification. Authorizes certification for the second 10-year period of partial tax exemption. Directs the Director of Department of Revenue and the State Historic Preservation Officer to adopt rules to carry out the purposes of historic property special assessment. Permits applications for a participation in the historic property partial tax exemption until July 1, 2020, extending the current sunset on June 30, 2010.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Local Government	$0.0	-$0.4		-$0.4	-$2.5	-$4.9
Local School Districts	$0.0	-$0.3		-$0.3	-$1.8	-$3.5

SB 394 (CH 52)

Changes mandatory minimum refund of overpaid property taxes to more than $10 and stipulates that tax collector cancel uncollected deficient property taxes of $10 or less when property taxes are collected in advance of extension on the tax roll. Takes effect on the 91st day after the date on which the regular session of the 75th Legislative Assembly adjourns sine die.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State Funds	$ 0	$ 0		$ 0	$ 0	$ 0
Local Government	minimal*	minimal*		minimal*	minimal*	minimal*
Local School Districts	minimal*	minimal*		minimal*	minimal*	minimal*

*Minimal indicates revenue increase or decrease of less than $50,000.

SB 395 (CH 54)

Allows counties to serve notice of required personal property tax delinquency warrants by means of one publication in a newspaper of general circulation in the county and by first-class mail to persons named in notice. Increases fee for service of personal property tax delinquency warrant from $15 to $20. Takes effect on the 91st day after the date on which the regular session of the 75th Legislative Assembly adjourns sine die.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State Funds	$ 0	$ 0		$ 0	$ 0	$ 0
Local Government	$ 0.06	$ 0.085		$ 0.145	$ 0.173	$ 0.177

SB 495 (CH 804)

Eliminates property tax exemption for an out-of-state city or an out-of-state public entity of any intangible or tangible property, property rights or property interests in or related to the Pacific Northwest AC Intertie, as referenced in a written agreement between the U.S. Energy Department and the city or the public entity. Applies to tax years beginning on or after July 1, 2009. Takes effect on 91st day following adjournment sine die.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Local Government	$0.34	$0.35		$0.70	$0.74	$0.78
Local School Districts	$0.25	$0.26		$0.50	$0.53	$0.57
Total	$0.59	$0.61		$1.20	$1.27	$1.35

SB 589 (CH 453)

Repeals five-year time limit for exemption from property taxation of Indian tribal land if acquisition of the land by the United States in trust status (or fee-to-trust conversion) has been requested or is in process. Lists conditions under which property tax exemption for acquisition of the land in trust status ceases. Repeals sunset of such exemption for property tax years beginning on or after July 1, 2012. Applies to property tax years beginning on or after July 1, 2008.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State Funds	$ 0	$ 0		$ 0	$ 0	$ 0
Local Government	-$ 0.03	-$ 0.06		-$ 0.09	-$ 0.24	-$ 0.31
Local School Districts	-$ 0.02	-$ 0.04		-$ 0.06	-$ 0.18	-$ 0.23

SB 594 (CH 455)

Permits property tax exemption claim for cemetery and crematory property regardless of claimant's organizational structure or the state of organization. Permits such claim for an exemption for tax years beginning on or after July 1, 2008. Allows a late filing for such exemption claims and specifies a late filing procedure.

Eliminates the requirement for a non-profit entity to list, appraise, and describe personal property qualified for property tax exemption. Makes such elimination of filing requirement apply to tax years beginning on or after July 1, 2009.

Takes effect on the 91st day after adjournment sine die.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State General Fund	$ minimal*	$ minimal*		$ minimal*	$ minimal*	$ minimal*

*Minimal means revenue loss of less than $50,000.

SB 726 (CH 743)

Authorizes eligible Indian tribes to request Economic and Community Development Department to designate Reservation Enterprise Zone (REZ). Authorizes eligible Indian tribes to cosponsor Reservation Partnership Zones. Makes Enterprise Zone exemptions and tax credits available for REZ. Eliminates median income and unemployment rate requirements for REZ.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State General Fund	$ minimal*	$ minimal*		$ minimal*	$ minimal*	$ minimal*

*Minimal means revenue loss of less than $50,000.

HB 2074 (CH 596)

Divides responsibility for funding a Tax Supervising and Conservation Commission (TSCC) between a county and the other municipal corporations within the county. Permits the county to receive reimbursement for the apportioned net cost of the TSCC from the amounts scheduled to be paid to municipal corporations as part of the distribution of tax collection moneys. Increases the TSCC's maximum operating budget by three percent a year, beginning with the fiscal year starting July 1, 2011. Allows a municipal corporation with a population not exceeding 200,000 to opt out of the TSCC jurisdiction. Takes effect upon passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Multnomah County	$ 0.10	$ 0.10		$ 0.20	$ 0.20	$ 0.21
Other Local Governments (Multnomah County)	-$ 0.07	-$ 0.07		-$ 0.14	-$ 0.14	-$ 0.15
School Districts (Multnomah County)	-$ 0.03	-$ 0.03		-$ 0.06	-$ 0.06	-$ 0.07

HB 2393 (CH 835)

Increases fees collectible by sheriff for serving legal documents and performing other civil duties from current $28 to $36. Increases the fee for serving an additional party at the same address from $15 to $20. Increases the fee from $47 to $70 for seizure and sale of property pursuant to a writ of execution of judgment of restitution or other writ of attachment or execution. Increases from $15 to $30 the fee for a conveyance of real property. Increases the fee for delivery of a writ of garnishment from $15 to $25.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State Funds	$ 0	$ 0		$ 0	$ 0	$ 0
Local Government	$ 0.347	$ 0.701		$ 1.048	$ 1.426	$ 1.458
Local School Districts	$ 0	$ 0		$ 0	$ 0	$ 0

HB 2475 (CH 548)

Extends cargo container property tax exemption to June 30, 2014.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State Funds	$ 0	$ 0		$ 0	$ 0	$ 0
Local Government	$ 0	-$ 0.093		-$ 0.093	-$ 0.211	-$ 0.125
Local School Districts	$ 0	-$ 0.129		-$ 0.129	-$ 0.292	-$ 0.172

HB 2809 (CH 317)

Allows certain municipalities to irrevocably convert an urban renewal plan from a standard property tax rate plan to a reduced property tax rate plan for consolidated billing rate purposes. Takes effect on passage. Declares an emergency and makes the bill effective on its passage.

Revenue Impact (in $Millions): None. There is no direct revenue impact because this bill simply offers an option for municipalities to convert an urban renewal plan from a standard property tax rate plan to a reduced property tax rate plan for consolidated billing rate purposes.

HB 2904 (CH 776)

Expands the definition of farm use for the purpose of special assessment in property taxation to include the implementation of a plan to remediate or mitigate severe adverse conditions on a farm parcel. Exempts from property taxation the machinery and equipment primarily used to implement such plan. Allows a retroactive application for a remediation plan. Allows farm use special assessment for a remediation plan for tax years beginning on or after July 1, 2007. Specifies that certain farm structures are exempt from property taxation. Takes effect on 91st day following adjournment sine die.

Revenue Impact* (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Multnomah County	**-$0.70**	**-$0.11**		**-$0.81**	**-$0.23**	**-$0.25**
School Districts in Multnomah County	**-$0.36**	**-$0.06**		**-$0.42**	**-$0.12**	**-$0.13**
All Local Governments	**-$0.58**	**-$0.60**		**-$1.18**	**-$1.25**	**-$1.33**
All Local School Districts	**-$0.42**	**-$0.43**		**-$0.85**	**-$0.90**	**-$0.96**

*Revenue impact assumes that Multnomah County grants farm use special assessment pursuant to a remediation plan for tax years beginning on or after July 1, 2007.

HB 3056 (CH 700)

Amends statutes relating to urban renewal plans and the maximum amount of indebtedness that may be issued or incurred under a plan. Sets initial maximum indebtedness for urban renewal plans and establishes indexing scheme for increasing the maximum indebtedness for urban renewal plans. Requires concurrence of overlapping taxing districts for substantial plan amendments that increase the maximum indebtedness by more than 20 percent of the plan's initial maximum indebtedness. Establishes a mechanism for an urban renewal agency to limit collection of taxes either for a single fiscal year or in the future. Allows an urban renewal agency to notify the assessor to collect maximum division of taxes for newly approved urban renewal plans and substantially amended plans. Excludes any gap bond levy for Portland school district from the consolidated billing rate in calculating division of tax.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Portland Development Commission	**-$0.16**	**-$0.17**		**-$0.33**	**-$0.35**	**-$0.37**
Portland School District	**$0.16**	**$0.17**		**$0.33**	**$0.35**	**$0.37**
Total	**$0.00**	**$0.00**		**$0.00**	**$0.00**	**$0.00**

HB 3112 (CH 852)

Redefines environmentally sensitive logging equipment as logging equipment originally manufactured after 1992. Extends sunset of exemption from property taxation for environmentally sensitive logging equipment and skyline and swing yarders from 2012 to 2018. Takes effect on 91st day following adjournment sine die.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Local Government	**$ 0**	**-$ 0.45**		**-$ 0.45**	**-$ 1.76**	**-$ 2.54**
Local School Districts	**$ 0**	**-$ 0.33**		**- $ 0.33**	**-$ 1.27**	**-$ 1.84**

TIMBER TAXATION

HB 2214 (CH 763)

Extends the forest product harvest tax for forest research and administering the Oregon Forest Practices Act to calendar years 2010 and 2011. Maintains the rate at 92 cents per thousand board feet of merchantable timber harvested for the Forest Research Laboratory at OSU and $1.14 per thousand board feet for administration of the Oregon Forest Practices Act. First applies to forest products harvested on and after January 1, 2010.

Revenue Impact (in $Millions):

State Other Funds	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Forest Research Lab	**$**	**$**		**$ 5.6**	**$ 0**	**$ 0**
Oregon Forest Practices Act administration	**$**	**$**		**$ 6.9**	**$ 0**	**$ 0**
Total	**$**	**$**		**$ 12.5**	**$0**	**$ 0**

Impact Explanation:

The revenue is based on an estimated harvest of 6.081 billion board feet.

SCHOOL FINANCE

HB 2012 (CH 872)

Transfers lottery ending balance to the school capital matching subaccount in the Education Stability Fund. Defines the lottery ending balance as moneys available for allocation in the Administrative Services Economic Development Fund less allocations made. Makes transfer as soon as practicable after the end of each biennium. Applies to biennia beginning on or after July 1, 2009.

If HB2013 becomes law, repeals 2007 statute allocating 50% of the 2007-09 ending balance to the school matching subaccount.

Declares an emergency; takes effect on passage.

Revenue Impact (in $Millions):

School Capital Matching Subaccount	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Without HB2013	**$ 0**	**$ 0**		**$ 0**	**$ 10**	**$?**
With HB2013 for School Facilities Task Force	**$ -0.2**	**$ 0**		**$ -0.2**	**$ 10**	**$**

Impact Explanation:

If HB2013 passes, the repeal of 2007 HB3344 negates the transfer of 50% of the 2007-09 ending balance and makes funds available for the School Facilities Task Force. Prospectively the full lottery ending balance for 2009-11 will be transferred in 2011-12, but legislation may alter this result. Future legislation is needed before there can be a transfer of funds from the school capital matching subaccount to school districts.

HB 2014 (CH 534)

Requires collection of school district construction taxes by a government entity including a state agency or official that issues a permit for structural improvements. Exempts construction of nonprofit long term and residential care facilities and nonprofit continuing care retirement communities. Increases maximum administrative collection fee allowed from 1 percent to 4 percent of tax revenue. Allows the Department of Consumer and Business Services to establish an administrative fee of 0.25% of tax revenue only for the 2009-11 biennium within the 4%. Clarifies collection to be at time permit is issued to increase square footage. Applies to construction taxes on or after the effective date. Takes effect on the 91st day after adjournment sine die.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
School Districts	**$ +/-**	**$ +/-**		**$ +/-**	**$ +/-**	**$ +/-**
ESDs	**$ 0**	**$ 0**		**$ 0**	**$ 0**	**$ 0**

Impact Explanation:

Increases construction tax revenue if school districts adopt the tax in areas where an entity refused to collect the tax or a state agency issues construction permits. Reduces construction tax revenue for school districts if newly exempt property is constructed in the district or if a district's collection costs increase up to 4% of tax revenue.

Creates, Extends or Expands Tax Expenditure: Yes ☒ No ☐

Expands school district construction tax expenditure by adding statewide exemption for construction of nonprofit long term and residential care facilities and nonprofit continuing care retirement communities.

HB 2533 (CH 698)

Allows Portland School District to continue to levy its current property tax rate and exclude tax from $0.50 of the rate from school formula local revenue. First applies in 2009-10. Allows a school district with a small high school to qualify for additional student weights in the school equalization formula if the high school has not changed locations since 1995 and is small on July 1, 2009. (Amended by SB 441).

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Portland SD property tax	**$ +17.8**	**$ +18.1**		**$ +35.9**	**$ +38.2**	**$ +42.3**
Districts with additional small high school weight	**$ +0.9**	**$ +0.9**		**$ +1.8**	**$ +1.9**	**$ +2.0**
Other school districts	**$ -0.9**	**$ -0.9**		**$ -1.8**	**$ -1.9**	**$ -2.0**

Impact Explanation:

The additional property tax revenue for Portland School District is from a continuation of their former gap bond rate which would otherwise sunset in 2009 and is about $342 per weighted student. The Coquille, Pleasant Hill and Lincoln County school districts have one small high school each that will qualify for additional school formula weight and the associated revenue of about $6,000 per student weight.

HB 2834 (CH 562)

Directs closure of the Oregon School for the Blind prior to September 1, 2009. Abolishes the Board of Directors and transfers functions to the Department of Education. Requires the Department of Education to ensure that a comprehensive student transition plan is developed. Transfers school property in trust to the Department of Administrative Services. Directs any revenue from sale or lease to the Oregon Trust Fund for Blind and Visually Impaired Students for educational opportunities. Establishes Blind and Visually Impaired Student Legacy Fund to provide services including supplementing regional programs. Appropriates $6.5 million to the Blind and Visually Impaired Student Legacy Fund. Takes effect on passage and is generally operative September 1, 2009.

Revenue Impact (in $Millions):

<table>
<tr><th></th><th colspan="2">Fiscal Year</th><th></th><th colspan="3">Biennium</th></tr>
<tr><th></th><th>2009-10</th><th>2010-11</th><th></th><th>2009-11</th><th>2011-2013</th><th>2013-2015</th></tr>
<tr><td>School Districts</td><td>$</td><td>$</td><td></td><td colspan="3">School formula revenue increase and shifts among districts</td></tr>
<tr><td>Oregon Trust Fund …</td><td>$</td><td><b>$</td><td></td><td colspan="3">Revenue from a sale or lease</td></tr>
</table>

Impact Explanation:

The State School Fund grant of about $210,000 to the school for the blind currently outside the school equalization formula becomes part of funds available for distribution by the formula. This formula money will primarily go to the home districts of blind and vision impaired students reporting additional ADM. Transferring to home districts will likely cause some shift of funds among districts from the school formula transportation grant and high cost disability grant. If the blind school property were sold, the sale proceeds for deposit into the trust fund could range up to roughly $10 to $15 million based on dated appraisals.

HB 2929 (CH 882)

Allows the Department to adopt a volume-based fee on sand and gravel removal to fund fill and removal administration. Authorizes the Department of State Lands to apply for grants to do studies related to the work of the Department and to coordinating state and federal removal and fill permitting issues. Permits use of Common School Fund dollars to study the fill and removal program. Requires the Department in consultation with Environmental Quality and Geology and Mineral Industries to study the feasibility of a single permit for removal of sand and gravel. Directs an interim report by March 1, 2010 and final report by November 1, 2010 to an interim committee on environment and natural resources.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Common School Fund	**$ -1.0**	**$ -1.6**		**$ -2.6**	**$**	**$**
School districts	**$ Minimal**	**$ Minimal**		**$ Minimal**	**$**	**$**

Minimal is $0 to $-50,000

Impact Explanation:

The impact assumes use of Common School Fund dollars to conduct the studies. The amount needed from the Common School Fund depends on use of fee authority and the availability of private or federal grants or other funds. The timing of study costs is uncertain and could carry over to the 2011-13 biennium.

HB 5054 (CH 910)

Decreases the General Fund and lottery appropriation to the State School Fund by $245.2 million for the 2009-11 biennium. Adds $160.0 million of federal stimulus funds for the State School Fund for 2009-10 and $66.1 million for 2010-11. Makes numerous other budget changes.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State School Fund	**$**	**$**		**$ -245.2**	**$ 0**	**$ 0**
State School Fund (federal)	**$ +160.0**	**$ +66.1**		**$ +226.1**	**$ 0**	**$ 0**
Total	**$**	**$**		**$ -19.1**	**$ 0**	**$ 0**

HJR 13

Revises the Oregon constitution subject to voter approval. Exempts taxing districts from Measures 5 and 50 bond limitations if bonds incurred after January 1, 2011 to finance capital costs. Defines capital costs and limits life of bonds. Allows the State to issue general obligation bonds up to 0.5% of the market value of real property. Requires that bond proceeds be used to match school district general obligation bonds approved by voters for capital costs. Provides for repayment of state bonds from (1) General Fund appropriations, (2) appropriations or allocations from other funds or (3) other available moneys. Prohibits use of property taxes for the repayment of these state bonds.

Creates a school capital matching fund. Repeals the school capital matching subaccount in the Education Stability Fund. Transfers any subaccount ending balance to the new fund. Directs 15% of net lottery proceeds to the new fund when the Education Stability Fund is capped out. Requires new fund to be used to provide matching grants to school districts for capital costs and to repay state bonds issued for capital matching grants. Defines capital costs as costs of land and other assets with a useful life of more than one year including construction, remodeling, furnishing, maintenance or repair.

Submits revision resolution to the voters at the May 2010 primary election.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
School Capital Matching Fund (created)	$	$		Up to about $ 2,500.0		
School Capital Matching Subaccount (repealed)	$	$		$ Balance Transferred	$ 0	$ 0
School Districts	$	$		Capital matching funds		

Impact Explanation:

If voters approval the measure, the state could potentially issue up to about $2.5 billion in bonds subject to the availability of funding sources to meet the repayment schedule. If funds are in the capital matching subaccount when repealed, the balance will be transferred to the new capital matching fund.
School district revenue depends on voter approval of school bonds and the availability of matching state funds. Matching funds may reduce the amount of school bonds submitted for voter approval.

SB 64 (CH 705)

Excludes education service district (ESD) excess local revenue (above ESD formula grant) distributed to component school districts from the requirement that 90% of ESD formula revenue be spent on services or programs approved by component districts. Excludes ESD excess local revenue from component school district formula local revenue for the six years from 2003-04 to 2008-09. Validates ESD distribution or expenditure of its excess local revenue prior to July 1, 2009. Takes effect July 1, 2009.

Allows Sherman County School District to include the sum of two elementary small school student weights calculated prior to merger in the school funding formula if the schools are merged. Limits additional small school weight to next three school years (2009-10 to 2011-12).

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
School Districts	$	$		$	$	$ 0
Education Service Districts	$ 0	$ 0		$ 0	$ 0	$ 0

Impact Explanation:

The impact depends on any action by the Department of Education to change school district reports of school formula local revenue. The component school districts of Wallowa, Grant and North Central ESDs could potentially have any unreported ESD excess local revenue included for the six year period which would shift some of their State School Fund dollars to all other school districts. The maximum potential amount is estimated at $7.7 million for all six years.

If the two Sherman County elementary schools are merged as a result of the legislation, about $210,000 a year for up to three years will be shifted to the Sherman County district from all other school districts.

SB 70 (CH 439)

Changes the calculation of the amount from the State School Fund used for the education of students in hospital programs and in long-term care or treatment programs. Uses the number of slots available for students who may be enrolled in each program (in place of ADM) times the average net operating expenditure per student for the state. First applies to the 2009-10 fiscal year.

Revenue Impact (in $Millions):

State School Fund	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
School districts and ESDs	$ -4.4	$ -4.2		$ -8.6	$ -9.1	$ -9.5
Hospital and long term care education programs	$ +4.4	$ +4.2		$ +8.6	$+9.1	$ +9.5
Total	$ 0	$ 0		$ 0	$ 0	$ 0

Impact Explanation:

The Department of Education is currently using number of slots available. Passage of the bill means no change in current practice and revenue. However, without the bill the Department presumably would use ADM in the calculation. With the bill having a higher program count, revenue is shifted from school districts and ESDs to these two programs. The revenue change is uncertain because it depends on the State School Fund appropriation and number of slots available.

SB 441 (CH 800)

Allows a school district with a small high school to qualify for additional student weights in the school equalization formula if the high school has not changed locations since 1995, is small on July 1, 2009 and was not part of a high school that divided into two or small high schools in the same city since October of 1999. First applies in 2009-10. Amends HB 2533.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Districts with additional small high school weight	$ +0.4	$ +0.4		$ +0.8	$ +0.9	$ +0.9
Other school districts	$ -0.4	$ -0.4		$ -0.8	$ -0.9	$ -0.9
Total	$ 0	$ 0		$ 0	$ 0	$ 0

Impact Explanation:

Riverside high school in Morrow school district will qualify. Small high schools in the Coquille, Pleasant Hill and Lincoln County school districts were added in HB2533A. Each school district has one small high school that will qualify for additional school formula weight and the associated revenue of about $6,000 per student weight.

SB 581 (CH 21)

Transfers $82.9 million from Other Funds to the General Fund. Of this total, transfers $3 million of School Improvement Fund interest earnings to the General Fund. Requires transfers before June 30, 2009.

Establishes the School Day Restoration Fund in the General Fund for grants to minimize or eliminate school day reductions in 2008-09. Allocates 95.25% to school districts and 4.75% to ESDs. Requires districts to apply for grants and the Department of Education to approve grants. Allocates grants proportional to a district’s share of total weighted average daily membership for like districts.

Takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2007-08	2008-09		2007-09	2009-2011	2011-2013
State General Fund				$ 82.9		
State Other Funds				$ - 82.9		
School Day Restoration Fund						
School Districts		$ 48.6		$ 48.6		
Education Service Districts		$ 2.4		$ 2.4		
Total Restoration Fund		$ 51.0		$ 51.0		
School Improvement Fund						
School Districts					$ - 2.8	
Education Service Districts					$ - 0.2	
Total Improvement Fund					$ - 3.0	

Impact Explanation:

The School Day Restoration Fund impact assumes passage of SB5552A that allocates $51 million to the Fund The School Improvement Fund impact assumes interest would be distributed in the 2009-11 biennium.

SB 610 (CH 458)

Expands approved school transportation costs included in the school formula transportation grant. Includes costs to retrofit or replace buses to reduce or eliminate diesel engine emissions, but excludes any costs paid with money from the Clean Diesel Engine Fund that is deposited into the Fund by the state.

First applies to 2009-10.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
School districts retrofitting or replacing buses	$ +	$ +		$ +	$ +	$ +
Other school districts	$ -	$ -		$ -	$ -	$ -
Total	$ 0	$ 0		$ 0	$ 0	$ 0

Impact Explanation:

It is anticipated that an unknown amount of federal stimulus dollars will be deposited into the Clean Diesel Engine Fund. These federal funds are used for retrofitting or replacing aging diesel buses and will then be eligible for school formula transportation grants of 70%, 80% or 90% of costs. This will increase the transportation grant of formula revenue for districts retrofitting or replacing buses and decrease the general purpose grant portion of formula revenue for all districts assuming a fixed State School Fund level. The increase in transportation grants will likely more than offset any decrease in general purpose grants for districts retrofitting or replacing buses. During the 2007-09 biennium, $553,360 of federal grants and $230,000 state grants will be used for retrofitting 370 buses.

SB 687 (CH 462)

Requires identification of property presumed abandoned that is in lawyer trust accounts. Directs the Department of State Lands to transfer abandoned property received from these accounts to the Oregon State Bar instead of into the Common School Fund. Requires the State Bar to use the receipts for the services and administrative expense of the Legal Services Program.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-13	2013-15
Oregon State Bar Legal Services Program	**$ + Minimal**	**$ + Minimal**		**$+ Minimal**	**$+ Minimal**	**$+ Minimal**
Common School Fund and school districts	**$ - Minimal**	**$ - Minimal**		**$ - Minimal**	**$ - Minimal**	**$ - Minimal**
Total	**$ 0**	**$ 0**		**$ 0**	**$ 0**	**$ 0**

Note: Minimal is $0-$50,000.

Impact Explanation:
The Division of State Lands estimates $9,000-$12,000 per year from lawyer trust accounts based on what has been identified. However, lawyer trust accounts are not labeled as a unique property type so an average value per year from all lawyer trust accounts is not available.

SB 767 (CH 691)

Defines virtual public charter school (virtual school) as a charter school that provides online courses and excludes one that primarily serves students at a physical location. Requires virtual school plans including performance criteria and an agreement to employ only highly qualified licensed teachers. Requires a virtual school to have on file itemized budget for any third-party entity contracted with to provide educational services. Prohibits a for-profit entity providing contract services for a virtual school from employing virtual school employees unless already employed under contract or a waiver is granted by the State Board of Education. Specifies applicability of 50 percent student residency requirement to all public charter schools operating prior to, on or after effective date of the Act unless a waiver has been granted by the State Board of Education. Requires virtual and other charter school applicants to provide plans for having financial management systems in place. Permits failure to maintain sound financial management systems for two consecutive years to be used as grounds to terminate a charter. Establishes

Online Learning Task Force. Specifies task force membership and items to be considered in a work plan. Directs task force to prepare report and legislation for first special session of the Legislative Assembly occurring in 2010. Sunsets task force upon convening of next regular legislative session. Imposes moratorium on: (1) approval of charters for virtual schools that would be established on or after the effective date of the Act, (2) the number of students in a virtual school as of May 1, 2009 unless below 50% provision or under waiver and (3) State Board waiver of any provision of public charter school statute for virtual schools. Repeals moratorium as of July 1, 2011. Declares an emergency; effective upon passage.

Revenue Impact (in $Millions): None.

SB 976 (CH 824)

Requires the Department of Education to grant a 10th grade assessment waiver to eligible school districts during the 2009-11 biennium. Makes a district eligible if the district had an assessment contract with an entity different from that used by the state in 2007-08 and the entity met the conditions for administering an assessment test in the most recent year and plans do so again in the waiver year. Makes a waiver valid for one school year and eligible for renewal. Requires the Department to reimburse the waiver districts for assessment costs out of the $550,000 from the State School Fund that is otherwise allocated to ESDs. Repeals granting waivers on June 30, 2011. Takes effect July 1, 2009.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Education Service Districts	**$ -0.085**	**$ -0.085**		**$ -0.17**	**$ -0.18**	**$ -0.19**
School Districts	**$ 0**	**$ 0**		**$ 0**	**$ 0**	**$ 0**
Total	**$ -0.085**	**$ -0.085**		**$ -0.17**	**$ -0.18**	**$ -0.19**

Impact Explanation:

The Department of Education estimates that 10 districts with about 7,500 10th grade students could qualify for waivers. The Department assessment costs could be up to about $85,000 per year that would otherwise be distributed to ESDs.

SB 5520 (CH 635)

Appropriates moneys from the General Fund and the Oregon Rainy Day Fund to the Department of Education for the 2009-11 State School Fund. Limits appropriations to $200 million. Requires $100 million combined balances of the General Fund, Oregon Rainy Day fund and Education Stability Fund before transfers. Limits transfers to amount above $100 million.

Allocates $6.0 billion to the State School Fund from the General Fund, lottery funds, rainy day funds and miscellaneous funds for the 2009-11 biennium. Sets State School Fund expenditure limit of $2.94 million for 2009-10 and $3.06 billion for 2010-11. Allocates up to $1.8 million of the State School Fund for the Oregon Virtual School District. Appropriates $1.4 million from the General Fund to the Local Option Equalization Grants Account with an additional $900,000 to the Emergency Board for local option equalization.

Declares an emergency and takes effect July 1, 2009. (Refer to HB 5054 for State School Fund modifications).

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State School Fund	**$ +2,940.1**	**$ 3,060.1**		**$ 6,000.2**	**$ 0**	**$0**
Oregon Rainy Day Fund	**$ -225.3**	**$ 0**		**$ -225.30**	**$ 0**	**$ 0**
General Fund	**$+25.3**	**$ 0**		**$+25.3**	**$ 0**	**$ 0**

Impact Explanation:

Assumes the sum of the projected ending balances on June 1, 2010 for the General Fund, Oregon rainy Day Fund and Education Stability Fund exceed $300 million.

SB 5552 (CH 22)

Modifies 2007-09 authorized appropriations and expenditure limitations. Reduces State School Fund by $158.5 million with $51 million of this offset by appropriating $51 million to the School Day Restoration Fund. Reduces the School Improvement Fund by $8.6 million. Takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2007-08	2008-09		2007-09	2009-2011	2011-2013
State School Fund and School Day Restoration Fund						
School Districts		**$ - 102.4**		**$ - 102.4**		
ESDs		**$ - 5.1**		**$ - 5.1**		
School Improvement Fund						
School Districts		**$ - 8.2**		**$ - 8.2**		
ESDs		**$ - 0.4**		**$ - 0.4**		
Total		**$ -116.1**		**$ - 116.1**		

Impact Explanation:

The net effect is about a $175 reduction per weighted student (ADMw).

SB 5554 (CH 634)

Finds that the decline in nonfarm payroll employment allows withdrawal from the Education Stability Fund. Transfers $393,950,531 from the Education Stability Fund to the State School Fund. Reduces the General Fund appropriation to the State School Fund by the same amount. Appropriates two-thirds of the Oregon Rainy Day Fund balance on July 1, 2009 to the General Fund.

Requires three-fifths majority vote. Declares an emergency and takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2007-09	2009-2011	2011-2013
Education Stability Fund	$ 0	$ 0		$ -394.0	$ 0	$0
State School Fund	$ 0	$ 0		$ 0	$ 0	$ 0
General Fund	$+225.3	$ 0		$ 0	$ +225.3	$ 0
Oregon Rainy Day Fund	$ -225.3	$ 0		$ 0	$ -225.3	$ 0
Total	$ 0	$ 0		$ -394.0	$ 0	$ 0

Impact Explanation:

The transfer from the Education Stability Fund to the State School Fund is offset by a reduction in the General Fund appropriation to the State School Fund.

TRANSPORTATION

SB 34 (CH 253)

Authorizes increase in employer payroll tax for transit districts from seven-tenths to eight-tenths of one percent of wages paid. Requires any increase to be phased in over ten years, with a maximum 0.02 percent annual increment.

Revenue Impact::

This measure can raise $45 to $50 million from payroll taxes when fully implemented. It applies only to the transit districts that have the authority to levy this tax. The increase however, will be incrementally spread over a number of years (up to 10 years), and each year's increase cannot exceed (0.02%).

Impact Explanation:

The payroll and self-employment tax that is collected currently by Lane Transit and Tri-Met at Portland totaled $225 million in Fiscal Year 2007 and $239 million in Fiscal Year 2008. The increase from seven-tenths to eight-tenths of one percent of wages paid represents an allowance to raise the transit tax rate by 14.3%. However, this is an enabling legislation and it needs additional steps before the tax can be raised and phased in over the period of ten years.

The implementation of these increases are also based on the incremental process that will be adopted by the transit districts, after evaluation of economic conditions of the district.

SB 36 (CH 385)

Authorizes Multnomah County to impose tolls on bridges, which span the Willamette River, under its jurisdictions, or that it operates and maintains under city of Portland jurisdictions.

Revenue Impact:

The revenue impact of this measure might occur at any of the future biennia. If tolling occurs, the amounts will vary based on which bridges are tolled, and the level those tolls are set. The impact will be to Multnomah County and a length of time based on the horizon that the toll will exist. No impact on the state revenues are expected.

Impact Explanation:

This measure is an enabling legislation for Multnomah County to toll bridges. This is a local option that might not be exercised immediately, nor is it necessarily going to be implemented on all the bridges over the Willamette River, but it allows Multnomah County all these options. Eleven bridges currently span the Willamette River in Multnomah County. Two (Fremont and Markham) carry interstate highways; one carries a railroad; three (Ross Island, Steel, and St. Johns) carry state highways; and five (Broadway, Burnside, Morrison, Hawthorne, and Sellwood) are within the boundaries of the City of Portland but under the jurisdiction of Multnomah County. When and if these tolls are put in place, the level of revenue generated will depend on the fare/toll amount, the structure of the toll (fixed or variable), and for how long that toll will be in existence. It is likely that the county will bond for the costs of a new bridge or for rehabilitation or modernization of an existing bridge. Proceeds from the toll will then be used to pay off those bonds. It is also likely that the county can toll in order to cover the costs of maintenance of the bridge. That use will allow for using a different cost structure and different tolling requirements. Accordingly, the revenue impact of this measure to Multnomah County cannot be numerically isolated by amounts or periods.

SB 961 (CH 823)

Re-creates “Pacific Wonderland” vehicle registration plates with a limited issue of 40,000 at $100 surcharge. Half of the proceeds to go to the Oregon State Capitol Foundation and the other 50% to the Oregon Historical Society.

Revenue Impact:

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	11-13	13-15
Other Funds	**$**	**$**		**$**	**$**	**$**
Total Surcharges Collected	379,100	1,130,700		1,509,800	1,890,200	600,000
Administrative Fee				($2,416)	($3,030)	($989)
Revenue				1,512,216	1,893,230	600,989
Implementation Expenditures				($172,000)	$0	
Net Revenue	349,586	990,630		1,340,216	1,893,230	600,989
Oregon State Capitol Foundation	174,793	495,315		670,108	946,615	300,494
Oregon Historical Society	174,793	495,315		670,108	946,615	300,494
Highway Fund Fees (Additional)						
Replacement and Manufacturing	36,067	107,572		143,639	232,547	73,817
Total Net Revenue	**$385,653**	**$1,098,202**		**$1,483,855**	**$2,125,777**	**$674,805**

Impact Explanation

This bill directs the Department of Transportation to establish a “Pacific Wonderland” specialty plate program. There will be a $100 surcharge collected when the plates are issued ($100 for either two-year registration or four-year registration). The Department of Transportation will use a design for the plates similar to the Pacific Wonderland registration plates that were issued during the centennial year of 1959 continuing to 1964 and will include recognition of Oregon’s 150th birthday. This bill authorizes the department to offer four special registration plates at one time in addition to the regular issue tree plate. 50% of net proceeds from the sale of the registration plate go to the Oregon State Capitol Foundation and the other half goes to the Oregon Historical Society.

There is the possibility that issuance of this, and other new plates, will *not* be similar to the sales of other plate types. As more plate types are available for the public to choose from, fewer of each plate type will be sold. It is assumed that all 40,000 sets of plates will be sold within 39 to 41 months from the start of issuance. Using the start date of March 2010, 4,091 are expected to be sold in the remainder of FY10, 11,007 sold in FY11, 10,863 sold in FY12, and 8,039 sold in FY13, and the rest in FY14.

HB 2001 (CH 865)

This is the major Transpiration Funding Package of the 2009 session. Authorizes issuance of $100 million in lottery bonds to be deposited into the Multimodal Transportation Fund for grants and loans for non-highway transportation projects, including five rural airports and to each of 5 transportation regions. Includes Transportation Projects Program that directs ODOT to use Highway User Tax (HUT) bonds for specified projects and authorizes $840 million in HUT bonds. Increases vehicle title fees, vehicle registration fees, o/1/09. Motor fuel taxes, weight-mile taxes, flat fees, Road Use Assessment Fee. Heavy vehicle registration fees, trip permit fees, replacement registration plate fees and customized registration plate fees, and ID cards fees. Directs Oregon Transportation Commission to determine the amount of federal transportation funds usable for non-highway projects and to annually reserve $24 million of such funds. Permits counties to enact vehicle registration fees without submitting ordinance to voters. Defines “medium speed electric vehicle,” and requires safety standards for medium speed electric vehicles and low speed vehicles. Allows the building of weight restricted bridges over the Willamette River. Imposes moratorium on passage and enforcement of local motor vehicle fuel taxes until January 2, 2014. Requires ODOT make information about transportation projects available on its web site;

Revenue Impact:

Millions	FY 2009-10	FY 2010-11	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
Highway Fund	**$ 79.541**	**$ 210.9**	**$290.48**	**$ 601.3**	**$625.97**
Local Government	**$ 30.3**	**$ 91.97**	**$ 122.24**	**$ 273.64**	**$ 285.98**
State Other Funds	**$ 49.3**	**$ 118.97**	**$ 168.24**	**$ 327.64**	**$ 339,985**
ID cards (ED Transit)	**$0.569**	**$ 0.847**	**$ 0.416**	**$ 1.70**	**$ 1.77**
Custom Plates (Rail)	**$ 1.589**	**$ 2.45**	**$ 4.032**	**$ 5.12**	**$ 5.37**
Lottery Bonds (connect)	**$ 112.8**				

Impact Explanation:

Details of the different Increases in fees and taxes:

- Effective October 2009: Passenger vehicles registration fees to $43, mopeds and motorcycles to $24. Title fees to $77, Salvage titles to $27, Permit fee for vehicles to $30, and 10 day permit to $15. ID fees and Custom Plates are also increased.
- On January/1/ 2010 Heavy vehicle registrations tables go into effect with an increase of 103%, but only ½ the increase for farm vehicles and no increase for charitable organizations. That will create tax expenditure for these tow classes for a total of $1.13 million a year. Temporary permits for heavy go to $43.
- Weight mile tables A and B are increased 24.5% starting October 1, 2010. Fuel tax increases 6 cents on 1/1/2011.
- The $100 million for connect Oregon program will specify airports and other transportation hub activities.
- The transportation user fess and taxes coming to the state (ODOT) distribute according to the following schedule. An amount of $27 million goes directly to the state before the 50-30-20 split with cities and counties occurs. $2 million a month go to the Transportation long-range plan, and $ 3 million a year to rest areas.
- Includes a Transportation Projects Program that directs ODOT to use Highway User Tax (HUT) bonds for specified projects and authorizes $840 million in HUT bonds. The fiscal impact assumes that $240 million of bond proceeds will be available for the Transportation Projects Program in the 2011-13 biennium.

	up to 1/1/11	Rest of Biennium	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
$$Millions					
Titles increase	25.89	11.79	37.69	46.53	49.24
Reg. Fees Increase	65.31	30.08	95.39	120.72	124.84
Heavy Reg. Fees Increase	42.94	12.42	55.36	70.59	73.86
Fuel		42.76	42.76	220.31	228.37
Plates and other	9.86	4.61	14.47	18.96	19.93
Weight Mile & RUAF		44.81	44.81	124.15	129.73
Total	**144.00**	**146.48**	**290.48**	**601.28**	**625.97**
Full Fee Paying Vehicles					
Heavy			100.17	194.74	203.59
Percentage			34.5%	32.4%	32.5%
Light			190.31	406.53	422.38
Percentage			65.5%	67.6%	67.5%

Up to 1/1/2011 the distribution of state money after the set asides is 68% to Preservation, Safety and maintenance. The rest (32%) go to the Modernization program. After 1/1/2001, the split is 33% to Preservation, Safety and maintenance, 16% to the Modernization program, and the rest (51%) are directed towards the bonding program and projects specified in the bill. Before the bonding program takes effect, some money to be used in the other categories (wedge money).

ID. fee revenue will be going to the elderly and disabled transportation, and costume plate fee to rail transportation.

		2009-10	2010-11	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State Other Funds		**$ 49.3**	**$ 118.97**	**$ 168.24**	**$ 327.64**	**$ 339,985**
ODOT Long Range Plan		$16	$24	$40	$48	$48
Rest Areas		$ 3	$ 3	$ 6	$ 6	$ 6
Preservation Maint & safety		$ 20.6	$ 39.8	$ 60,34	$ 90.3	$ 94.4
Modernization		$ 9.7	$ 18.8	$ 28.54	$ 43.098	$ 45.04
Bond Program			$ 33.35	$ 33.35	$ 140.24	$ 146.57

In addition, of the existing tax break from the weight mile tax, the bill offers the new reduced registration fee to farm vehicles and charitable trucks in the following amounts.

	2009-10	2010-11	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
Farm	$ 0.77	$ 1,0	$ 0.996	$ 0.989	$ 0.982
Charitable	$ 0.095	$ 0.13	$ 0.135	$ 0.139	$ 0.146

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy objective of the Farm vehicles tax expenditure: Help support the valuable social and economic role provided by Farming operations, and to recognize their partial or seasonal use of the transportation system.

The policy objective of the charitable vehicles tax expenditure: Help support services provided by charitable organizations that fulfill a socially desirable function.

TOBACCO

SB 300 (CH 797)

Grant authority to Department of Revenue to examine premises of person or place of business and imposes civil penalties for refusal of access. Appropriates moneys to Department of Revenue (DOR) continuously for administering cigarette and other tobacco tax programs. Sets a 9-1-1 tax enforcement process between DOR and PUC. Allows DOR to use the Treasury Offset Program for collections of delinquent Tax payments.

Revenue Impact: Positive impact is expected to be slightly above $400,000 for the typical biennium. However, for the 2009-11 the TOP cost recovery will be in affect for only one year ($200,000). The enforcement and civil penalties from the tobacco inspection will likely generate a higher level of compliance and retrieval of revenue. The 9-1-1 tax enforcement will experience similar positive minimal impacts.

Impact Explanation:

The Department of Revenue might have the ability to recover lost revenue when inspectors are able to examine storage places where they did not previously have the authority to examine on immediate basis. This will also allow the inspectors to use civil penalties that further act as an enforcement mechanism and might be a slight revenue generator.
The 9-1-1 segment of the bill will also allow for an increased collections of that tax.

The Department (DOR) participates in the federal Treasury Offset Program (TOP), which allows state agencies to recover past due state income tax obligations to the federal government for offset of the debtor's federal income tax refund. TOP charges $22 fee for each offset used. DOR usually pays the IRS about $200,000 in fees annually out of the General Fund. This measure allows the Department to pass the fee on to the taxpayers whose federal refunds are intercepted. Thus, the $22 is added to the past-due income tax debts, and charged to the recovery amount for payment. The amount of the fee would be a part of the taxes, interest, and penalties owed by the taxpayer to the state.

HB 2672 (CH 717)

(Moist Snuff by weight Measure). Increases tax on moist snuff. Requires tobacco companies who did not enter into the Smokeless Tobacco Master Settlement Agreement to comply with the marketing agreement, or place amounts similar to those required by the agreement into an escrow account. Prohibits the sale of unreported products and provides for penalties for non-compliance.

Revenue Impact:

	FY 2010	FY 2011		2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
Current Law revenue	$26.67	$27.06		$53.73	$55.31	$56.85
Proposed Law revenue	$29.64	$29.60		$59.24	$58.75	$57.82
Difference	**$2.97**	**$2.54**		**$5.51**	**$3.44**	**$0.97**
Remaining new revenue	$2.97	$2.54		$5.51	$3.44	$0.97
Distributions						
OHP @ 41.54%	$1.23	$1.05		$2.29	$1.43	$0.40
TURA @ 4.62%	$0.14	$0.12		$0.25	$0.16	$0.04
General Fund @ 53.84%	$1.60	$1.37		$2.97	$1.85	$0.52

Based on March 09 Revenue Forecast

Impact Explanation:

The measure changes the way by which moist snuff is taxed. The current method of taxing moist snuff is the same as the rest of the Other Tobacco Products (OTP), which is 65% of the wholesale price. For moist snuff the method of taxation will change to a weight based (per ounce) tax. The amount of the weight-based tax and resulting revenue are estimated for three biennia. The suggested rate of taxation based on weight is at $1.78 per ounce, and the minimum of $2.14 per can. The new rate is revenue neutral, where it generates more revenue over the period of the three coming biennia, and reduced revenue collection after that and prior to indexing starting in 2019. Collections and distributions of new revenue will be the same as the old revenue after the deduction for funding of the new programs.

The base revenue estimate for the weight based is $31.6 million for 2007 and 2008. Taking 3% for distributer collection costs and other increases in prices not captured elsewhere will leave $30.6 million. The new federal law impact was estimated to have a 3.2% reduction on current revenue.

BONDING AND OTHER FINANCIAL MANAGEMENT

SB 338 (CH 2)

Provides for additional capital construction authority through bonding and loans. Several bond types and debt instruments were authorized, ranging from Certificates of Participation (COP's), general obligation bonds XI-G, Energy loans, XI-F(1) bonds, and lottery bonds. The proceeds are to be used for starting maintenance projects that have been previously deferred due to lack of funding. The intended effect is to invest in state and higher education structures while stimulating the state economy. These bonds are to be let in the current biennium and the projects to be started as soon as the revenue from the proceeds is available.

Revenue Impact:

	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium
State General Fund			
COPs Deferred Maintenance	91,550,000	(15,683,906)*	(17,770,039)
XI-G Higher Ed & Comm. Colleges	11,647,750	(1,867,769)	(1,867,769)
XI- J Energy Efficiency (SELP)	16,020,000	(2,568,879)	(2,568,879)
Lottery Bonds	49,115,000	(8,689,745)	(8,683,879)
State Other Funds			
XI-F Higher Education Revenue bonds	12,000,000	(1,924,254)	(1,924,254)
Total Gross Revenue	180,332,750	(30,734,553)	(32,814,820)
Costs and reserves	(7,696,611)		
Total Net Revenue	172,636,139	(30,734,553)	(32,814,820)

* The numbers in brackets indicate negatives, and represent debt service payments.

Impact Explanation:
The bonds are intended to be sold in March 2009; however, debt service will start in the 2009-11 biennium. The COP's will be for three distinct purposes and issuances. The XI-G are for two distinct uses. The XI-J bonds are general obligation bonds for energy loan program. The budget report for SB 5562 contains much detail about the bonding intent and the project details for this economic stimulus package.

SB 832 (CH 821)

Creates Oregon Short Term Fund. Revises provisions governing investment of moneys by State Treasurer. Introduces requirements and fixes current collateral pool statutes and requirements for public funds. Changes and shortens timelines in reporting by the banks to the state officials and the treasury when changes occur, that might affect securing uninsured public deposit. Permits the investing of the highway funds and lottery funds in the short-term fund. Allows the state treasury more investment flexibility, changes reporting requirements, repeals ORS 295.087, and declares an emergency.

Revenue Impact: No

Impact Explanation:
Funds and Money kept with the State Treasurer and not specifically intended for investments are kept in the short-term account without a specific fund to include them. This measure creates the Oregon Short term fund, and authorizes the funds to be included in it (Section 19). Changes the reporting requirements to GAAP, and reduce the requirements in other places(Section 21).

Sections 1-16 are the collateral pool. Section 17 is a lottery bond fix correcting an oversight from last session and eliminating language that should have been eliminated then. Conforming amendment in Section 24 and Section 20, 26, 27, 28 and 29 is a reflection of the change in section 19 and eliminating archaic language. Section 22 is the e-commerce change clarifying the Treasurer's role relative to e-commerce and banking. Section 23 is the correction to an unused property tax deferral program at the request of DOJ. Section 25 has the changes to the local government investment statutes where we authorize the purchase of the new FDIC guaranteed paper (TLGP notes) and eliminate the reference to mutual funds. Section 30 conforms to the changes in Section 25.

SB 5505 (CH 903)

Establishes amounts authorized for issuance of general obligation bonds, revenue bonds, certificates of participation and other financing agreements for biennium. Establishes amounts allocated for private activity bonds.

Revenue Impact:

		2009-11	2011-13	2013-15
General Fund Obligation				
COPs	Total Issuance	764,780,000		
	Debt service	(39,652,869)	(162,643,954)	(162,100,000)
XI-G Education	Total Issuance	208,133,479		
	Debt service	(3,980,000)	(31,711,161)	(31,711,161)
XI-M/N Seismic	Total Issuance	30,000,000		
	Debt service	(1,236,337)	(4,570,792)	(4,570,792)
XI-H Pollution Control	Total Issuance	10,000,000		
	Debt service		(1,523,597)	(1,523,597)
All GF Bonds	Cost of Issuance	(20,356,558)		
Total General Fund		**947,687,715**	**(200,449,504)**	**(199,905,550)**
Dedicated Fund Obligations				
XI-I (1) Water Res	Total Issuance	10,153,033	15,229,550	
	Debt service	(982,845)	(3,610,921)	(4,307,873)
XI-A Veterans Affairs	Total Issuance	150,000,000		
	Debt service	(5,713,490)	(11,426,980)	(22,853,960)
XI-F Higher Education	Total Issuance	244,200,622	244,200,622	
	Debt service		(37,206,340)	(74,412,680)
XI-I (2) Housing &Community	Total Issuance	100,000,000		
	Debt service	(3,808,993)	(7,617,986)	(15,235,973)
XI-J Energy	Total Issuance	250,000,000		
	Debt service	(9,522,483)	(19,044,966)	(38,089,933)
Other funds GO Bonds	Cost of Issuance	(12,751,166)	(3,966,634)	
Total Dedicated Fund		**721,574,678**	**176,556,346**	**(154,900,419)**

Impact Explanation:

The bonds shown in the table above are the authorizations for state programs. The capital construction bill where much of the proceeds of these bonds are expended are included in SB 5506. The COP are meant for a much shorter maturity (5 years), while most of the other bonds are assumed to mature in 20 to 30 years. The total Issuance number includes the issuance costs and any reserves. When bonds are sold towards the middle or end of the biennium their debt service might not begin until very late in the biennium and many times in the biennium after they were issued. Lottery Bonds are assumed for 20 years, mostly tax-exempt with a rate 6.5%, (8.5% taxable). COPs 5 years and longer, rates vary based on maturity (e.g. 4.9% at 5 years, 6.5% at 20, 6.8% at 30 - approx. 2% higher for taxable). XI-G, XI-F 30 years, 6.5%, also assumed for XI-J, ODOT, XI-H. XI-I (1) Water - assumed half tax-exempt (6.5% 30 years) and half taxable (8.5%, 30 years). SDPAC uses 15% GF-support on XI-J.
Other bonds that don't get paid out of the state revenue stream are not included in the table above, however, they are included in the bond bill. These include Pass through (conduit) bonds for $1.6 billion, with $950 million going to the Oregon Facilities Authority, and $400 million to OECDD, and $250 million to the Housing and Community Services. Additionally, Private Activity Bonds are allowed to several agencies up to the total of $337 million in the year 2010, and the same amount for the year 2011.

SB 5535 (CH 906)

Establishes amounts authorized for issuance of Lottery bonds, and specifies the projects to where these bonds are meant to be spent on.

Revenue Impact:

			2009-11	2011-13	2013-15
Connect Oregon III	Bonds	In HB 2001	***$112,370,000***		
Economic & Comm. Development			$20,000,000		
Oregon Housing & Community Services			$21,915,000		
Oregon University System			$25,170,000		
Dept of Forestry			$16,905,000		
Water Resources			$3,945,000		
Community College & Workforce			$15,510,000		
DAS			$52,790,000		
Energy			$5,695,000		
Total Lottery Bonds	**Not**	Including HB 2001	**$161,930,000**		
Total Issuance Costs and Reserves			($18,724,359)		
Total Debt Service			($12,539,692)	($29,775,333)	($30,461,563)
Total Revenue			**$130,665,949**	**($29,775,333)**	**($30,461,563)**

Impact Explanation:

The bonds shown in the table above are the Lottery authorizations for the different state programs. With the exception of the connect Oregon III (HB 2001), much of the proceeds of these bonds are expended and authorized in SB 5535. However, the total amount of bonding

and debt service payments are totaled (elsewhere) to keep track of the debt limit, reserves and payments requirements.
Most of the bonds are assumed to mature in 20, however there let dates vary from the beginning of the biennium to the almost end (April 2011). When bonds are sold towards the middle or end of the biennium their debt service might not begin until very late in the biennium and many times in the next biennium (2011-13). The total Issuance number includes the issuance costs and all reserves. Lottery Bonds are assumed for 20 years, and most of the bonds will be sold as tax exempt with a rate 6.5%, (8.5% taxable).

HB 2105 (CH 537)

Authorizes state agencies and public bodies to purchase and hold bonds issued by state agency or public body, respectively, without causing automatic cancellation or extinguishment of bonds. Authorizes state agencies and public bodies to use bond proceeds or moneys available for debt service to purchase bonds of state agency or public body. Prevents agencies from buying other agency bonds. Requires a report within two days when the authority is exercised, and an annual report on level of use of the authority to legislature. Authorizes State Treasurer explicitly to buy state government bonds as investment.

Revenue Impact: No

Impact Explanation:

The State Treasury office, and the municipal debt advisory counsel are asking for a new authority to allow the purchase of variable rate bonds by the same agency or the State Treasurer without the bonds being considered bought back. Additionally, the Investment function (of the treasury office) wants the explicit authority to invest in Oregon state bonds without being considered as a repurchase of the debt.

This is the result of the difficulties in the variable rate auction market last fall. With the freezing of the credit markets, some agencies, that had these bonds, were left exposed to higher interest payments, and reduced ability with their bonds.

HB 2107 (CH 538)

Modifies maximum limit on amount of bonded indebtedness counties may incur for road improvements in unincorporated areas. Eliminates provision authorizing domestic water supply districts to borrow money without voter approval. Authorizes public body borrowers to use bond proceeds to pay termination payments for agreements to exchange interest rates. Authorizes state borrowers and public body borrowers to lend bond proceeds to borrower of moneys from outstanding conduit revenue bonds for payment of termination payments for agreements for exchange of interest rates. Makes other substantive changes and technical fixes related to revision of bond statutes in 2007 Act. Reintroduce the tax credit bonds and the process of coverage and payments for those bonds.

Revenue Impact: No

Impact Explanation:

Current law allows for a water district to bond without the approval of the electorate if the value of the bonds does not exceed one-half of one percent of the total Real Market Value of the property in the district. This measure takes out this allowance. The measure allows bond proceeds to be used for repayment when conducting an interest rate swap.

The 2007 finance laws rewrite, seem to have erased the tax credit bond. With the introduction of the fiscal stimulus money, that type of bond became needed for local governments again.

HB 3199 (CH 885)

Implements statuary changes necessary to support the legislatively adopted budget. Clarifies statutes and modifies provisions relating to use public funds. Transfers several balances and amounts to the general fund.

Revenue Impact:

		2009-11	2011-13	2013-15
General Fund				
	OLCC bottle surcharge To GF	23.90		
	DAS Operating fund Balance Transfer	1.12		
	Transfer Insurance Fund balance	30.00		
	Increase Filing fees for land use appeals.	0.05		
	Transfer Funds from Water to GF	0.30		
	Transfer from New Carissa to GF	0.66		
	Transfer from Consumer Protection to GF	2.00		
	Interest earning of 911 account to GF	0.80	0.81	0.83
	Total Transfers to General Fund	**$ 58.84**	**$ 0.81**	**$ 0.83**
Lottery Funds	Limit Sports distribution from 1% to $9.665	1.706		
	Allow Fund balance in Water and special public works to be used for Program support.	10.00		
	Allows Marine Fund to be used for lottery revenue bonds payments.	1.40		
	Reduce transfers of video revenue to counties	5.00		
	Transfer to County fairs	(3.04)		
	Total Lottery Funds Transfers to discretionary	**$ 15.063**		
	Grand Total	**$ 73.90**		
Other funds	Judicial Information Network. (Cost recovery offset)	**$ 3.10**	**$ 3.12**	**$ 3.10**

Impact Explanation:

Most of the revenue in this bill is generated without relation to the introduction of the bill. Thus, this is not a bill that introduces or raises revenue, but the amounts are fund balance transfers to the general fund. The exception is the permanent change of interest income in the 9-1-1 account being directed to the general fund. Additionally the Judicial Information Network is explicitly authorized to continue charging by rule. Other shifts in the bill might be of the authority to expend not a revenue transfer.
The lottery revenues are worked to free some of the statutory dedication for the constitutional allowable but discretionary uses.

HB 5042 (CH 27)

Establishes authority for the Department of Administrative Services to issue Lottery Revenue Bonds in the amounts of $36,903,000 in the 2007-09 biennium.

Revenue Impact:

$ Millions	Fiscal Year			Biennium		
	2007-08	2008-09		2007-09	2009-2011	2011-2013
Bond Proceeds	0	$36.903		$36.903	$0	$0
State Lottery Funds*	0	0		0	(6.18)	(6.18)
Reserve fund investment	0	0		0	6.10	6.18
Total	0	$36.903		$36.903	$(0.08)	$0

* Debt service payments principal and interest

Impact Explanation:

The Department of Administrative Services is given the additional authority of $36,903,000 for issuing lottery-backed revenue bonds. This additional authority brings the total lottery bonds in the 2007-09 biennium to $571,743,000, and the issuance is expected to take place in March. These additional proceeds are meant to fund a reserve account, which will be invested and it will gain interest for the whole period of the bond repayment horizon. The balance in the account will be used to pay the final installment on the bonds in 20 years. The bonds are estimated to hold a 5.6% rate, and the reserve fund investment is expected to earn around the same amount.

STATE FINANCE

SB 880 (CH 710)

SB 880 establishes Oregon's first tax amnesty program. The amnesty applies to personal and corporate income taxes, inheritance taxes and transit payroll taxes. The Department of Revenue is to conduct the program between October 1 and November 19, 2009.

Taxpayers who participate in the amnesty receive a waiver on all penalties and a 50% reduction in interest that would otherwise be due. The amnesty does not apply for those tax years in which the taxpayer has previously received a notice of deficiency from the Department of Revenue. Those who do not participate in the program and are later discovered through compliance activities are potentially subject to a 25% post amnesty penalty. This provision sunsets in 2012.

SB 880 directs proceeds from the amnesty into a separate Amnesty Fund. Up to $1 million in certified Department of Revenue costs can be drawn from the fund. The amnesty program is expected to generate $16.7 million in gross revenue for the fund. Net Amnesty Fund revenue, including an estimated $500,000 from post amnesty penalties and $1 million in Department of Revenue program costs, is estimated to total $16.2 million for the 2009-11 biennium.

The amnesty program is also expected to have some relatively small residual effects on tax collections. Some taxpayers who participate in the program would have been identified by the Department of Revenue. These taxpayers would have been subject to penalties and full interest in the absence of SB 880. This will result in a slight loss of General Fund revenue. On the other hand, the program is expected to bring in taxpayers who have not filed returns in the past. These taxpayers will then become filers in future years and add to long-term General Fund revenue. The net effect of these two factors is estimated to be +.2 million in the 2009-11 biennium and +$.8 million in 2011-13 biennium.

SB 496 (CH 805)

SB 496 modifies the amount of revenue flowing into the Oregon Growth Account and the use of earnings from investments in the account. The Oregon Growth Account is a subaccount of the Education Stability Fund. The Education Stability Fund receives 18% of Lottery earnings, with 90% flowing into the general stability fund account and 10% going into the Oregon Growth Account. Funds in the Oregon Growth Account are managed by the Oregon Growth Account Board, chaired by the Treasurer. The board directs growth account funds into venture capital investment opportunities in the state.

Under previous law, declared earnings from Oregon Growth Account investments were to be deposited into the Commercialized Research Fund. SB 496 redefines these earnings to be general earnings of the Education Stability Fund. Current statute directs 25% of these earnings to the Oregon Student Assistance Commission and 75% to the Oregon Education Fund used to pay debt service on previously issued lottery bonds. The Oregon Growth Account has $18 million in declared earnings that will be redirected from the Commercialized Research Fund to these two accounts in the 2009-11 biennium.

SB 496 also reduces the set aside for the Oregon Growth Account from 10% to 5% from July 1, 2009 through June 30, 2013. This provision is expected to make $9.7 million more available to the general Education Stability Fund in 2009-11 and $9.8 million in 2011-13.

HB 2073 (CH 747)

HB 2073 directs corporate income tax revenue collections resulting from a marginal tax rate above 6.6% into the Oregon Rainy Day Fund. The measure first applies to the 2013-15 biennium.

Under HB 3405, a 7.6% marginal tax rate will apply to net corporate income above $10 million starting in the 2013 corporate tax year. If this rate is in affect when HB 2073 first applies, an estimated $69 million will be directed into the Oregon Rainy Day Fund in the 2013-15 biennium.

MISCELLANEOUS

SB 82 (CH 440)

Changes requirements for Oregon State Lottery Commission budget report to Governor, Legislative Fiscal Officer and Legislative Revenue Officer from biennial to annual.

Revenue Impact: None

Impact Explanation:

The Oregon State lottery is required to prepare a biennial budget report to pace the process of other state budgets. This bill changes the requirement to an annual report.

HB 2087 (CH 122)

Prohibits the Secretary of State from charging $50 to the nonprofit corporations that maintain historical cemeteries.

Revenue Impact:

	2009-10	2010-11	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State General Fund	(2,250)	(4,500)	(6,750)	(9,000)	(9,060)
State Other Funds (SOS)	(1,500)	(3,000)	(4,500)	(6,000)	(6,040)
Total	($3,750)	($7,500)	**($11,250)**	**($15,000)**	**($15,100)**

Impact Explanation:

The Secretary of State charges $50 for business registry each year as the business files to renew its registration. The registration fee is required by all business registries and does not exempt nonprofit corporations. This measure exempts the nonprofits, which exist for the main purpose of caring for historical cemeteries, from the $50 fee. The Oregon commission on Historic cemeteries lists about 700 cemeteries through out Oregon, however the Secretary of State (SOS) information indicate that only about 150 are registered as nonprofit corporations. There is little growth expected in the number of those nonprofits. The 2003 legislature raised the business registration fee by $30 as General Fund revenue. The $50 fee also includes a part ($20) that pays for the SOS costs. The measure is assumed to become effective January 1, 2010.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is to decrease the cost of maintaining historic cemeteries as a way to help preserve Oregon's historic pioneer cemeteries and as a way to honor and recognize Oregon's pioneer heritage during the 150th anniversary of Oregon's statehood.

HB 2208 (CH 762)

Consolidates most funds and accounts of Department of Higher Education into a newly created Oregon University System Fund and Oregon University System Appropriation Fund. Allows Oregon University System to retain accrued interest on some balances, and the general fund to retain interest from other specified revenue sources.

Revenue Impact:

	FY 2010	FY 2011	2009-11 BN	2011-13 BN
General Fund Interest	**$ 560.5**	**$ 960.8**	**$ 1,521.3**	**$ 1,921.6**
Other OUS funds	**$ 921.5**	**$ 1,579.7**	**$ 2,501.1**	**$ 3,159.3**
Total	**$ 1,481.9**	**$ 2,540.5**	**$ 4,022.4**	**$ 5,080.9**

Impact Explanation:

Interest income of many of the accounts, that are considered general fund, accrues back to the general fund. This measure changes the accrual process and allows the University System to consolidate its different accounts and investments, not only in the short term, but also in a medium and somewhat longer-term investment. This will result of higher interest income for the general fund and the other higher education funds.

The estimates for the account balances in the higher education funds are based on the historical average of several accounts, and to consider the base of $246,000 as it was in the 2008 fiscal year. The interest amounts expected are an estimate of earnings on those balances above what the short-term account will gain. Once this pooling of fund is permitted, it will be easier to model the behavior of cash needs and build models of in/out flows. However, until a reliable cash flow model is developed, the amounts needed in the short term are assumed about 50%, while the other 50% are split in the accounts with different length of the investment. A proportionate, amount of interest income and gain to the other funds (university system) will occur accordingly. The yield curve equivalent for the gain is taken as the Treasury rates assumed in the state forecast.

HB 2218 (CH 291)

Extends the sunset on all surcharges for ten years to December 31, 2019. Increases from $2.00 to $4.00 the surcharge on sportsperson licenses credited to the Access and Habitat Fund.

Revenue Impact:

	2009-10	2010-11	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State Other Funds					
Access and Habitat Fund	$686,812	$933,611	$1,620,423	$1,867,222	$1,889,629

Impact Explanation:
In 1993, the Legislature created the Access and Habitat Program and adopted a surcharge on hunting and combination licenses to fund the program. The statutory surcharge, which sunset on December 31, 2009, places a $2.00 surcharge on resident and non-resident licenses and a $1.00 surcharge on juvenile licenses. This measure extends the sunset on all surcharges for ten years to December 31, 2019 and increases the surcharge to $4.00 for resident and non-resident licenses. Without the extension all surcharges including the ones that are not increased by this measure would go away, thus, the revenue impact includes all the results of extending the sunset and not only the increased fees. The 13-15 biennium is estimated to grow about the annual population growth rate.

HB 2222 (CH 756)

Extends the sunset on all surcharges for ten years to December 31, 2019. Increases surcharges on resident and non-resident angling licenses and sportsperson licenses and extends sunset on surcharges to December 31, 2019. Extends sunset on surcharges for ocean troll salmon fishery permit and Columbia River gillnet fishery permits until December 31, 2019. It also Extends sunset on poundage based commercial landing fee until December 31, 2019.

Revenue Impact:

	2009-10	2010-11	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
Extend Sunset of Program Funding	$996,827	$1,519,016	$2,515,843	$3,038,033	$3,074,489
Increase of Recreational Surcharges	559,157	1,211,711	$1,770,868	$2,361,233	$2,389,567
Total Restoration and Enhancement Fund	**$1,555,984**	**$2,730,727**	**$4,286,711**	**$5,399,266**	**$5,464,057**

Impact Explanation:

The Fish Restoration and Enhancement Program within the Oregon Department of Fish and Wildlife was created in 1989 to provide grants for education, fishing access, propagation, habitat research monitoring, and deferred maintenance to hatcheries. There several surcharge assessed on sport fishing licenses, combined with additional commercial license surcharges and permits and poundage fees. This measure doubles the surcharges for the program and extends the sunset to December 31, 2019. Without the extension all surcharges including the ones that are increased by this measure would go away, thus, the revenue impact includes all the results of extending the sunset as well as the increased fees. The 13-15 biennium is estimated to grow about the annual population growth rate. Extension of the sunset maintains an estimated $3,038,033 in Other Funds R&E recreational surcharge and commercial fishing revenues in a full biennium. When Fee increase is implemented, $2,361,233 in Other Funds R&E revenues will be gained in a full biennium.

HB 2287 (CH 659)

(Judicial Funding Package) Establishes the Judicial System Surcharge account in the General Fund. Establishes a trigger for distributions of revenues in the account, and the distributions of revenues left in the account after appropriations. Extends current surcharges (that sunset in June) to October 2009. Reinstates the same surcharges from October 2009 until July 2011. Establishes new surcharges and fees on offenses, increases filling fees, probation fees, probate accounting fees and other existing fees. Sunsets the increases and returns fees to their current levels in July 2011. Establishes an Interim Committee on State Justice System Revenues to report to the 2011 regular session.

Revenue Impact:

(in $Millions)	Fiscal Year		Biennium
	2009-10	2010-11	2009-11
Judicial System Surcharge Account (GF)			
Extension of surcharges	0.384	0.384	$ 0.768
Offenses Surcharges	4.071	5.428	$ 9.500
New Civil Fees	11.48	15.307	$ 26.788
Increase to Existing Fees	1.175	1.566	$ 2.741
Total State Revenue	$17.056	$22.741	**$39.797**
Local Municipal Courts (Cities)	5.2	6.9	$13.1
Local Justice Courts (Counties)	2.5	3.5	$6.0
Grand Total All Revenue	$24.701	$33.085	**$57.786**

Distributions				
DOR Admin Costs (0.05%)				$0.020
Judicial Department (65%)				$6.5
Public Defense Services Commission (35%)				$3.5
Judicial System Surcharge Account				$29.777
Municipal Courts (Cities)				$13.1
Justice Courts (Counties)				$6.0

Impact Explanation:

This bill is a package of revenue options for the Judicial Department that raise around $40 million in the next biennium. It directs the revenue to the Judicial System Surcharge Account, and distributes (after DOR admin cost) the first $10 million to the Judicial Department (65%) and Public Defense Services (35%). The remaining amounts in the Surcharge account will be examined and distributed by future legislative action.

The revenue proposal is divided into four categories:

(1) Extension of existing surcharges. Extending the current surcharges on filing fees that would have expired in June 09, to October 09 ($98,160), then form October 09 to the end of the biennium (July 2001).

(2) Create new surcharges on offenses ($35 on felonies and Misdemeanors, and $45 on violations excluding parking).

Revenue Category	Rate Increase	Net Revenue Generated 2009-11
(2) Assessment		
Violations	$ 45	$ 7,330,000
Misdemeanors	$ 35	$1,404,000
Felonies	$ 35	$ 765,700
Sub-Total		**$ 9,499,700**

(3) Imposes new fees on civil actions such as filling, probation, probate accounting, diversion program, expunction, appeal fees and others.

(4) Increases some existing fees. Such as trial, hearing, name change, garnishment and other collection fees.

(3) New Civil Fees	Rate	Net Revenue
PSAS/PSFE (increase by $100 to $200)	$ 100	$5,400,000
Security Release Deposits	remove cap	$ 3,476,600
Third Party	varies	$ 290,000
Amount in Controversy Escalator	varies	$ 1,430,000
Court Monitoring Fee	$ 100	$ 2,918,100
Annual Accounting Fee - Probate		$1,257,600
Probation Violation Assessment	$ 25	$ 598,500
Diversion Administration Fee		$ 1,126,100
Expungement	$ 250	$ 2,046,500
Appellate Filing w/Additional Parties (civil only)	$ 154	$ 478,000
Fee for settlement conferences	$ 100	$ 750,700
Appellate Response w/Additional Parties	$ 154	$ 317,900
Motion Fee for Extension of time on appellate	$ 50	$ 265,600
Ex Parte Fee	$ 10	$ 1,010,600
Multiple party - civil	$117	$ 5,421,500
Sub-Total		**$ 26,787,700**

(4) Increases to Existing Fees	Rate	Net Revenue
Court Trial Fee	varies	$ 212,700
Court Hearing fee	varies	$ 556,200
Defendant denying claim and demanding hearing	$ 50	$ 573,100
Name Change	$ 61	$ 310,600
Tax Court	varies	$ 260,500
Writ of Garnishment	$ 6	$ 329,200
FED	$ 12	$ 499,100
Sub-Total		**$ 2,741,400**

The State Judicial System Surcharge Account is created in the General Fund to bridge the shortfall in revenues related to maintaining the court system. The new fees and surcharges are to sunset at the end of next biennium. A task force is established in the Interim to provide recommendations for future stable revenue sources for the state court system. The bill will allow the local courts to keep the fees they raise for their own courts.

HB 2308 (CH 358)

Allows a trustee, personal representative or executor to apply to the Oregon Department of Revenue for a determination of the amount of inheritance tax owed. Allows for a discharge from further tax liability to be issued following payment.

Revenue Impact: No

Impact Explanation:

The Oregon law does not parallel language to the IRC code, which allows for closure of the inheritance process.
IRC § 2204 provides that if the Personal Representative applies for a determination of the amount of the estate tax and a discharge from personal liability, the Internal Revenue Service has nine (9) months from the later of the filing of the application or the due date of Form 706, which is used to figure the estate tax imposed by Chapter 11 of the Internal Revenue Code, to notify the Personal Representative of the amount of the estate tax. On payment of such tax, other than any estate tax, the time for payment of which is deferred under IRC §§ 6161, 6163 or 6166, and the furnishing of a bond that may be required for the deferred tax, the Personal Representative is discharged from personal liability for any subsequently determined deficiency and is entitled to written evidence of the discharge. If the Personal Representative is not so notified, the Personal Representative is discharged at the end of such nine (9) month period.
Oregon does not have a similar provision. Currently, a trustee or personal representative may request a receipt showing that inheritance taxes have been paid. However, unlike IRC 2204, the Internal Revenue Manual, this receipt is not a discharge of liability. The payer may be audited anytime before the statute of limitations for tax liabilities has run out. Responsible executors or trustees therefore often refrain from distributing all the funds in the event an audit assigns more taxes.

HB 2436 (CH 18)

Increases document recording fees by $15. The transactions considered for the increase are most the documents of title and deed at the county level. These transactions, specified in ORS 205.320, are primarily administered by the county clerks. The new fee generally follows the 1 $ fee or the Oregon land information system fund, however, the bill specifies exemptions from the new fee for mining claims, warrants issued by the employment department, Department of Revenue, and liens and judgment records. Te bill also creates the General Housing Account, and directs 76 percent of the revenue to the account. Ten percent of the new revenue goes to the Emergency Housing account, and the rest (14 percent) go to Home Ownership Assistance Account.

Revenue Impact:

$	2009-10	2010-11	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
State Other Funds(Total)	**$4,581,385**	**$10,577,281**	**$15,158,666**	**$26,491,527**	**$29,127,260**
General Housing (76%)			11,520,586	20,133,560	22,136,717
Emergency Housing (10%)			1,515,867	2,649,153	2,912,726
Home ownership (14%)			2,122,213	3,708,814	4,077,816

Impact Explanation:

The transactions are based on the actual collections for the Oregon MAP transactions, which are used by the department of Revenue for mapping tax lots. The actuals are adjusted for a number of exempted transactions. The exemptions avoid charging mining claims, warrants, and liens. Those are estimated from information previously examined for different uses. The growth rates of document recordings are based on the forecast for housing starts with an allowance for other transactions as one third of the total that is not connected to the housing starts growth factors. Document recoding fees are expected to continue declining for this year, stabilize and then follow the economic rebound in the late months of 2009 and early 2010. The new revenue will divide into three different accounts, but mostly will fund the general housing account at 76% of total.

HB 2626 (CH 753)

Requires the Director of the Oregon Department of Energy (ODE) to administer an energy efficient and sustainable technology loan program for the purpose of providing financing, promotion and technical support to encourage significant investments in energy efficiency, renewable energy and energy conservation. Establishes Loan program to fund retrofits to residential and commercial buildings with energy efficiency upgrades. Allows and facilitates the use of ODE's Small Scale Energy Loan Program (SELP), revenue bonds, and conduit revenue bonds. Designs the future revenue stream through the on-Bill Financing. Increases the State Treasurer's and the Department of Energy's expenditure limits for implementation of the program.

Revenue Impact:

The bill allows for one time surcharge on the Energy Supplier Assessment (ESA). The surcharge of $300,000 will occur in the 2009-11 biennium only.

Impact Explanation:

Along with the Department of Energy's SELP program, the lottery-bonding bill of 2009 will provide $5 million each for initial funding of the EEAST Program. The program administration will be funded through the surcharge on the ESA.

The Energy Efficiency and Sustainable Technology is a Loan program to fund retrofits to residential and commercial buildings with energy efficiency upgrades. This is created through loans to homeowners for upgrading their energy conservation devices at their homes or businesses. The Energy Projects are expected to generate savings on energy consumption and consumer bills. Which designs the revenue stream for paying back the loans and establishing a payment mechanism through the on-Bill Financing.