REVENUE MEASURES PASSED BY THE 76th LEGISLATURE 2011

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Personal Income and Corporate Income and Excise Taxes		
HB 2071	Grants rule making authority to the Department of Revenue to require certain paid tax preparers and corporations to file electronic returns	
HB 2154	Makes several definitional changes to the Farmworker Housing Credit	
HB 2523	Moves the administration of the Manufacturing Business Energy Tax Credit to the Oregon Business Development Department	
HB 2527	Extends the sunset date for the Oregon Affordable Housing Lender's Credit	
HB 2550	Expands the current intergovernmental reciprocal agreement between the Oregon Department of Revenue and the Internal Revenue Service	
HB 2728	Allows taxpayers to make direct deposit contributions of personal income tax refunds into an Oregon 529 College Savings Network account	
HB 3058	Changes the definition of 'Oregon Sales' for purposes of the minimum tax paid by agricultural cooperatives	
HB 3170	Moves the sunset date for the new diesel engine tax credit forward to July 1, 2011	
HB 3454	Disallows a subtraction from federal taxable income for amounts included in determining an Oregon net operating loss	
HB 3543	Changes the method of returning 2% surplus kicker revenue to personal income taxpayers from a refund to a credit.	
HB 3606	Makes statutory clarifications on policy changes made to the Business Energy Tax Credit	
HB 3672	Extends several tax credits, sunsets the Business Energy Tax Credit in 2011 and separates it into three tax credits (excluding the manufacturing credit which is addressed in HB 2523)	
SB 305	Allows the Department of Revenue to grant further extensions for good cause beyond 5-31-2011 for tax amnesty program participants using the installment plan option to pay back taxes.	
SB 301	Updates Oregon's date of connection to certain federal laws from December 31, 2009 to December 31, 2010	
SB 817	Creates a tax credit against income and corporate excise taxes equal to 39 percent of the cost of a qualified equity investment	
Medical Provider Taxes		
HB 3650	Establishes the Oregon Integrated and Coordinated Health Care Delivery System to be administered by the Oregon Health Authority (OHA).	
SB 99	Establishes the Oregon Health Insurance Exchange Corporation as public corporation.	
SB 5529	Relates to the 2011-13 Oregon Health Authority budget. Includes increases in the hospital provider tax.	
Property Tax and Local Government Finance		
HB 2354	Extends the sunset on the property tax exemption for nonprofits owning or leasing rental housing for low-income residents.	
HB 2478	Requires appeals of property tax value for principal or secondary industrial properties over $1 million in assessed value to be brought in the tax court rather than allowing the taxpayer to choose between bringing their appeal to the tax court or to the Board of Property Tax Appeals.	
HB 2543	Makes substantive and technical changes to the Senior and Disabled Property Tax Deferral Program.	

HB 2546	Allows late filing of claim for exemption from property taxation for five years prior to current tax year.	
HB 2563	Extends the sunset on property tax exemptions for food processing equipment from July 1, 2011 to July 1, 2013. Extends the sunset for property tax exemptions for alternative energy systems from July 1, 2012 to July 1, 2018.	
HB 2569	Gives county assessors the option to issue a deferred billing credit to the taxpayer for property tax appeals with over $1 million of property at issue.	
HB 2570	Modifies the date that is used to determine when a person is a bona fide purchaser of a property.	
HB 2572	Allows other parties to a property tax appeal to seek a determination from the body or tribunal of the real market value of the property tax account.	
HB 3017	Extends the sunset date for enterprise zones from June 30, 2013 to June 30, 2025.	
HB 3280	Deletes maximum annual production limit for winery established as a permitted use on exclusive farm use land. Authorizes specific activities for wineries.	
HB 3290	Modifies application of farm income standard adopted by the Land Conservation and Development Commission for establishing dwellings customarily provided in conjunction with farm use in areas zoned for exclusive farm use.	
HB 3465	Allows for the development of a guest ranch in Grant County subject to the approval of a master plan.	
SB 302	Modifies the repayment schedule for additional taxes due from roll corrections made on or after May 27, 2008 but before May 27, 2010.	
SB 322	Extends the multiple unit housing tax exemption to the value of any design or public benefit elements required by the city or county as part of multiple-unit housing construction.	
Timber Taxation		
HB 2124	Extends privilege taxes on merchantable forest products harvested on forestlands.	
School Finance		
HB 2299	Stipulates that school districts with students who are eligible for special education and related services and are enrolled in a public charter school within the district, are to receive specified state funding regardless of where the students live.	
HB 3417	Requires that a school district's extended average daily membership (ADMw) be calculated separately for students in public charter schools and for students in non-chartered public schools.	
HB 3681	Allows a student to attend a school in a school district where the student does not have legal residence if the student receives a written consent from the district where the school is located.	
HB 5042	Includes an additional distribution of $23 million from the Common School Fund to the State School Fund.	
HB 5050	Appropriates additional money to the 2010-11 State School Fund.	
HB 5055	Includes appropriation of additional money to the 2011-13 State School Fund.	
SB 18	Establishes statutory provisions required for the Superintendent of Public Instruction to borrow money pursuant to Article XI-P of Oregon Constitution for capital costs of school districts.	

SB 170	Requires the Department of Education to be responsible for payment of costs of education of students in day treatment programs and residential treatment programs by contracting with school districts in which programs are located.	
SB 248	Extends for three school years the requirement that school districts offer half-day kindergarten. Stipulates that school districts must offer half-day kindergarten but may choose to offer full-day kindergarten, beginning with the 2015-16 school year.	
SB 250	Allows a school district of an education service district to withdraw from the education service district in specified education service districts.	
SB 453	Redefines a remote small elementary school for additional student weights in the State School Fund distribution formula.	
SB 5552	Appropriates $5.7 billion to the 2011-13 State School Fund.	
SB 5553	Establishes the 2011-12 School Year Subaccount within the State School Fund. Directs the State Treasurer to transfer $100 million of the Education Stability Fund to this Subaccount.	
Unemployment Insurance		
HB 2347	Excludes certain officiating services from the definition of employment for purposes of unemployment insurance taxation.	
SB 637	Provides for a state "on" indicator for unemployment benefits purpose.	
SB 638	Provides for the payment of Oregon emergency benefits to qualifying individuals during a specified emergency benefit period.	
SB 984	Allows a local government employer to work with the Oregon Employment Department in managing its Local Government Employment Benefit Trust Fund account.	
Transportation		
HB 2179	Allows for county motor vehicle registration fees to be used to pay off county bonds bonds.	
SB 442	Directs establishment of “wine country” license plate.	
Estate Tax		
HB 2541	Replaces inheritance tax imposed on basis of former federal credit with estate tax imposed as percentage of Oregon estate.	
Lottery		
HB 3188	Directs counties to report on use of economic development lottery funds.	
Bonding and Debt		
HB 5005	General obligation and other bonds issuance bill.	
HB 5036	Increases amount of lottery bonds authorized.	
SB 19	Authorizes State Treasurer to issue Article XI-Q bonds.	
Financial Management		
HB 2612	Clarifies that collateral on public funds deposits applies only to uninsured public funds.	
HB 2613	Specifies that limit on public funds deposits held by a bank or depository relates only to uninsured public funds.	
SB 20	Permits local governments and other public bodies to issue refunding bonds or to purchase outstanding bonds.	
Judicial System and Court Funding		
HB 2104	Increases fee by convicted DWI to Intoxicated Driver Program Fund.	
HB 2710	Revises laws relating to court fees for filing civil cases.	

HB 2712	Revises laws relating to offenses and violations.	
HB 3252	10% of punitive damages in civil action go to Courthouse Capital Improvement Fund.	
Miscellaneous		
HB 2679	Conforms the Oregon surplus lines insurance law to the federal Nonadmitted and Reinsurance Reform Act of 2010.	
HB 3339	Transfers funds from Secretary of State Operating Account and Tax Amnesty programs to the General Fund.	
HB 3657		
SB 242	Grants the Oregon University System (OUS) greater independence with all interest earned to stay with OUS rather than the General Fund.	
SB 372	Removes ambulance services from the list of fee schedules used to calculate provider charges for personal injury protection benefits.	
SB 863	Oregon Low-Income Energy Assistance Program (LIHEAP).	
SB 5522	OLCC $0.50 bottle surcharge.	

OVERVIEW

Fiscal Environment

For the past two biennia, Oregon's fiscal policy has been dominated by the impact of the Great Recession. Although the recession technically ended in June of 2009, its aftermath continues to shape budget decisions in most states, including Oregon. There are three fundamental reasons for this:

- Length and depth of the 2007-2009 Recession.
  - The Great Recession began in December of 2007 and ended in June of 2009, making it the longest U.S. downturn since 1929-33. The depth of the recession, measured by the decline in inflation-adjusted GDP, was the most severe since the 1945 post-war conversion recession.

- Slow economic recovery.
  - The U.S. economy began expanding again in the summer of 2009 but the recovery has been very weak by historical standards. This is especially true of job growth. Though declining somewhat since the recovery began, Oregon's unemployment rate remained at 9.4% in June of 2011, well above the high point of the previous 2001 recession.

- Withdrawal of federal fiscal stimulus.
  - When the depth of the recession became apparent, the federal government responded with a fiscal package designed to increase aggregate demand and stimulate the economy. Because a large portion of federal spending policy passes through state budgets, state governments were major recipients of these additional federal dollars. In Oregon's case, federal funds used in the state budget increased 54% percent in the 2009-11 biennium. Preliminary estimates for federal dollars for the 2011-13 budget show a decline of $1.1 billion or 7.1%.

Put in a national context, Oregon's economy and state fiscal system are performing according to historical patterns. The state economy, primarily due to its industry mix, fell further than the country as a whole during the recession as reflected in job losses and unemployment rates. Payroll employment fell by 148,100 between February of 2008 and December of 2009, a drop of 8.5%. For the country as a whole, employment declined by 6.3% during the recession. Oregon's cyclical high unemployment rate reached 12.3% in March of 2009. The peak for the U.S. as a whole was 10.1% in October of 2009.

The economic recovery, now over two years old, has been tepid by nearly all economic measures but the most notable has been job growth. Oregon's cyclical employment level bottomed out in December of 2009. Since that time (through June of 2011), employment has increased 34,400, for a gain of 2.2%. In other words, Oregon's economy has regained only 23.2% of the jobs lost during the recession. However, this compares with a gain of 20.2% of recession job losses for the U.S. as a whole. Again, this is a familiar cyclical pattern for Oregon's economy—deeper cyclical declines followed by stronger cyclical recoveries than the country.

The deep recession and weak recovery puts pressure on the state's fiscal position by increasing demand for needs based services such as health care, job training and public assistance while at the same time depressing income tax receipts. Preliminary estimates show that Oregon's General Fund revenue grew 5.6% in the just completed 2009-11 biennium following a drop of 8.0% in the 2007-09 biennium. This revenue trend is misleading because 2007-09 revenue was depressed by a 2% surplus kicker refund ($1.07 billion) while 2009-11 revenue was augmented by an estimated $594 million due to the passage of Measures 66 and 67 which increased personal and corporate income taxes. Adjusting for these factors indicates that General Fund revenue was essentially flat in the 2007-09 biennium (+0.4%) while revenue dropped 7.9% in 2009-11. These adjusted figures give a more representative reflection of how the economy affected Oregon General Fund revenue. It is also worth noting that this adjusted 2009-11 revenue number is $362 million below the 2005-07 level.

Further complicating states' ability to manage their budgets through the recession was very large margins of error for state revenue forecasts. A recent study by the Rockefeller Institute and Pew Center on the States found that 35 of the 50 states overestimated revenue by 5% or more in the 2008-09 fiscal year. Four states, including Oregon, overestimated revenue by 25% or more in the 2008-09 fiscal year—the first full year of the recession.

Oregon's income tax collections began to reflect the impact of the economic recovery in the 2010-11 fiscal year. Personal and corporate income tax collections were up 10.3% for the fiscal year through March compared with the same period in the prior year. This same phenomenon is occurring nationally with state revenue from major taxes up 7.4% through March. April income tax filings indicate this trend continued through the end of the 2010-11 fiscal year. Preliminary fiscal year personal income tax collections show a gain of 11.0% compared to the prior year. When considering the impact of this revenue growth it is important to put it in the context of how far collections have fallen. The preliminary estimate for personal income tax collections for the 10-11 fiscal year is $5.5 billion—while this is 11% above the prior year, it remains 2.0% below the level of collections in the 2006-07 fiscal year.

The Legislature built the 2009-11 General Fund/Lottery budget on the projections contained in the May revenue forecast adjusted for the revenue impact of legislative actions. These projections are built on the assumption that the economic recovery mildly accelerates with job growth moving into the 2.5% range over the next two years on a statewide basis. This is expected to generate personal income growth for Oregon residents of around 5% annually in the next biennium. Augmented by a recovery in capital gains and the scaling back of some tax credits, personal income tax collections are projected to increase 7.9% in the 2011-12 fiscal year and 6.2% in the 12-13 fiscal year.

It is important to note that while the forecast calls for a modestly improving economy with some acceleration in job growth, economic conditions in the state are expected to remain relatively depressed. Unemployment is expected to remain high by historic standards as the state slowly regains the jobs lost during the recession and the labor force continues to grow. Overall payroll employment is not expected to reach its pre-recession level until the second quarter of 2013—5 ½ years after the recession started and four years after it ended. The slow recovery will put added financial pressure on Oregon's unemployed workers as those currently receiving unemployment benefits see their benefits run out while jobs remain scarce. The Employment Department estimates that 85,000 current unemployment compensation recipients will exhaust their benefits between July 2011 and June of 2012. This will contribute to already strong demand for state provided needs based services through the 2011-13 biennium and beyond.

General Fund Revenue Actions

The May revenue forecast, prior to final legislative actions, projects General Fund resources of $13.9 billion, an increase of $1.4 billion or 11.2 % from the 2009-11 estimate. This growth rate is slightly below the long-term biennial growth rate for General Fund revenue. It is also only slightly greater than the reduction in federal stimulus revenue ($1.2 billion) used to backfill General Fund revenue in the 2009-11 biennium.

Table 1 outlines Legislative actions taken during the 2011 session that are expected to have an impact on General Fund revenue in the 2011-13 biennium.

Table 1: Legislative Actions Affecting General Fund Revenue

Bill Number	Description	Estimated Revenue Impact in the 2011-13 Biennium (in millions)
SB 301*	Connects to provisions of the federal tax code	-$94.7
SB 939	Program change bill containing numerous provisions	+$76.1
HB 2710	Increases court civil fees	+$33.1
HB 2712	Increases court criminal fees	+$22.2
HB 5040	Department of Revenue budget	+$14.7
HB 3672	Omnibus tax credit sunset extension bill	-$10.0
SB 242	Shifts higher education interest earnings out of General Fund	-$7.4
SB 5522	Additional OLCC distribution revenue	+$2.2
HB 3058	Exempts agricultural coops from corporate minimum tax	-$1.4
HB 3454	Disallows double counting of depreciation when calculating net operating loss	+0.8
HB 3170	Moves up sunset date for new diesel engine tax credit	+0.3

*Reflected in May revenue forecast.

The net overall 2011-13 General Fund revenue impact of 2011 legislative actions is estimated at +$35.9 million. Because the revenue impact of the federal reconnect bill was accounted for the in the May forecast, legislative actions leave projected 2011-13 General Fund resources at $14.0 billion.

Much of the 2011 legislation affecting General Fund revenue involved fees (for example, the court fee changes in HB 2710 and HB 2712), administrative changes (such as additional enforcement staff for the Department of Revenue budget contained in HB 5040) or fund shifts into the General Fund. A number of these fund shifts are contained in SB 939. The major elements of SB 939 are:

- $29 million from extension of the OLCC's per bottle surcharge.
- $20.1 million in state agency fund shifts to the General Fund.
- $18 million fund shift from expanded use of corporate tax auditors contained in February 2010 legislation.
- $4.7 million from additional Secretary of State corporate registry net revenue.
- $2.6 million fund shift from the Tax Amnesty Fund established in 2009.

The two major legislative actions affecting General Fund revenue that involved major tax policy decisions are the omnibus tax credit sunset bill (HB 3672) and the federal reconnect bill (SB 301). Both measures involved a number of tax policy changes. They will be discussed in detail in the next section of the session summary and in the income tax section of the report.

The state's 2011-13 discretionary spending budget was also augmented by use of reserves from the Education Stability Fund. These resources show up as Lottery revenue but they are used in close connection with the General Fund budget. Transfers from the Education Stability Fund were made in two bills (SB 5553 and HB 5055) and totaled $182.2 million.

Major Revenue Bills

This section of the report highlights four major bills from the 2011 session that have significant implications for state revenue and tax policy. This is followed by a detailed summary of all revenue related measures passed by the 2011 Legislature.

HB 3672
HB 3672 is the product of the Legislature's tax credit review process. The process grew out of 2009 legislation (HB 2067) that established sunset dates for nearly all of Oregon's tax credits. The tax credits were divided into three groups with sunset dates spread out over the next six years. The first group of credits were scheduled to sunset in 2012. These credits generally focused on economic development, agriculture and environmental policy. Bills to extend the sunset date for each credit scheduled to expire in 2012 were introduced by the interim revenue committees. A complete set of sunset extensions was introduced in each chamber. The sunset extension bills were assigned to the relevant policy committees for initial review. The policy committees had the option of approving the sunset extension as is, modifying the tax credit or not taking action thereby allowing the credit to sunset. Bills approved by the policy committees were referred to the Joint Committee on Tax Credits. The joint committee was established for the 2011 session with the sole purpose of reviewing tax credits—both credits scheduled to sunset and new credits introduced in the 2011 session. The work of the committee is largely contained in HB 3672. HB 3672 extends a number of credits, while modifying and extending a number of other credits. A number of credits are not included in HB 3672 thereby allowing them to sunset.

HB 3672 makes major changes to Oregon's energy tax credit policy. The measure speeds up the sunset of the business energy tax credit and replaces it with three new credits for renewable energy production, conservation and alternative transportation. The net result is a significant reduction in the amount of tax credits available for alternative energy. This is particularly true for renewable energy generation which goes from a program with a $300 million cap in the 2009-11 biennium to a $3 million cap for 2011-13. The bill establishes a separate $28 million biennial cap for new conservation projects and a $20 million biennial cap for alternative transportation. Credits available for transit services are phased out over 4 years. The remaining elements of the new energy credits have a sunset date of 2018. The net effect of eliminating the business energy tax credit and replacing it with the three new credits is to reduce the General Fund revenue impact by $18.1 million in the 2011-13 biennium, $85.3 million in the 2013-15 biennium and $182.7 million in the 2015-17 biennium compared to the cost of extending the business energy tax credit in its previous form.

HB 3672 also makes substantial changes to two other energy related tax credits: the residential energy tax credit and the biomass producers and collectors credit. The residential energy tax

credit is scaled back by raising the eligibility standards for household appliances. The revenue impact of the biomass credit is reduced by roughly 1/3 compared to previous law by switching from a wet ton basis to a dry ton basis. Both credits are extended in their modified form to the 2018 tax year.

Another major part of HB 3672 is extensions of credits directed at encouraging economic development in the state. The annual cap for the film and video production tax credit is reduced from $7.5 million to $6 million and a new auction process is established for allocating the credits among taxpayers. The film and video credit is extended in its modified form to 2018. The research and development credit is also extended to 2018 with a reduction in the maximum allowable per taxpayer per year reduced from $2 million to $1 million. The e-commerce and long-term rural enterprise zone credits, designed to work in tandem with the enterprise zone property tax exemption program, are extended without modification for six years. HB 3017 extends the sunset date for the enterprise zone property tax exemption program to 2025.

Finally HB 3672 extended the tax credit for fire insurance premiums and fish screening devices for six years. The Legislature did not modify these credits.

The joint committee also decided not to extend the sunset date for a number of tax credits. This means these credits will not be available to taxpayers for tax years beginning with 2012. These expiring tax credits are for:

- Water transit vessels
- Crop donations
- Diesel truck engines
- Energy conservation lenders
- Biofuels consumers
- Biodeisel used in home heating.
- Reforestation
- Riparian lands excluded from farm production.
- Workers' compensation insurance.

The overall revenue impact of HB 3672 in the 2011-13 biennium is -$10 million. However, this estimate is based on current law at the time the bill passed. Current law assumes that all tax credit sunsets take place. The intent of the tax credit sunset process is to review tax credits and make decisions as to whether they should be extended, modified and extended or allowed to sunset. Comparing the revenue impact of these policy decisions with the cost of continuing the tax credits in their existing form gives a better indication of how HB 3672 ultimately affects state revenue. Table 2 compares the revenue impact of continuing existing law versus the estimated impact of the policies contained in HB 3672.

Table 2: HB 3672 Compared to Continuation of Existing Credits

	Revenue Impact (in millions)		
Biennium	2011-13	2013-15	2015-17
Continuation of existing tax credits	-$353	-$438.8	-$502.1
HB 3672	-$322.3	-$321.8	-$281.8
Difference	+$30.7	+$117.1	+220.4

SB 301
All states with income taxes must address the issue of connection to the federal income tax code in some form and how to respond to changes in federal law. For Oregon, with greater than any other state dependence on the personal income tax, this policy decision takes on added significance. Over the past forty years the state has rotated between a policy of automatic connection to federal tax base changes (rolling reconnect) and connection to the federal code at a particular point in time. The 2009 Legislature made the decision to connect to the federal tax code as of February 1, 2009 (later moved to May 1, 2009) with several exceptions including federal provisions relating to bonus depreciation and Section 179 expensing which applied to the 2009 and 2010 tax years. The 2009 Legislature also re-established the policy of rolling reconnect beginning with the 2011 tax year. However, the rolling reconnect policy did not include reconnection to federal depreciation and expensing provisions.

In 2010, Congress approved three major new tax measures: the 2010 Health Care Act, the Small Business Jobs Act of 2010 and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, with the latter occurring in December 2010 just prior to the 2011 session. Congress also approved other minor legislation that had limited effect on Oregon's code. Oregon's tax code connected to most of these provisions starting in 2011 but legislative action was required for connection in the 2010 tax year. The major exceptions were bonus depreciation and Section 179 expensing, both of which were expanded for the 2011 and 2012 tax years by the Unemployment Insurance Reauthorization and Job Creation Act of 2010.

SB 301 established connection to a number of provisions for the 2010 tax year. The major provisions include deductibility of tuition expenses, modifications to the earned income tax credit, exclusion from taxation of health care insurance benefits for parents of young adults and deductibility of unreimbursed expenditures for classroom materials by teachers. Because these provisions applied to the 2010 tax year and state law was already connected for 2011 and beyond, the revenue impact of these provisions predominantly occurred in the 2009-11 biennium. General Fund revenue was reduced by an estimated $15.4 million in the 2009-11 biennium and a further $1.5 million in the 2011-13 biennium as a result of connecting to these provisions.

SB 301 also connects to the depreciation and Section 179 expensing provisions for the 2011 and 2012 tax years contained in the Unemployment Reauthorization and Job Creation Act of 2010. Bonus depreciation and expanded expensing allowances have the effect of accelerating the timing of when businesses can deduct the expense of capital equipment. The result is increased deductions for capital over the 2011 and 2012 tax years, followed by lower deductions in the subsequent 2013 and 2014 tax years. For the state, this means a negative revenue impact in the 2011-13 biennium and a positive revenue impact in the 2013-15 biennium. The revenue impact of connecting to the federal depreciation provisions is estimated at -$93.2 million for the 2011-13 biennium and +$43.7 million in the 2013-15 biennium.

Overall the estimated revenue impact of SB 301 is:
2009-11 biennium: -$15.4 million.
2011-13 biennium: -$94.7 million.
2013-15 biennium: +$43.7 million.

HB 2543
HB 2543 modifies Oregon's senior property tax deferral program. The program, established in 1969, is designed to help low income seniors remain in their homes by allowing them to defer

their property taxes until the home is sold. At that time the program is reimbursed for the back taxes. Initially the Legislature funded the program through General Fund appropriations. However, as homes were sold and revenue began flowing back into the program surpluses were generated starting in the mid 1990s. The Legislature allocated these surpluses to other purposes during and after the 2001-02 recession. The collapse of the housing market in Oregon starting in 2007 sharply reduced the inflow of revenue as home sales slowed dramatically while new applicants increased as financially stressed seniors looked for ways to cut costs through the deferral of taxes. The program began experiencing severe cash flow problems in the 2009-11 biennium and was forced to delay payments to counties. Going into the 2011 legislative session, projections for the 2011-13 biennium showed the program in a substantial deficit position. HB 2543 is designed to make structural changes to the program in order to keep it solvent for the long term.

HB 2543 requires program participants to re-apply every two years. Along with the existing household income limit (not changed by HB 2543) program participants must meet additional criteria to qualify:

- The market value of the home cannot exceed the median home value for the county. The allowable home value is adjusted up based on the number of years the applicant has lived in the home up to 200% of median county value for long time residents.
- New program participants must live and own their home for at least five years.
- Establishes maximum asset value limit for applicants of $500,000, excluding the value of the owner occupied home.
- Excludes homes that have reverse mortgages.
- Disqualifies anyone with outstanding or canceled liability from the program.

In addition, HB 2543 retains the 6% interest requirement of the existing program but changes the calculation from simple interest to compound interest. The measure also places a 5% cap on allowable growth for the program beginning with the 2012-13 property tax year.

The revenue implications of these new limitations are very difficult to predict given the extreme volatility of the housing market. However, in total they are expected to significantly reduce the costs while adding to revenue growth over the long term as the effects of the new compound interest calculation work through the program. Overall HB 2543 is expected to improve the net fiscal position of the Senior Property Tax Deferral Revolving Account by $11.2 million in 2011-13 and $19.6 million in 2013-15. Despite these positive effects on the account it is expected to close the 2011-13 biennium in deficit. In order to address this issue the Legislature approved SB 939 which directs the State Treasurer to loan the program $19 million from the Common School Fund for two years. The deferral program is to repay the Common School Fund by June 15, 2013 with funds available in the account. If sufficient funds are not available in the account (a near certainty given current projections), SB 939 directs the Legislature to appropriate the amount necessary to repay the loan no later than June 15, 2013. SB 939 also requires the Legislature to make a determination regarding the long-term financial viability of the program based on the results of the changes contained in HB 2543.

HB 2541

HB 2541 essentially rewrites Oregon's estate tax laws. At the close of the 2009 session, the House Revenue Committee and the Senate Finance and Revenue Committee requested that the Oregon Law Commission review the state's current estate tax statutes and make recommendations to modify and simplify current language while bringing it up to date with changes in federal law. The committees asked for recommendations that did not affect the

overall amount of revenue collected from the estate tax. HB 2541 is largely based on the Law Commission's recommendations.

Over the past decade major changes at the federal level prompted significant changes in how states approached taxation of estates. Starting in 1926, federal law allowed for a credit for taxes paid on estates at the state level. This meant that states could impose a tax up to the maximum amount of the credit without affecting the overall tax liability of estates. As a result most states imposed a tax up to the maximum amount of the credit, including Oregon after 1977. This situation was fundamentally altered in 2001 when Congress made major changes to the federal estate tax including a phase-out of the state tax credit. The 2003 Legislature adopted statutory language that connected Oregon's estate tax to pre-2001 federal law. Oregon's threshold for taxable estates was set at $1 million. The federal taxable threshold was gradually moved up to $5 million starting in 2011.

HB 2541 restructures the estate tax in the following ways:

- Changes the terminology of the tax in statutes from inheritance tax to estate tax to more properly reflect the nature of the tax.
- Conforms definitions to current federal law to simplify taxpayer compliance and improve administration of the tax.
- Modifies definition for working capital used in computation of the natural resource credit established in 2010.
- Clarifies definitions of marital property and intangible property.
- Retains $1 million threshold for tax but adjusts tax rate schedule to eliminate very high marginal tax rates that occurred at the $1 to $2 million estate value level because of the interaction of the state law with the pre-2001 federal tax schedule.

Estate tax revenue is notoriously volatile and difficult to predict because it is not closely linked to current economic activity. However, the revenue impact of HB 2541 is expected to leave collections from the tax essentially unchanged over time compared to previous law.

SUMMARY OF INDIVIDUAL REVENUE BILLS

PERSONAL AND CORPORATE INCOME TAX

HB 2071 (CH 24)

Grants rule making authority to the Department of Revenue to require paid tax preparers and corporations to file electronic returns if they are required to do so for their federal returns. Allows the department to establish exceptions to these rules. Applies to tax years beginning on or after January 1, 2011.

Revenue Impact: A minimal revenue loss or gain of less than $50,000.

The Department of Revenue has found that electronic returns tend to be, on average, more accurate than paper returns while costing less to process. Errors that taxpayers make on tax returns may result in a tax liability that is either higher or lower than that required by statute. Electronic filing helps minimize these errors. For example, an electronic return could result in a lower tax liability if the software alerts a taxpayer to a deduction or credit that they would not have otherwise known they could take. Conversely, an electronic return could result in a higher tax liability by correctly calculating the amount of a given deduction or credit.

HB 2154 (CH 471)

Modifies the definition of “farmworker” to include aquacultural crops. Expands definition of “contributor” to include a person who has purchased or received the credit via a transfer. Establishes that farmworker housing includes housing limited to farmworkers who are retired or disabled. Makes exception to the provision barring credits for dwellings occupied by relatives of owner in case of manufactured dwelling park nonprofit cooperatives. Modifies the definition of taxpayer to include tax-exempt entities. Applies to tax years beginning on or after January 1, 2008, and to applications for farmworker housing credit approval filed on or after effective date of Act.

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

The definitional changes to the tax credit are intended to keep pace with changes occurring in the agricultural industry and are not expected to have a substantive impact on the use of the credit.

HB 2523 (CH 474)

Transfers administration of the manufacturing portion of the Business Energy Tax Credit (BETC) from the Oregon Department of Energy to the Oregon Business Development Department (OBDD). Requires OBDD to certify the facility. Maintains the existing sunset date and limits on pre-certification credits that may be issued. Expands standards related to job creation for certified projects.

Revenue Impact: None.

HB 2527 (CH 475)

Extends the sunset date for the Oregon affordable housing lender's credit from January 1, 2014 to January 1, 2020.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
General Fund	**$0**	**$0**		**$0**	**-$2.8**	**-$5.2**

The estimates are based on the history of the program as well as projections for future use of the tax credit. In 2008, 21 corporation taxpayers claimed a total of $7.1 million in affordable housing tax credits. Eighteen of these corporations were able to reduce their tax liability by a total of $1.9 million, an average tax reduction of roughly $106,000 per beneficiary.

Purpose Statement: To encourage the construction and rehabilitation of rental housing for lower-income households.

HB 2550 (CH 476)

Expands the current intergovernmental reciprocal agreement between the Oregon Department of Revenue and the U.S. Financial Management Services (the Internal Revenue Service) beyond tax refunds to include other federal payments.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Other Funds	**$0**	**$0.4**		**$0.4**	**$2.0**	**$3.0**

The policy embodied in this bill is an expansion of the current Treasury Offset Program. The revenue impact is based on the assumption that this expansion will, when fully implemented, raise ten percent of the collections under the current program. There is no forecast for program collections, but in 2009 and 2010 the existing program raised roughly $15 million annually. Full implementation is assumed to occur by 2015.

HB 2728 (CH 527)

Allows taxpayers to make direct deposit contributions of personal income tax refunds into an Oregon 529 College Savings Network account. Applies to refunds attributable to tax years beginning on or after January 1, 2012. Takes effect on 91st day following adjournment sine die.

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

The minimal revenue loss reflected here is based on the assumption that a small number of taxpayers would make contributions who otherwise would not have made such contributions. For tax year 2012, the maximum subtraction for contributions to an Oregon 529 account is projected to be $4,315 for joint filers and $2,160 for all other filers. Contributions made via a direct deposit of a tax refund would be eligible for the subtraction in the following tax year.

HB 3058 (CH 669)

For purposes of the minimum tax paid by agricultural cooperatives, removes sales representing business done with or for members of the co-op from the definition of Oregon sales. Applies to tax years beginning on or after January 1, 2011.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
General Fund	**-$0.7**	**-$0.7**		**-$1.4**	**-$1.4**	**-$1.4**

The corporate minimum tax owed by a C-corporation depends on the corporation's amount of Oregon sales. Generally, an Oregon sale occurs when a product or service is sold within the borders of Oregon. Removing certain transactions from the definition of 'Oregon sales' would reduce total sales for agricultural co-operatives for purposes of the minimum tax, resulting in lower tax collections. The estimates are based on model simulations of current law tax liabilities compared to tax liabilities under the proposed law change.

HB 3170 (CH 674)

Moves the sunset date for the tax credit for new diesel engines forward from December 31, 2013 to July 1, 2011.

Revenue Impact ($Millions):

	Biennium		
	2011-13	2013-2015	2015-2017
General Fund	$0.3	$0.2	minimal

Minimal is a revenue gain of less than $50,000.

The estimated revenue impact is due to moving the sunset forward from 2013 to 2011. It is based on the historical use of the credit and the projected use of the tax credit if it were to remain in effect. The number of tax certificates granted peaked in 2006 at 94, totaling just over $300,000, but had declined during the recession to 26 in 2010, totaling roughly $200,000. As the economy continues to recover, use of the credit is expected to increase from its 2010 level, if it were continued as structured under current law.

HB 3454 (CH 685)

Disallows a subtraction from federal taxable income for amounts included in determining an Oregon net operating loss. Applies to tax years beginning on or after January 1, 2009. Provides that taxpayers may comply with the policy by either filing an appropriate amended return or adding the proper amount to income on the taxpayer's 2011 tax return.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
General Fund	$0.5	$0.3		$0.8	$0.5	$0.4

The estimate is based on matched 2009 and 2010 personal income tax returns to identify taxpayers who claimed a deduction and had a net operating loss in 2009. The sample consisted of 2009 tax returns with a net operating loss matched with 2010 returns (filed through May 2011) that included a subtraction for a difference in depreciation between Oregon and federal law. The analysis resulted in an estimated revenue gain of roughly $300,000 if the subtraction were disallowed in 2010. Because a corresponding subtraction is allowed for the life of the property, there is a continued revenue gain that is assumed to decrease in magnitude each year. This decline is based on accelerated depreciation schedules. Also, Oregon had a similar disconnect from federal law for 2010; these estimates include that impact as well.

HB 3543 (CH 299)

HB 3543 changes the method of returning 2% surplus kicker revenue to personal income taxpayers. It eliminates the requirement that the Department of Revenue return surplus revenue in the form of a tax refund. HB 3543 re-establishes requirement that revenue be returned through an income tax credit. The credit becomes refundable in cases where current

year tax liability is exhausted. The Department of Revenue is required to make information on the credit available to taxpayers no later than October 15 in years when the kicker credit is applicable. The measure first applies to the 2011-13 biennium.

Between 1979 and 1995, excess revenue as calculated through the 2% non-corporate kicker was returned through a credit on tax returns. In 1995, the Legislature changed the credit to a refund in which the Department of Revenue calculated the taxpayer's share and mailed a check to the taxpayer. Since 1979, the state has returned surplus non-corporate revenue through the kicker mechanism to taxpayers a total of 8 times.

HB 3543 has no direct revenue impact because it does not affect the overall size of the 2% surplus kicker. It will, however, lead to a higher net amount going to taxpayers because it reduces administrative costs for the Department of Revenue. Administrative costs are estimated at $250,000 under HB 3543. This is primarily due to processing refundable credits. Under the refund system, administrative costs averaged $900,000. Lower administrative costs means a higher net amount will be returned to taxpayers because these costs come off the top of the kicker calculation. HB 3543 is also expected to reduce the amount of borrowing the Treasury must do for cash flow management in years when the kicker is triggered. Under the refund system, checks must go out over a short period of time early in the biennium. This requires the Treasury to borrow through the issuance of tax anticipation notes in order to ensure adequate cash flow during this period. By converting to a credit, the impact of returning kicker revenue to taxpayers will occur later in the biennium and be spread out over a longer period of time. This will have the effect of reducing cash flow borrowing needs for the state.

Revenue Impact: None.

HB 3606 (CH 693)

For purposes of the Business Energy Tax Credit, clarifies that the first year a transferee may claim the tax credit is the year the transferee pays for the credit. States that a tax credit becomes non-transferable once the original owner of the tax credit certificate uses any portion of the credit. Moves the credit transfer language from Chapter 315 to Chapter 469. Provides that the total – rather than certified – cost of a project is reduced by an applicable federal grant amount. Clarifies that applicants are eligible to participate in the tax credit program and a low interest, government-sponsored loan program. Clarifies that for renewable projects with a certified cost of at least $10 million, an application for final certification shall be considered complete without the identification of a transferee. States that the bill does not provide a basis for applicants to obtain amendments to issued certificates. Changes are applicable to tax years beginning on or after January 1, 2009, except for the changes regarding final certifications, which are applicable for certifications issued since January 1, 2010.

Revenue Impact: None.

HB 3672 (CH 730)

The Joint Committee on Tax Credits had before it twenty income tax credits (existing in current law) for review during the 2011 Session. Nine were allowed to sunset at the end of this year; one had its sunset date accelerated to this year; nine were extended and/or modified, and one was divided into three separate credits.

Five tax credits simply had their sunset date extended to January 1, 2018:

1. Fire insurance premiums
2. E-commerce zone
3. Long-term rural enterprise zone
4. Fish screening devices
5. Alternative fuel infrastructure (in the Residential Energy and the Transportation tax credits)

Four tax credits were modified and had their sunset extended to January 1, 2018:

1. Biomass: Oilseed processors are added, the woody biomass incentive is reduced from $10 per wet ton to $10 per bone dry ton, and the credit for yard debris and municipally generated food waste is eliminated.
2. Research and development: The annual credit cap per taxpayer is reduced from $2 million to $1 million and the disallowance of a deduction for the portion of expenses equal to the amount of tax credit claimed is codified.
3. Film and video contributions: Beginning in 2012-13, the total amount of credits allowed is reduced from $7.5 million to $6 million and the credit will be sold through an auction; for fiscal years 2012 and 2013, total reimbursements made to local filmmakers may not exceed $250,000. Provides that a direct appropriation may be made to the Oregon Production Investment Fund. Requires the Film and Video Office and the Department of Revenue to report to the Assembly in February of 2013 on the credit auction process.
4. Residential Energy: Alternative fuel vehicles are removed, allows the Department of Energy to reduce the incentive for solar electric and fuel cell systems as market conditions warrant, raises requirements for eligible appliances, requires pre-certification (with an annual cap of $10 million in credits) for third-party alternative energy device installers who own the device after installation.

The Business Energy Tax Credit is eliminated; to be eligible, remaining projects must have filed for an application by April 15, 2011, received pre-certification by June 30, 2011, and either receive final certification by December 31, 2012 (which is a 6-month extension) or had begun construction by April 15, 2011. The BETC is replaced with three separate credits that generally sunset on January 1, 2018:

1. Conservation: A continuation of many projects that were eligible under the old business energy tax credit. The credit is equal to 35 percent of eligible project costs and is transferable. Key changes include a biennial cap of $28 million in potential tax credits and an exemption from the pre-certification process for projects costing less than $20,000.
2. Renewables: A non-transferable tax credit that is pre-sold via auction with the receipts going into the Renewable Energy Development subaccount of the Clean Energy Deployment Account. Up to $1.5 million in tax credits may be sold each fiscal year. The funds are used to issue grants equal to 35% of eligible project costs, up to $250,000. The system must be located in Oregon and not exceed 35 megawatts of nameplate capacity.

3. Transportation: A credit for either transit services or alternative fuel vehicle infrastructure, with a program cap of $20 million per biennium. The credit for transit services is 25 percent of certified costs for certifications granted after July 1, 2011 and for tax years prior to 2013; it falls to 20 percent for tax year 2013, then 15 percent in tax year 2014, then 10 percent in tax year 2015; it sunsets on January 1, 2016. The credit for alternative fuel vehicle infrastructure is 35 percent of project costs and sunsets on January 1, 2018. Both credits are transferable.

Two other tax expenditure policies included in the bill are:
1. Extension of the Green Light rebate program to January 1, 2018.
2. Extension of the partial sunset (pertaining to the criteria for qualifying counties) for the Oregon Investment Advantage (OIA) program to July 1, 2016.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
General Fund	$9.5	-$19.5		-$10.0	-$53.3	-$73.4

The impacts shown are the net impacts of the policies contained in the bill. By effectively ending the existing business energy tax credit this biennium, this measure raises revenue each fiscal year to fund the extension of various tax credits. As for gross negative revenue impacts, the extensions of the sunsets first reduce revenue in the second year of the 2011-13 biennium. The larger net negative impact in 2013-15 is due to the combination of two factors. First, the 2013-15 biennium includes two full years of revenue losses from the sunset extensions. Second, the gross revenue gain is slightly less in 2013-15 compared to 2011-13. In 2015-17, there is some growth in the revenue loss compared to 2013-15, but the revenue gain declines, so the net impact is a larger revenue loss. To provide context for the impact of these policy changes, had the sunset dates for all of these credits been extended for six years sans other policy changes, the revenue impacts would have been -$40 million in 2011-13, -$170 million in 2013-15, and -$294 million in 2015-17.

Purpose Statement: To encourage continued investment in Oregon's economy and environment within existing budget constraints.

SB 301 (CH 7)

Updates Oregon's date of connection to certain federal laws from December 31, 2009 to December 31, 2010. 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. Specifies that interest and penalties will not be assessed for tax deficiencies 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, 2011 due to any retroactive treatment from these federal tax law connection changes then the refund will not be paid with interest. Requires taxpayers to file an amended return for changes in Oregon's law due to these federal tax law changes for tax years beginning before January 1, 2011; requires the Department of Revenue

to make changes to tax returns for taxpayers who do not file amended returns. Extends the estate tax filing deadline to September 17, 2011 for decedents who died between January 1, 2010 and December 17, 2010, if a federal estate tax return is required. Makes no changes regarding due dates for payment of tax, penalties, or interest. Clarifies disconnect language for certain provisions for tax years 2009 and 2010. Reconnects to the federal provisions for bonus depreciation and expanded Section 179 expensing for tax years beginning on or after January 1, 2011.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2009-10	**2010-11**	**2009-11**	**2011-2013**	**2013-2015**
General Fund (excluding depreciation)	$0	-$15.4	-$15.4	-$1.5	$0
General Fund (depreciation only)*	$0	$0	$0	-$93.2	$43.7
General Fund (Total)	**$0**	**-$15.4**	**-$15.4**	**-$94.7**	**$43.7**

*The March 2011 revenue forecast includes the -$93.2 million and $43.7 million impacts for 2011-13 and 2013-15 due to an incorrect interpretation of current law. The revenue loss and gain shown are relative to a corrected current law forecast. Compared to the March 2011 revenue forecast, there is no impact for the depreciation provisions. The total impact compared to the March 2011 revenue forecast is shown in the top row: -$15.4 million in 2009-11, -$1.5 million in 2011-13, and $0 in 2013-15.

The revenue loss is the result of tying to various provisions of federal law enacted during 2010 that extend a variety of tax expenditures. The provision with the largest revenue loss in the 2009-11 biennium – roughly $10 million – is the deduction for qualified higher education expenses paid by the taxpayer in 2010. Examples of other provisions to which this bill ties are the deduction for teacher classroom expenses, the exclusion from income for the value of including young adults up to age 26 on a parent’s health insurance, and certain enhancements to the earned income tax credit.

For the estate tax, the extension of the filing deadline could result in a slight shift in some revenue (less than $50,000) from the 2009-11 biennium to the 2011-13 biennium. Consequently, there could be a minimal negative impact in 2009-11 offset by a minimal positive impact in 2011-13.

The revenue impacts on the “depreciation only” line pertain to reconnecting to the federal bonus depreciation and expanded Section 179 expensing provisions in federal law for tax years 2011 and 2012. These provisions of law allow taxpayers to claim larger deductions in tax years 2011 and 2012 than they would otherwise be allowed to claim. At the same time, the deductions in later years are less than they would be otherwise. So the revenue loss in 2011-13 is gradually offset by revenue gains in subsequent biennia.

Purpose Statement: To generally maintain Oregon’s tie to federal law for income tax purposes.

SB 305 (CH 17)

SB 305 allows the Department of Revenue to grant further extensions for good cause beyond 5-31-11 for tax amnesty program participants using the installment plan option to pay back taxes.

In 2009, the Legislature approved Oregon's first tax amnesty program with the passage of SB 880. The Department of Revenue conducted the program between October 1 and November 19, 2009. Under the program, personal income taxpayers could elect to make payments of overdue taxes through an installment plan. SB 880 set a firm deadline of May 31, 2011 for completion of payments under installment plans. Failure to complete payments meant repayment in full including penalties and interest associated with overdue taxes. A number of participants were failing to maintain their payment schedules. SB 305 is designed to give the Department of Revenue discretion to allow extensions of payment schedules in those cases where the amnesty participant can show good cause for not making payments.

SB 817 (CH 732)

Creates a tax credit against income and corporate excise taxes equal to 39 percent of the cost of a qualified equity investment. States that the credit is taken over seven years – no credit for the first two years, a seven percent credit in year three, and an eight percent credit in each of the subsequent four tax years. States that the credit is nonrefundable but may be carried forward to any tax year. Limits the total amount of tax credits that may be claimed each tax year to $16 million. Applies to qualified investments made between July 1, 2012 and June 30, 2016.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
General Fund	**$0**	**$0**		**$0**	**-$5.3**	**-$28.8**

The revenue impact estimates are based on the assumption that 38 percent of the allowed investments would be made in 2012, 50 percent in 2013, 12 percent in 2014. Because no credit is allowed for the first two years of the investment, there is no revenue impact in 2011-13.

Purpose Statement: To increase private capital investments in Oregon small businesses.

MEDICAL PROVIDER TAXES

HB 3650 (CH 602)

Establishes the Oregon Integrated and Coordinated Health Care Delivery System to be administered by the Oregon Health Authority (OHA). Requires the Coordinated Care Organizations (CCOs) to be accountable for care management and provision of integrated and coordinated health care, managed within global budgets. Requires OHA to regularly report to the Oregon Health Policy Board, the Governor and the Legislative Assembly on progress of payment reform and delivery system change. Describes qualification criteria for CCOs to be

adopted by rule by the OHA, including the governance structure. Requires the OHA to establish alternative payment methodologies.

Revenue Impact (in $Millions): None

SB 99 (CH 415)

Establishes the Oregon Health Insurance Exchange Corporation as public corporation. Specifies duties, functions and powers of the Corporation. Requires the Corporation to deliver to the appropriate interim committees and the Joint Committee on Ways and Means, a formal business plan or a draft business plan before the convening of the 2012 Legislative Assembly regular session. Specifies operations of the health insurance exchange administered by the Corporation. Makes operations operative on the date that the Legislative Assembly approves the formal business plan.

Revenue Impact (in $Millions): None

SB 5529 (CH 580)

Relates to the 2011-13 Oregon Health Authority budget. Includes increases in the hospital provider tax.

Revenue Impact (in $Millions): $446.1 million for 2011-13 biennium (Source: SB 5529 budget report).

Impact Explanation: The hospital provider tax was at 2.32% in June 2011. The increase was approved in two parts: the Tier 1 hospital provider tax increase of 1.69% (for a total rate of 4.01%), and the Tier 2 increase of up to additional 1.24% (for a total rate of up to 5.25%).

PROPERTY TAX AND LOCAL GOVERNMENT FINANCE

HB 2354 (CH 191)

Extends the sunset on the property tax exemption for nonprofits owning or leasing rental housing for low income residents.

The measure extends the sunset from July 1, 2014 to July 1, 2027 for property tax exemptions for low income housing operated by nonprofit organizations. The exemption is limited to the tax levies of governing bodies that have adopted the provisions of ORS 307.540 to 307.548. An exception to this limit is when districts levying 51 percent or more of the property tax on a property have adopted the provisions of ORS 307.540 to 307.548, then the property is exempt from all property tax levies. The exemption may also apply to properties being held by nonprofit

organizations for the purpose of future low-income housing development. To qualify residents as low-income, the organization must certify that each resident earns below 60 percent of area median income.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Local Government	**$ 0**	**$ 0**		**$ 0**	**-$ 4.29**	**-$ 8.58**
Local School Districts	**$ 0**	**$ 0**		**$ 0**	**-$ 2.86**	**-$ 5.72**

If the measure were not passed, this property tax exemption would sunset for the 2014-15 tax year. No exemptions would be allowed under this statute, and revenues would increase by $7.15 million. By extending this sunset, the measure has a negative revenue impact beginning in the second half of the 2013-15 biennium.

HB 2478 (CH 111)

Requires appeals of assessed or specially assessed value of lands or improvements of a principal or secondary industrial property over $1 million in assessed value to be brought in the tax court only rather than allowing the taxpayer to choose between bringing their appeal to the tax court or the Board of Property Tax Appeals (BOPTA.) Requires appeals to be made by December 31st of the tax year during the period following the date the tax statements are mailed.

The 2009 Legislature passed HB 2920, which created the Task Force on Effective and Cost-Efficient Service Provision. The task force was charged with reviewing state and county shared services for effectiveness and cost-efficiency. Among the shared service areas the committee reviewed were assessment and taxation. One of the recommendations of the task force was to require all appeals on the value of large industrial properties to be made directly to the tax court rather than the Board of Property Tax Appeals (BOPTA.) Prior to this measure's passage, some appeals went directly to the tax court, but this becomes a requirement.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Local Government	**$ 0.045**	**$ 0.045**		**$ 0.09**	**$ 0.09**	**$ 0.09**
Local School Districts	**$ 0.03**	**$ 0.03**		**$ 0.06**	**$ 0.06**	**$ 0.06**

Prior to the passage of this measure, principal or secondary industrial taxpayers wishing to appeal property tax assessment had the option of appealing to the Board of Property Tax Appeals (BOPTA) or directly to the tax court. The BOPTA rarely, if ever, reduced value for principal or secondary industrial properties and often moved the case along to the tax court. The BOPTA process also entails a delay of several months, during which time the state will owe 12% interest on a refund if the case is appealed and the court finds in favor of the taxpayer.

A range of time savings can be considered to estimate revenue impacts. In the fastest scenario, assume a taxpayer appeals to the BOPTA and the case is heard as early as possible

(The first Monday in February.) The case will be heard 3 months after the tax bill in question is received by the taxpayer around October 25th. If the tax is to be reduced, the most common scenario is for it to be appealed from BOPTA to the magistrate or tax court. To continue with the fastest scenario, assume the appeal is filed immediately after the BOPTA hearing, the case would immediately be in the queue for tax court. The most expedient case that bypasses BOPTA and moves directly to tax court would be the result of a taxpayer filing an appeal immediately after receiving the tax bill around October 25th, and the case immediately queues up for tax court. These are two scenarios in which the taxpayer moves immediately to appeal (with the fastest timing for the BOPTA hearing) and the appeal involving the BOPTA takes three months longer for the case to get into the queue for the magistrate or tax court.

On the other hand, the slowest scenario when the appeal initially is filed with BOPTA involves the board hearing the case near the end of the BOPTA hearings around April 15th. Upon appealing to the tax court, the taxpayer waits the full 30 days until the statutory deadline, and does not file the appeal until May 15th. The slowest timeframe for an appeal directly to the tax court is one in which the taxpayer waits the full 90 days allowed in statute to file the appeal upon receiving the tax bill after October 25th. The taxpayer files the appeal with the tax court or magistrate on January 25th, 3.5 months before the slowest scenario in which the BOPTA is used.

Records of tax appeal cases that are heard by BOPTA and ultimately reduced by either the Department of Revenue or the tax court or magistrate show an average of $15.7 million in value reduced annually in the past 5 tax years. Most of the cases are settled before proceeding for tax court, once they are scheduled for tax court, but the taxes and interest are refunded from the unsegregated tax collections account in the case where the real market value is reduced.

Tax Year	Total Real Market Value Ultimately Reduced for Cases that Passed Through BOPTA	Interest Saved if Appeals Process is 3 Months Faster
2005	$12,722,400	$ 66,115
2006	$ 4,000,432	$ 19,274
2007	$11,711,707	$ 56,427
2008	$21,003,692	$101,196
2009	$28,181,363	$135,778
2010	Not Yet Available	Not Yet Available
Average	**$15,723,919**	**$ 75,758**
Biennium (Annual Avg. x 2)	**$31,447,838**	**$151,516**

HB 2543 (CH 723)

HB 2543 makes substantive and technical changes to the senior and disabled property tax deferral program. Requires participants in the senior and disabled property tax deferral program to have a recertification of income every two years rather than only upon entry into the program. Requires the real market values (RMV's) of homes of participants to be below a threshold ranging from 100 to 200 percent of the county median adjusted for how long the resident has been in and owned their home. Requires that participants in the program own and live in their home for 5 years before participating in the program. Changes the interest that participants pay from 6% simple interest to 6% compound interest on all new balances and

participants. Removes allocation to Oregon Project Independence from the account of the program. Adds a 10-year sunset date to the program. Eliminates partial property tax payments for individuals whose income rises above the limit for participation. Eliminates participation by individuals with a reverse mortgage. Eliminates opportunity for delayed collection for heirs. Qualifies the language so that the counties will receive payment only subject to available funds. Requires participants to have fire and casualty insurance on property receiving deferral. Allows delinquent balances to be collected from federal tax refunds. Removes the 90% lien cap on disabled accounts. Disqualifies anyone with outstanding or cancelled liability from the program. Adds collection measures against heirs and transferees. Caps the growth of initial applications to 5% per year starting at 2011. Extends garnishment authority to the Department of Revenue so that a warrant may be issued for these outstanding taxes. Modifies the criteria for selecting participants when there are more applicants than allowed by the 5% cap. Requires the Department of Revenue to sort by the ratio of the real market value of the property to the portion of county median real market value allowed (ranging from 100% to 200% of county median RMV depending on the number of years that the applicant has lived in and owned their home.) Resolves conflicts with other measures passed in this session.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Department of Revenue Senior and Disabled Deferral Account affecting County and Local Tax Revenues	**$0**	**$0.4**		**$11.2**	**$19.6**	**$16.4**

The measure establishes sorting criteria for new program applicants to determine whether they will be accepted into the program if the applicants exceed the 5% per year growth in applications. The measure requires the sorting of applications on the ratio of the applicant's RMV to the percentage of county median RMV allowed based on the number of years in the home. The revenue impact is negative in the short term, and neutral in the long term. Without specific information on applicants RMV's and tax amounts, it is impossible to determine the extent of this impact. The measure also resolves conflicts with other measures passed in the 2011 Legislative Session.

The measure includes a number of substantive and technical changes to limit participation in the senior and disabled property tax deferral program. The measure includes changes to participation requirements, limits on real market value, periodic recertification of income, a change from 6% simple interest to 6% compound interest, and a limit to the growth of new program participants of 5 percent a year. Other changes in the measure include the removal of allocation for Oregon Project Independence (OPI) if the amount in the account exceeds $5 million or 35 percent of the amount needed to make payments to counties for that year.

The revenue impact of the removal of OPI allocation will depend on the amount in the account. For periods of time when no money is available in the account, this change makes no difference. This change will allow cash reserves to be built up to meet future demand for payments.

The measure includes a limit for participation in the program based on real market value of the home. A range will be allowed from 100% of the county median RMV to 200%, depending on how long the resident has been in their home. Changes to exclude some program participants

based on real market value are expected to reduce property tax payments by the following amounts:

2011 - $3,614,155
2012 - $3,974,983
2013 - $4,298,857
2014 - $4,562,668
2015 - $4,712,158

These have been adjusted for reductions in taxpayer repayments due to excluding those individuals with real market values that exceed the limit.

The measure requires a recertification of participant income every two years to ensure that it remains below the limit. It is anticipated that this will result in a participant reduction of 2.5% in the first two years, with a 1% reduction thereafter. Revenue impacts of this change are:

2011 - $604,888
2012 - $669,323
2013 - $267,036
2014 - $255,318
2015 - $215,229

These values have been adjusted for reductions in repayments that would result from excluding these individuals who exceed the income requirements.

The measure has a requirement that individuals be in their home for 5 years before applying for the program. It is estimated that 6% of new applicants would be restricted due to this requirement. Revenue impacts of this change, less decline in repayments from fewer applicants/participants are:

2011 - $ 150,190
2012 - $ 466,400
2013 - $ 726,357
2014 - $ 955,998
2015 - $1,138,106

The measure also changes interest rates from 6% simple interest to 6% compound interest. Revenue impacts from this change are anticipated to be small in the near term, but larger as time progresses.

2011 - $0
2012 - $ 6,185
2013 - $15,222
2014 - $41,361
2015 - $89,669

The measure limits the growth of new applicants to 5% per year based on the new applicant pool in 2011. This limit is expected to decrease payment obligations by the following amounts.

2011 - $ 0
2012 - $1,755,979
2013 - $3,470,722
2014 - $5,026,485
2015 - $6,248,097

There are technical changes in the measure that enable the Department of Revenue to use more means for collection of accounts that become delinquent. Insofar as these would increase the collection of unpaid deferred debt, these changes increase revenues. The revenue impact of the technical changes is expected to be minimal.

HB 2546 (CH 655)

Allows late filing of claim for exemption from property taxation for five tax years prior to current tax year. Requires late filing fee, the greater of $200, or one-tenth of one percent of real market value of property to which claim pertains, multiplied by number of prior tax years for which exemption is claimed. Provides tax to be refunded without interest for exempt property for which claim is filed late. Restricts the late filing for property tax exemptions to public entities, first-time filers, or other filers who show good cause for failing to file a timely claim.

Revenue Impact: Indeterminate, see below.

The measure would extend the opportunity to apply for and claim a property tax exemption for up to 5 years after the tax year for which the exemption is claimed. This applies to churches, nonprofit organizations, charities, fraternal organizations, and municipal corporations. It is not known how many additional claims for property tax exemptions will be made retroactively in response to this measure, so the revenue impacts are uncertain. Each claim for a new exemption would have a fee of $200 per year of exemption claimed or one-tenth of one percent of real market value per year of exemption claimed.

HB 2563 (CH 656)

Extends the sunset on property tax exemptions for food processing equipment from July 1, 2011 to July 1, 2013. If this exemption causes the refunding of taxes, the measure does not require interest on repayments. Extends the sunset on property tax exemptions for solar, geothermal, wind, water, fuel cell, or methane gas energy systems from July 1, 2012 to July 1, 2018. Exempts actual alternative energy system as opposed to only the property to which it is attached. Provides that portions of exempt property leased for alternative energy system installation do not become taxable as a result of this installation. Eliminates the sunset on the environmentally sensitive logging equipment property tax exemption.

It is possible that assessors will refund taxes paid on qualifying food processing property in a subsequent roll correction, as applications for tax year 2011-12 were due in March and were not collected due to anticipation of this sunset date. For this reason, the measure includes the

provision that interest is not owed on any refunds due to roll corrections applying this exemption.

Currently, properties with alternative energy equipment installed are partially exempt from ad valorem property taxation for the value of the alternative energy device. This measure would instead apply the exemption to the system itself, rather than the property to which it is attached. This would provide incentive to owners of property that is already exempt to install alternative energy systems because the system would be exempt from property tax. Additionally, the portion of the property that is leased to the provider of an alternative energy system would not become taxable as a result of its leasing, rather, it would remain exempt. This exemption is not allowed for property owned or leased by businesses that distribute, produce, or transport energy, public utilities, or people's utility districts except portions of the property which are net metering facilities. This measure would instead include only net metering facilities, or those which generate energy for use on site, from the exemption.

The property tax exemption associated with environmentally sensitive logging equipment currently has a sunset date in 2018. This measure removes this sunset date.

Revenue Impact ($Millions):

Alternative Energy Systems Property Tax Exemption					
	Fiscal Year		Biennium		
	2011-12	2012-13	2011-13	2013-2015	2015-2017
Local Government	-$ 0.15 + Indeterminate Amount	-$ 0.15 + Indeterminate Amount	-$ 0.3 + Indeterminate Amount	-$ 0.3 + Indeterminate Amount	-$ 0.3 + Indeterminate Amount
Local School Districts	-$ 0.1 + Indeterminate Amount	-$ 0.1 + Indeterminate Amount	-$ 0.2 + Indeterminate Amount	-$ 0.2 + Indeterminate Amount	-$ 0.2 + Indeterminate Amount

Food Processing Equipment Property Tax Exemption					
	Fiscal Year		Biennium		
	2011-12	2012-13	2011-13	2013-2015	2015-2017
Local Government	-$ 0.6	-$ 0.6	-$ 1.2	$ 0	$ 0
Local School Districts	-$ 0.4	-$ 0.4	-$ 0.8	$ 0	$ 0

Since the tax exemption on environmentally sensitive logging equipment did not sunset until 2018, there will be no revenue impact in 2011-13, 2013-15, or 2015-17 for this part of the measure. There will be a revenue impact from this measure in biennia after 2018.

Prior to the passage of this measure, alternative energy devices that were used for net metering cause a reduction in the assessed value of the property to which they are attached. The exemption from an attached net metering device therefore accrues to the owner of the property. If the owner of the property is already a tax exempt entity, such as a school, there is no tax incentive to install the alternative energy device on the property because the alternative energy device itself is not tax exempt. Also, in current statute, a public space that is leased for use by a private entity becomes taxable. If an exempt space is leased to a private entity to install an alternative energy device, the portion of the property to which it is affixed would become taxable

even if the entire property previously received an exemption. This measure allows properties to remain exempt despite leasing a part of the property for alternative energy devices. The alternative energy tax exemption currently has a cost of $500,000 in 2011-13 to counties and local taxing districts and a revenue shift of $100,000. The measure would extend the exemption to the installed alternative energy devices even if they are installed on tax exempt properties. The passage of this measure will spur a number of new projects in which alternative energy devices are installed on tax exempt properties due to the measure's extension of the exemption to the devices themselves even when installed on an exempt property, such as a school or government building. These will be exempt from the start, so will not have an effect on property tax revenues. To the extent that installed devices are on tax exempt properties, devices will become exempt and could represent an additional revenue impact. The number or value of these devices is not known. Also, the portion of properties that are otherwise tax exempt currently subject to property taxation as a result of the installation of a privately owned alternative energy system would no longer be taxable. There is an additional negative revenue impact due to this effect, but the size of the impact is not known.

There are currently 6 100 kilowatt alternative energy systems proposed for the Beaverton and Gladstone schools. The assessed value of these systems was thought to be approximately $3 million at the time the revenue impact statement was released. Later, it was clarified that this was the installed cost of the projects, including the labor to construct the systems. These costs would not be part of the assessed costs and only 2/3 of the costs would actually be part of the assessed value as hard costs of the equipment. The assessed value would therefore be approximately $2 million. Projects are also proposed in other parts of the state including Pendleton, Klamath Falls, and Lincoln City. These systems would be exempt under the provisions of this measure.

The extension of the food processing property tax exemption lengthens the exemption period from the beginning to the end of 2011-13. No interest would be paid to taxpayers owning eligible food processing equipment on any subsequent roll corrections that apply this exemption.

The tax exemption for environmentally sensitive logging equipment causes a loss in revenue to counties and local taxing districts of $6.2 million in 2011-13 and a shift in $1.3 million during this same time period. This exemption would be continued under current law until 2018. After 2018, this measure will result in a revenue impact for this property tax exemption.

HB 2569 (CH 112)

For property tax appeals with over $1 million at issue, gives county assessors the option to issue a deferred billing credit to the taxpayer. Allows the assessor to give the deferred billing credit in any amount deemed necessary to address the risk presented by an appeal. For appeals that affect property in multiple counties, gives individual assessors the option to issue the credit for the portion of disputed value in their own county. Clarifies the amount at issue is real market value or specially assessed value. Allows a deferred billing credit to be issued on a property tax statement as well as in a separate notice of deferred billing. Clarifies that the amount of tax in a deferred billing credit that was delinquent before the credit was issued will not be considered delinquent once the credit is issued and before the appeal is resolved. Allows a 45 day period from the date of the mailing a notice for the taxpayer to pay any outstanding tax upon an unsuccessful appeal. Requires the county assessor to issue a quarterly report to the

governing body of a county of any outstanding deferred billing credits. Provides that any additional taxes payable upon the resolution of an appeal receive a 3% discount if paid on time.

If property tax is refunded to taxpayers due to an appeal, interest is paid on the amount that is refunded at a rate of 12%. This measure would enable the assessor to mitigate the risk of a county being required to pay the 12% interest rate for the period prior to the time of the potential refund. Currently, the county would be responsible for paying any interest on taxes refunded due to an appeal that accrues in the time until the appeal is resolved.

Revenue Impact ($Millions):
Indeterminate, see below.

Impact Explanation: The measure enables county assessors to issue a deferred billing credit to taxpayers on property tax that is disputed during an appeal. The deferred billing credit makes it possible for the county governments, local governments, and taxing districts to avoid paying 12% interest on amounts of tax refunded to a taxpayer upon a successful appeal. The measure allows the assessor to have discretion to choose the amount that is issued for the credit. This measure would have no revenue impact if the deferred billing credits are not issued, or the credits are issued on an unsuccessful appeal. However, in the case that a deferred billing credit is issued on an appeal that is successful, the measure has the potential to eliminate the 12% interest paid to the taxpayer upon any refund of taxes. The amount of savings depends on circumstances, the outcome of the appeal, and the amount issued as a credit. It could range from no impact to an indeterminate positive revenue impact. The scale of the impact would also depend on how often the assessors choose to issue the deferred billing credit.

HB 2570 (CH 113)

Modifies the date that is used to determine when a person is a bona fide purchaser of a property. Moves the date from the assessment date (January 1st) to the date the roll is certified (in October.) A person purchasing the property after this date is determined to be exempt from a subsequent tax lien to include property omitted from the roll for that year.

Prior to the passage of this measure, bona fide purchasers were required to pay additional taxes if corrections are made to the roll in the same year that they purchased the property if they purchased the property before the date the roll closes in October. However, if corrections to the roll for the year of purchase are not made until subsequent years, the bona fide purchaser is not required to pay additional taxes for the roll correction in the first year they own the property, regardless of whether they purchased the property before or after the roll was certified. The measure requires that the property be purchased after the date the roll closes in October in order for the taxpayer to avoid taxes related to a roll change for the year of purchase that is made in a subsequent year.

Revenue Impact ($Millions):
The revenue impact to county governments and taxing districts is expected to be positive, but much smaller than the total amount of taxes collected for roll corrections.

The measure makes bona fide purchasers subject to retroactive roll changes for the year in which they purchased property if they purchased it before the date the roll was certified in October of the purchase year. Roll corrections can be made for the current year if taxpayers

purchased property prior to the date that property tax roll was certified. However, for future roll changes that affect the year of purchase retroactively, bona fide purchasers are free from taxes associated with roll changes for the year of purchase if they purchased the property after January 1st of that year.

By making more bona fide purchasers subject to retroactive roll corrections for the year in which they purchased property, this measure has a positive impact on revenues to counties and taxing districts. Roll corrections are made for various reasons such as errors in assessment or omission of properties, and only a subset of these corrections involve bona fide purchasers. Then, only a portion of the roll changes involving bona fide purchasers apply to the first year of purchase. For example, if a bona fide purchaser pays taxes on roll corrections for four years retroactively, only the taxes for the earliest year, or the year of purchase, would be changed by this measure.

The total amount added to rolls in 2009-10 for the 5 previous tax years is given below. The additional tax revenues that would come from this measure are not reflected in the roll changes below. Information is not available to determine the amount of additional tax revenues that come from the first year's roll changes for bona-fide purchasers, but revenues are anticipated to be much smaller than the total amount of retroactive roll corrections to all taxpayers for all applicable reasons given below.

Total Amount Added to Rolls Retroactively in 2009-10, All Counties				
2008-2009	2007-2008	2006-2007	2005-2006	2004-2005
936,415.87	**803,457.86**	**62,309.16**	**78,816.76**	**54,159.56**
Total: $1,935,159				

HB 2572 (CH 397)

Allows other parties to a property tax appeal to seek a determination from the body or tribunal of the real market value of the property tax account. The determination may be for some or all components of the account. Property tax appeals currently cover some or all components of a property tax account. Consider the case in which a party appeals only one component of the property taxes, and the value is reduced by the body or tribunal on that component. This measure opens the possibility that other parties may cause reappraisal of other components of the account with the potential that any increases in the value of these other components will outweigh some or all of the reduction, and the value of the total account will increase.

Revenue Impact ($Millions): Indeterminate but positive, see below

The measure would allow any of the parties to a property tax real market value appeal to seek a determination of all or part of the account. Parties on either side of a property tax appeal may seek a reappraisal, so the property may be reappraised either higher or lower as a result. However the measure would change the final outcome of property tax appeals cases in which the total value is correct, but one component of the property is found to be overvalued by the court. There is currently an incentive on the part of the taxpayers to appeal a portion of their property that might be under assessed and achieve an overall reduction despite the property's

correct assessment as a whole. This measure gives other parties to the appeal the option to seek a determination of value of the entire property to restore assessed value in this case.

HB 3017 (CH 375)

Extends the sunset date for enterprise zones from June 30, 2013 to June 30, 2025. Moves the sunset date for a business to obtain authorization for an enterprise zone property tax exemption. For long-term rural enterprise zones, changes the sunset date for the property tax exemption from June 30, 2013 to June 30, 2025.

There are currently 59 enterprise zones statewide. Statute allows for property tax exemptions for 3 to 5 years for standard enterprise zones. Sponsors of enterprise zones in qualifying counties may seek designations as long-term rural enterprise zones and property tax exemptions in these areas can last for 7 to 15 years. Businesses in these long-term rural enterprise zones can also qualify for an income tax credit that is associated with the enterprise zone.

If the sunset were not extended, most enterprise zones would have dissolved on June 30, 2013 with the exception of reservation enterprise zones. Businesses receiving property tax exemptions associated with the enterprise zones can continue to receive these exemptions for the approved amount of time despite the termination of the enterprise zone. This requires that the business apply for the tax exemption prior to the dissolution of the zone. Businesses with existing property receiving the exemption would be eligible to receive exemptions on new property as long as it is constructed on land that was part of the enterprise zone before it was dissolved and within the timeframe in which existing property receives the exemption.

Revenue Impact ($Millions):

Enterprise Zone Businesses Property Tax Exemption					
	Fiscal Year		Biennium		
	2011-12	2012-13	2011-13	2013-2015	2015-2017
Local Government	$0	$0	$0	Loss of amount less than $ 20.76	Loss of amount less than $ 20.76
Local School Districts	$0	$0	$0	Loss of amount less than $ 13.84	Loss of amount less than $ 13.84
Long Term Rural Enterprise Zone Businesses Property Tax Exemption					
	Fiscal Year		Biennium		
	2011-12	2012-13	2011-13	2013-2015	2015-2017
Local Government	$0	$0	$0	Loss of amount less than $ 16.5	Loss of amount less than $ 16.5
Local School Districts	$0	$0	$0	Loss of amount less than $ 11.0	Loss of amount less than $ 11.0

In 2013-15, a small amount of the $62.1 million tax expenditure is foregone by extending the sunset. Revenue loss in subsequent biennia will be progressively higher until it reaches $62.1 million. Revenue impacts could begin as early as the middle of 2013-15, but are not expected to reach the full impact until all exemptions have expired. Due to the varying time periods on these exemptions, the initial revenue impact is not possible to predict. It may be possible to have tax expenditures on new property by participating businesses as late as 10 years after the sunset date, extending for 3 to 15 years depending on what type of enterprise zone exemption is claimed. However, this would likely be a rare scenario.

The enterprise zones currently result in $62.1 million in tax expenditures per biennium, which equals the amount of tax expenditure in a biennium for rural and urban enterprise zones. If zones were allowed to sunset on June 29, 2013, revenue would begin to increase in the middle of 2013-15 from businesses that have their exemptions expire. Revenue impacts from an enterprise zone sunset would be positive, therefore, by extending the sunset, the measure results in a loss of revenues due to preventing some exemptions from running out.

Purpose Statement: The policy purpose of this measure is to promote the health, safety, and welfare of the people in the state by encouraging, developing, growing, and expanding employment, business, industry, and commerce throughout all regions of the state. The Legislative Assembly seeks this promotion especially in communities at the center of or outside major metropolitan areas for which geography may act as an economic hindrance. The purpose of enterprise zones is to stimulate and protect economic success in such areas of the state by providing tax incentives for employment, business, industry, and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management, and efficient infrastructure

HB 3280 (CH 679)

Deletes maximum annual production for winery established as permitted use on exclusive farm use (EFU) land. Authorizes winery to market and sell wine produced in conjunction with winery, including wine tours, wine tasting in a tasting room or other location at the winery, wine clubs, and similar activities conducted for primary purpose of promoting wine produced in conjunction with the winery. Authorizes winery to market and sell items directly related to sale and promotion of wine produced in conjunction with winery, including food and beverage prepared by limited service restaurant; and to provide services related to sale and promotion of wine including private events, limited to 25 days or fewer in a calendar year. Limits gross income from sale of items and services to 25 percent of gross income from on-site retail sale of wine produced in conjunction with the winery. Effective January 1, 2013 stipulates at request of local government winery shall submit written statement, prepared by a certified public accountant, that certifies compliance with the 25 percent of gross income requirement for the previous tax year. Authorizes local government that has issued permits to wineries for hosting outdoor concerts, for which admission is charged, facility rentals or celebratory events to continue to issue permits. Requires winery to provide parking. Defines “private events” to include but not be limited to facility rentals and celebratory events. Sunsets provisions that allow for private events and 25 percent income requirement on January 1, 2014. Authorizes winery to be established as permitted use on EFU land if at least 80 acres with at least 50 acres of vineyard; winery owns at least 80 additional acres in Oregon of additional planted vineyards; and winery has produced at least 150,000 gallons of wine in at least three of last five years. Authorizes winery to market and sell wine produced in conjunction with the winery, including wine tours, wine tasting in a tasting

room or other location at the winery, wine clubs, and similar activities conducted for primary purpose of promoting wine produced in conjunction with the winery. Authorizes winery to market and sell items directly related to sale and promotion of wine produced in conjunction with the winery, including food and beverage prepared by limited service restaurant, wine not produced in conjunction with the winery and gifts; and to provide services related to sale and promotion of wine including private events, limited to 25 days or fewer in a calendar year. Limits gross income from sale of items and services to 25 percent of gross income from on-site sale of wine produced in conjunction with the winery. Effective January 1, 2013 stipulates at request of local government winery shall submit written statement, prepared by a certified public accountant, that certifies compliance with the 25 percent of gross income requirement for the previous tax year. Authorizes local government that has issued permits to wineries for hosting outdoor concerts, for which admission is charged, facility rentals or celebratory events to continue to issue permits. Defines “private events” to include but not be limited to facility rentals and celebratory events. Authorizes winery to operate restaurant in which food is prepared for consumption on premises of winery. Requires winery to obtain permit from local government if winery operates restaurant that is open to public more than 25 days in calendar year or provides for private events on more than 25 days in a calendar year. Authorizes local government to approve permit application if activity complies with ORS 215.296, is incidental and subordinate to retail sale of wine produced in conjunction with the winery, and does not materially alter stability of land use pattern in area. Requires permit review at least once every five years. Directs local government to require winery to establish setback of at least 100 feet from all property lines for winery and all public gathering places and direct road access and internal circulation. Requires winery to provide parking. Authorizes local government to approve the sale or delivery of other items or services under criteria for commercial activity in conjunction with farm use.

Revenue Impact (in $Millions): Indeterminate, see below.

Impact Explanation: The measure allows activities for wineries of various sizes that meet production and acreage requirements. It allows wineries on tracts of 80 acres or more to conduct tastings and wine tours and to operate a year-round restaurant with a local government permit. This measure allows more activites at wineries than are currently allowed. New winery business activity or construction of property would result in additional property tax, excise tax and corporate income tax revenues. Increased events associated with wine production and restaurants would also result in increased excise tax revenue and corporate income tax revenue. The size of this impact cannot be determined, as it depends on whether more wineries are established in these zones and the number, size and value of any additional wineries. It also depends on the expansion of businesses operations as a result of this measure.

HB 3290 (CH 459)

Modifies application of farm income standard adopted by Land Conservation and Development Commission for establishing primary and accessory dwellings customarily provided in conjunction with farm use in areas zoned for exclusive farm use.

Revenue Impact (in $Millions): Indeterminate, see below.

Impact Explanation: The measure would allow more options for farmland to meet required income standards to build structures that qualify as farm dwellings. Without qualifying, these structures would not be built, and property taxes would not be collected on them. When built, the value of the structures is assessed as any other property, so, by allowing more dwellings to be built, this measure increases property tax revenues. The size of this impact depends on how many additional structures are built as a result of this measure.

HB 3465 (CH 686)

Makes legislative findings related to working and cattle ranches. Subject to approval of master plan by Grant County, allows for development of guest ranch on property containing approximately 5,000 acres in common ownership located in township 17 south, range 31 east and township17 south, range 32 east, Grant County. The development area may contain up to 575 units of overnight accommodations including lodging units, cabins, townhomes and fractional ownership. Requires deeds for overnight accommodations that are not lodging units, time shares or fractional ownerships to include deed restrictions that limit use of accommodations to use as overnight accommodations. Authorizes guest ranch to include: restaurants, meeting facilities and commercial uses; developed recreational facilities including tennis courts, spa equestrian facilities, swimming pool and bicycle path. May not include sites for new residential dwellings unless otherwise permitted under existing law or developed for the use of employees of guest ranch. Specifies content of master plan and conditions for approval by Grant County. Declares emergency, effective on passage.

Revenue Impact (in $Millions): Indeterminate, see below.

Impact Explanation: It would be possible for the ranch residents to elect to form special districts for the purposes of meeting their fire, ambulance, and public safety needs. Estimates are not available of the amount of additional tax necessary to fund these districts. The measure would allow the establishment of the Silvies Valley Ranch. This would have a positive impact on the tax revenues to counties and existing local taxing districts. Information is not available on the increase in assessed value or tax revenue that would come from the new development.

SB 302 (CH 43)

Modifies the repayment schedule for additional taxes due from roll corrections made on or after May 27, 2008 and before May 27, 2010. Requires that the additional taxes paid for this group of roll corrections be refunded to taxpayers without interest. Requires the refund of roll corrections made during this period that were for one year be applied to the general property tax roll for the first tax year after this measure takes effect. Requires the collection of taxes for these roll corrections that apply to multiple years to be applied to the tax roll one year at a time, starting the first tax year after this measure takes effect.

The legislature passed HB 3612 in the 2010 Special Session which amended the repayment schedule for additional taxes due to roll corrections applying to more than one year. Previously, these taxes were all added to the roll at once in the tax year following the tax year the roll was corrected. HB 3612 required the taxes that were the result of roll corrections for multiple years be collected in multiple years, starting with the tax year after the roll was corrected. The taxes for the roll correction for the earliest year would apply to the first year after roll correction, the

second earliest year to the second year after roll correction, and so on. The intent was to smooth out repayment for multiple-year roll corrections.

Taxes from roll corrections made for properties assessed by the Department of Revenue were all added to the roll in the tax year following the date in which the roll correction was made. These changes applied to roll corrections made on or after the effective date of the act in May 2010. This measure would extend these changes to roll corrections made from the period of May 27, 2008 to May 27, 2010. Essentially, it would extend the smoothed out repayment schedule to taxpayers with roll corrections in this time period, if their roll corrections applied for more than one year. The exceptions are those properties assessed by the Oregon Department of Revenue.

Revenue Impact (in $Millions): Indeterminate, see below.

Impact Explanation: The measure changes the repayment schedule for taxpayers that have had tax added to the rolls in this two year timeframe. Revenues from these roll corrections will still be collected, but in some cases, the measure would delay the revenue collection by up to six years. The only loss of revenue is any delinquent interest paid by taxpayers that have a roll correction in this period and have not paid the tax due in the time frame currently required by statute. The measure would waive the interest on taxes that are outstanding from these roll corrections. Roll corrections in fiscal year 2010 are in the table below. The sum of the roll corrections made retroactively for tax years prior to 2009-10 is $1,943,527. It is likely that most of these are part of multiple year roll corrections. For estimation, this assumption is necessary. In 2009-10, 6.0% of taxes were uncollected. Assuming the average delinquency rate applies to the multiple year roll corrections made in FY 2010, $116,611 is the estimated amount that becomes delinquent from the corrections. Annually, interest collected on these balances is estimated to be $18,658.

Roll Corrections Applied in Fiscal Year 2010 by Tax Year						
2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
3,487,073	936,416	803,458	62,309	78,817	54,160	8,367

In fiscal year 2009, roll corrections are in the table below. The sum of the roll corrections made retroactively for tax years prior to 2008-09 is $860,594. Using the same assumptions as above, interest collected on the portion of these balances that become delinquent is estimated to be $8,262 annually.

Roll Corrections Applied in Fiscal Year 2009 by Tax Year						
2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
3,378,672	431,041	161,155	143,551	83,340	41,281	226

While roll corrections applied in FY 2009 and FY 2010 are not analogous to the exact dates in the measure, they provide an approximation for those years. It is assumed that the delinquent fees will be paid in 2011-13, and revenue losses will be refunds of delinquent interest that has already accrued on delinquent amounts.

SB 322 (CH 266)

Extends the multiple unit housing tax exemption to the value of any design or public benefit elements required by the city or county as part of multiple-unit housing construction. Modifies the description of design elements benefiting the general public that must be present as required by the county or city in order for a newly constructed or converted structure to be considered multiple-unit housing. Adds commercial uses of multiple-unit housing to the list of publicly beneficial design elements that may be required by the city or county to receive the tax exemption. Extends the sunset for the multiple-unit exemption from January 1, 2012 to January 1, 2022. Changes wording to eliminate the word shall and replace with the word may in many cases. Adds the explicit provision that commercial property may receive the property tax exemption.

Prior to the passage of this measure, taxpayers who owned multiple-unit housing received an exemption. The exemption only applied to the structure used for multiple-unit housing as well as any associated parking, but not the land or improvements to the property not used as multiple-unit housing. Commercially used portions of multiple-unit housing structures are not eligible for the tax exemption unless they are part of property with an exemption approved before August 26, 2009. Commercial portions of these properties were granted this exemption in SB 1015 in the 2010 Legislative Session. This measure would give counties or cities the option to permanently include tax exemptions for publicly beneficial design elements including commercial uses.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2011-12	2012-13	2011-13	2013-2015	2015-2017
Local Government	Loss of amount less than $1.98	Loss of amount less than $1.98	Loss of amount less than $3.96	Loss of amount less than $3.96	Loss of amount less than $3.96
Local School Districts	Loss of amount less than $1.32	Loss of amount less than $1.32	Loss of amount less than $2.64	Loss of amount less than $2.64	Loss of amount less than $2.64

In 2011-13, a small amount of the $6.6 million tax expenditure is foregone by extending the sunset. Revenue loss in subsequent biennia will be progressively higher until it reaches $6.6 million. This revenue loss would affect local taxing districts.

The multiple-unit housing exemptions result in $6.6 million in tax expenditures per biennium. If new exemptions were eliminated on January 1, 2012, exemptions would begin to expire for some multiple family housing units. Others would continue the exemption for the agreed upon time, up to 10 years. Therefore, only a small portion of the $6.6 million in property tax revenue would be gained immediately as a result of the sunset. By extending the sunset, the revenue impact of the measure is negative.

Impact Explanation: The measure extends the sunset date for application for the multiple-unit housing exemption from January 1, 2012 to January 1, 2022. It also adds commercial space to value that may be exempted under the statute. Currently, the exemption results in a property tax revenue loss of $6,600,000 and a shift of $1,400,000 in 2011-13. The extension of the exemption to commercial property would result in an additional revenue loss, but the extent of this loss is not known. The sunset date would apply to new applications for the exemption, but would not end existing exemptions that could continue for up to 10 years.

Purpose Statement: The policy purpose of this measure is to stimulate the construction of transit supportive multiple-unit housing in the core areas of Oregon's urban centers to improve the balance between the residential and commercial nature of those areas, and to ensure full-time use of the areas as places where citizens of the community have an opportunity to live as well as work. The purpose is also to promote private investment in transit supportive multiple-unit housing in light rail station areas and transit oriented areas in order to maximize Oregon's transit investment to the fullest extent possible and that the cities and counties of this state should be enabled to establish and design programs to attract new development of multiple-unit housing and commercial and retail property, in areas located within a light rail station area or transit-oriented area.

TIMBER TAXATION

HB 2124 (CH 594)

Extends privilege taxes on merchantable forest products harvested on forestlands. Eliminates privilege tax of 37 cents per thousand board feet for the purpose of providing field administration of the Oregon Forest Practices Act. Sets harvest tax rates for calendar years beginning January 1, 2012 and January 1, 2013 for the Forest Research and Experiment Account (from 92 to 87.39 cents per thousand board feet), the Oregon Forest Land Protection Fund (remaining at 62.5 cents per thousand board feet), and the State Forestry Department Account (from 77 cents to $1.2952 per thousand board feet.)

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Other Funds	$ 3.79	$ 7.57		$11.04	$ 4.10	$0

The revenue is based on an estimated harvest of 5.09 billion board feet affected by this measure in 2011-2013 and 1.89 billion board feet affected by this measure in 2013-15.

SCHOOL FINANCE

HB 2299 (CH 443)

Stipulates that school districts with students who are eligible for special education and related services and are enrolled in a public charter school within the district, are to receive specified state funding regardless of where the students live. Declares that school districts are eligible to

receive high cost disability grants for students enrolled in public charter schools within the district. Makes the necessary funding changes begin with the 2011-12 school year. Takes effect on July 1, 2011.

Revenue Impact (in $Millions): None

Impact Explanation: There is no net revenue impact. This bill directs state funding for students in need of special education and related services who are enrolled in a public charter school to flow into a school district where the public charter school is located. It also stipulates that a school district where a public charter school is located is eligible for high cost disability grants for students who are enrolled in the public charter school. The current practice is for state funding to go to resident school districts in which such public charter school students live. The loss of state funding of the resident school districts for such students is exactly offset by the gain of the school districts where such students are enrolled.

HB 3417 (CH 684)

Specifies the requirements of the financial management system for public charter schools. Requires that a school district's extended average daily membership (ADMw) be calculated separately for students in public charter schools and for students in non-chartered public schools. Declares an emergency and takes effect on July 1, 2011.

Revenue Impact (in $Millions): None

Impact Explanation: This bill causes a shift of school funds among school districts, but it does not add to or subtract from the available school funds.

HB 3681 (CH 697)

Allows a student to attend a school in a school district where the student does not have legal residence if the student receives a written consent from the district where the school is located.

Revenue Impact (in $Millions): None

Impact Explanation: This bill causes a shift of school funds among school districts, but it does not add to or subtract from the available school funds.

HB 5042 (CH 412)

Relates to the Department of State Lands budget for FY 2011-13.

Revenue Impact (in $Millions):

	Biennium
	2011-13
State School Fund	+ $ 23.0

Impact Explanation: This budget bill includes an additional distribution of $23 million from the Common School Fund to the State School Fund. With this additional distribution, the total available State School Fund for the school years 2011-13 becomes $5.7 billion.

HB 5050 (CH 4)

Appropriates $16.9 million from the General Fund to the State School Fund. Allocates $18.6 million from the Administrative Services Economic Development Fund to the State School Fund. Declares an emergency and takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
State School Fund	$ 0	$ 35.5		$ 35.5	$ 0	$ 0
General Fund Ending Balance	$ 0	-$16.9		-$16.9	$ 0	$ 0
Economic Development Fund	$ 0	-$18.6		-$18.6	$ 0	$ 0

Impact Explanation: This bill appropriates $16.9 million from the General Fund to the State School Fund. It also allocates $18.6 million from the Administrative Services Economic Development Fund to the State School Fund.

HB 5055 (CH 496)

Allocates $25 million of the General Fund to the school subaccount for school districts and programs in the 2011-12 school year, $8.66 million to the State School Fund in the 2011-13 school years if SB 453 becomes law.

Revenue Impact (in $Millions):

	Biennium
	2011-2013
State School Fund	+ $ 33.66

SB 18 (CH 699)

Establishes statutory provisions required for the Superintendent of Public Instruction to borrow money pursuant to Article XI-P of Oregon Constitution for capital costs of school districts. Establishes the School Capital Matching Fund to replace the school capital matching subaccount. Establishes the Article XI-P Bond Fund and the Article XI-P Bond Administration Fund. Makes statutory changes related to the implementation of the Article XI-P of Oregon Constitution. Declares an emergency and takes effect on passage.

Revenue Impact (in $Millions): None

SB 170 (CH 701)

Requires the Department of Education to be responsible for payment of costs of education of students in day treatment programs and residential treatment programs by contracting with school districts in which programs are located.

Revenue Impact (in $Millions): None

SB 248 (CH 704)

Extends for three school years the requirement that school districts offer half-day kindergarten. Stipulates that school districts must offer half-day kindergarten but may choose to offer full-day kindergarten, beginning with the 2015-16 school year. Specifies that starting with the 2015-16 school year, aggregate days membership of a full-day kindergarten be calculated based on a full-day program. Makes adjustments to include kindergarten in defining a remote small elementary school for purposes of the State School Fund distribution. Applies starting with the 2015-16 school year.

Revenue Impact (in $Millions): None

Impact Explanation: This bill extends for three school years the requirement that school districts offer half-day kindergarten. Consequently, the current school funding formula will not change until the end of the 2014-15 school year. This bill also stipulates that school districts must offer half-day kindergarten but may choose to offer full-day kindergarten, beginning with the 2015-16 school year. By directing that the aggregate days membership of full-day kindergarten pupils be calculated as any other graders, starting with the 2015-16 school year, this bill ensures that full-day kindergarten students will have the same weights as other graders for school fund distribution purpose. However, this change will not add to or subtract from available resources for the State School Fund distribution.

SB 250 (CH 705)

Allows a school district of an education service district to withdraw from the education service district in specified education service districts. Requires the education service district to distribute to school districts that withdraw, the school district's prorated amount of specified funds available to the education service district. Directs that, for purposes of the State School Fund distribution, the education service district's share be 4.5 percent. Specifies the scope of prorated funds to be distributed to a school district upon its withdrawal from an education service district. Establishes the Office of Regional Educational Services for the purposes of coordinating the efforts of and providing leadership for regional education service delivery system. Creates the Regional Educational Services Account to fund the Office of Regional Educational Services. Declares an emergency and takes effect on passage.

Revenue Impact* (in $Millions):

	Fiscal Year		Biennium
	2011-12	2012-13	2011-13
School Formula Money	$ 0	$ 0	$ 0
School Districts (SD)	$11.27	$11.35	$22.62
Education Service Districts (ESD)	-$11.52	-$11.60	-$23.12
Regional Educational Services Account	$0.25	$0.25	$0.50

*The revenue impact here only shows (1) the redistribution of the school formula money when ESD's share changes, and (2) revenue gain/loss resulting from funding the Office of Regional Educational Services. It does not show the potential transfer of funds if a SD withdraws from an ESD.

Impact Explanation: The analysis assumes there are no additional dollars available for the school formula money. The revenue impact here only shows (1) the redistribution of the school formula money when ESD's share changes, and (2) revenue gain/loss resulting from funding the Office of Regional Educational Services.

When a school district (SD) opts to withdraw from an Education Service District (ESD), the ESD is directed to distribute to the SD, the SD's prorated amount of specified funds. This withdrawal will shift funds away from the ESD to the SD, but the permissive nature does not allow revenue impact analysis at this point.

SB 453 (CH 710)

Allows a small elementary school to qualify as a remote small elementary school for additional student weights in the State School Fund distribution formula if the school is not within eight miles of another elementary school in the same school district. Allows a small elementary school to qualify as a remote small elementary school if the location of the school has not changed since January 1, 1995, and if the school is a remote small school on the effective date of this bill. Directs the State School Fund distribution to reflect the changes in weights starting with the 2011-12 distribution. Declares an emergency and takes effect on July 1, 2011.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
School Districts with newly qualified small schools	$ 4.3	$ 4.3		$ 8.6	$ 8.6	$ 8.6
Other School Districts	-$ 4.3	-$ 4.3		-$ 8.6	-$ 8.6	-$ 8.6
Total	$ 0	$ 0		$ 0	$ 0	$ 0

Impact Explanation: Under this bill, 22 elementary schools will newly qualify as remote small elementary schools, increasing their ADM weights through small school corrections (Source: Oregon Department of Education). This analysis assumes there are no additional dollars in the State School Fund to fund a higher number of weighted students.

SB 909 (CH 519)

Creates the Oregon Education Investment Board charged with overseeing a unified public education system, developing a unified outcomes-based budget and recommending strategic investments and decision-making structures for education for early learning programs, K-12 and post-secondary education.

Revenue Impact (in $Millions): None

SB 5552 (CH 20)

Appropriates $5,204.7 million from the General Fund to the State School Fund (SSF). Allocates $371.9 million from the Administrative Services Economic Development Fund to the SSF. Establishes $0.3 million of Oregon Department of Education moneys for the SSF-related expenses. Makes available for the SSF, $100 million from the Education Stability Fund. Declares an emergency and takes effect on July 1, 2011.

Revenue Impact (in $Millions):

	Biennium
	2011-2013
State School Fund *	$5,677.0
General Fund Ending Balance	-$5,204.7
Economic Development Fund	-$371.9
Oregon Department of Education	-$0.3
Education Stability Fund	-$100.0

*The State School Fund will be augmented by an additional $23 million from the Common School Fund. This addition makes the total formula revenue **$5.7 billion**.

Impact Explanation: This bill identifies sources of the State School Fund for the 2011-13 school years.

SB 5553 (CH 21)

Establishes the 2011-12 School Year Subaccount within the State School Fund. Directs the State Treasurer to transfer $100 million of the Education Stability Fund to this Subaccount. Declares an emergency and takes effect on July 1, 2011.

Revenue Impact (in $Millions):

	Biennium
	2011-2013
State School Fund	$100.0
Education Stability Fund	-$100.0

Impact Explanation: This bill directs that $100 million from the Education Stability Fund be transferred to the 2011-12 School Year Subaccount within the State School Fund.

UNEMPLOYMENT INSURANCE

HB 2347 (CH 106)

Excludes, from the definition of employment for purposes of unemployment insurance taxation, officiating services performed by individuals in recreational, interscholastic or intercollegiate sporting events or contests. Declares emergency and takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Unemployment Insurance Trust Fund	Minimal*	Minimal*		Minimal*	Minimal*	Minimal*

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

Impact Explanation: According to the Employment Department analysis, the number of individuals affected by this bill is currently estimated to be 250 and the average annual wage per individual $4,000. Using estimated contribution to the Unemployment Insurance Trust Fund and estimated benefit payments, the loss to the Fund is expected to be around $10,000 per fiscal year.

SB 637 (CH 10)

Provides for a state "on" indicator for unemployment benefits purpose for any week when the rate of insured unemployment is at least 6.5 percent and when the seasonally adjusted average rate of total unemployment in Oregon for the most recent three-month period is at least 110 percent of average for any or all of the corresponding three-month period ending in the three preceding calendar years. Applies to benefits for weeks of unemployment ending on or before December 31, 2011, or the date established in federal law. Declares an emergency and takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Unemployment Insurance Trust Fund	**$ 0**	**Minimal***		**Minimal***	**Minimal***	**Minimal***

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

Impact Explanation: ORS 657.321 provides the definition and calculation method to determine when Oregon is in an Extended Benefits (EB) period for unemployment insurance benefit purposes. This bill revises the calculation method to use a three-year period, instead of a two-year period, and would keep Oregon on an EB period throughout 2011.This change allows Oregon to take advantage of an additional $214 million in federal funds. It would also cost the Unemployment Insurance Trust Fund $11 million, but this cost will be fully paid back by collections from reimbursing employers. So the only revenue impact is the loss of interest income, which is minimal.

SB 638 (CH 11)

Provides for the payment of Oregon emergency benefits to qualifying individuals during a specified emergency benefit period. Directs Director of Employment Department to stop payments of Oregon emergency benefits when the total amount of payments would exceed $30 million if paid for the succeeding calendar week. Sunsets on January 2, 2014. Declares an emergency and takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Unemployment Insurance Trust Fund	**$ 0**	**-$24.3**		**-$24.3**	**-$2.0**	**-$2.0**

Impact Explanation: Oregon Employment Department estimates that 17,500 claimants will receive a total of 92,000 claimant-weeks of Oregon emergency benefits (OEB). The estimated cost of OEB is $26 million from the Unemployment Insurance (UI) Trust Fund through the end of 2010-11 fiscal year. $1.95 million will be paid back into the trust fund by reimbursing employers. Throughout the biennia in this analysis, there will be loss of interest due to lower UI Trust Fund balances.

SB 984 (CH 569)

Allows a local government employer to work with the Oregon Employment Department so that it does not overpay into its Local Government Employment Benefit Trust Fund account, and to seek an extended payment plan in replenishing insufficient account balance.

Revenue Impact (in $Millions): None

TRANSPORTATION

HB 2179 (CH 145)

Allows for county motor vehicle registration fees to be used to pay off county bonds and debts.

Revenue Impact:
This measure enables counties to bond and does not impact revenue aside from that enabling language.

Impact Explanation:
The measure allows county motor vehicle registration fees to be used to pay off the bonding and obligations from the Willamette river bridge in the city of Portland. The statutes created by HB2001 of the 2009 session did not give counties the explicit ability to use revenue from local registration fees to pay for bonds. The amendments in the house committee made the registration fees enacted for the purpose of financing the bridge dedicated for that purpose. However, fees enacted after 2013 are subject to the revenue distribution to cities and counties (50, 30, 20%). It also allowed the bonding of the fee revenue after 2013. It also aligned the bonding language before and after 2013.

SB 442 (CH 709)

Directs establishment of “wine country” license plate. The special plate will cost $30 for the first time it is issued and $30 for each additional renewal. The special plate program requires ODOT, after deducting their administrative cost of the program, to deposit proceeds from the sale of the wine country plate program into an account designated by Oregon Tourism Commission. Requires the Oregon Tourism Commission to distribute to tourism promotion agencies in amounts defined by criteria.

Revenue Impact:

		2011-2013 BN		2011-2013 BN
Total Other Fund Revenue		**$180,147**		**$283,302**
Costs paid by contributions (and ongoing costs)		$68,344		$16,582
ODOT Revenue (HWY Fund)		$24,664		$29,188
Net revenue (Tourism Commission)		**$87,139**		**$237,532**

Net revenue will be further reduced to cover the costs for promotion and advertisement with the remainder distributed 50% to grants used for promoting the wine region, and the other half for tourism promotion in other regions based on acreage of wine production.

Impact Explanation:

The plates are assumed to start in the 2011-13 biennium after DMV gets ($67,400) in setup and initial costs donated. The first biennium is assumed to sell 3,000 plates and the 2013-15 at 5,000 (original + 2,000 new) plates with all the initial ones renewing. After deducting their cost of production of the plates, including the administrative cost related to marketing and promotion of the plate, the commission is to distribute the funds received through this program. This promotion allowance is seen as the main imputes for the large number of plates sold. The remaining of net revenue is to be distributed one-half as matching grants to tourism promotion agencies to promote wine and culinary tourism. Grants need to show a one-to-one match from sources other than the Oregon Business Development Department or commission programs. The other 50% of the funds are to be distributed to tourism promotion agencies in amounts proportional to the amount of acreage in each region used for wine and grape production. The distribution of revenue comes after the tourism commission deducts its cost of promotion and advertisement, which might consume a large chunk of the expected revenue.

ESTATE TAX

HB 2541 (CH 526)

Replaces inheritance tax imposed on basis of former federal credit for state death tax with estate tax imposed as percentage of Oregon estate. Establishes a new rate schedule for values above one million. Updates connection to federal Internal Revenue Code. Clarifies provisions relating to elections made for state inheritance tax purposes. Defines terms for natural resource property and business. Updates connection to federal Internal Revenue Code. Clarifies provisions relating to elections made for state inheritance tax purposes. Replaces tax credit table for natural resource property with a formula and modifies related provisions. Applies to estates of decedents who die on or after January 1, 2012.

Revenue Impact:

Net revenue impact is expected to be near zero over time, with the bill's various provisions having offsetting effects.

Impact Explanation:
The measure rewrites the Estate Tax statutes. This major effort is a product of the workgroup of the Oregon Law Commission (OLC). The definitions of relevant terms and the clear connections to the federal tax code introduce flexibility to the tax system. Furthermore, the reformed system provides a structure that is amenable to implement future policy changes. Any revenue impact from this bill will originate from one of three main sources. The first source is indeterminate; some of the introduced changes such as the Operating allowance (working capital), the different treatment of intangibles for residents and nonresidents, reporting, compliance, have effects that are indeterminate at this time. The second potential source emanating from the rate schedule was stabilized by changing the tax rates, and no longer is a source of revenue impact. The third source originates from changes in the natural resource credit. This source was also neutralized by the amendment and no longer is expanding this credit.

Background:
Oregon's inheritance tax statutes, found in ORS Chapter 118, are tied to the 2000 federal Internal Revenue Code. Oregon law was perceived as a supplement to the federal Internal Revenue Code during the time of the pass-through estate tax credit. The 2000 tax rates are based on the state estate tax credit in federal code that has been changed by successive federal acts. Oregon's state estate tax chapter is perceived as being disjointed, and never originally intended to serve as a stand-alone code. The continuing use of such a structure while federal law is in continual change has created administrative and tax policy gridlock. The Oregon legislature tried in the past to address two main areas. Those include marital property and natural resource property. In those two areas, Oregon has stepped away from the federal approach and created its own provisions, but problems with those provisions have continued to arise. Notably, the "working capital" provision of the natural resource credit, which has been under continued review and amendment but it is thought to be nonfunctional as current law stands. In recent years, Oregon's estate tax chapter has been the focus of amendment every session. These proposed changes attempted to reflect and align to policy objectives. However, that was not easy to accomplish and reproduce in legal language of the Oregon Statutes. Therefore, a comprehensive review of the state inheritance tax law was needed to inject some flexibility and sturdiness capable of reflecting policy directions and changes. At the end of the 2009 legislative session, the House and Senate Revenue Committees requested that the Oregon Law Commission (OLC) conduct a law reform project regarding Oregon's inheritance taxation laws and make recommendations for reform to the 2011 Legislative Assembly. After periodic interim reports the OLC has proposed the current bill. The whole inheritance tax chapter was amended as well as the Natural Resource Credit (NRC).

LOTTERY

HB 3188 (CH 385)

Requires counties to deposit moneys received from State Lottery in a fund designated for the purpose of furthering economic development. Directs counties to report to the transparency website regarding the use of the money in the economic development dedicated fund.

Revenue Impact: None

Impact Explanation:
The distributions of the economic development moneys designated to counties are specified in the statutes as follows:

ORS 461.547 Distribution of certain video lottery revenues to counties for economic development. (1) The Oregon State Lottery Commission shall transfer an amount equal to 2.5 percent of the net receipts from video lottery games allocated to the Administrative Services Economic Development Fund to counties for economic development activities. Ninety percent of the moneys shall be distributed to each county in proportion to the gross receipts from video lottery games from each county. Ten percent of the moneys shall be distributed in equal amounts to each county.
(2) As used in this section:
(a) "Gross receipts from video lottery games" means the amount of money inserted into video lottery games plus the value of any free game prizes used by players for subsequent games.
(b) "Net receipts from video lottery games" means the amount of money that is received from the operation of video lottery games after the payment of prizes but prior to any other payment.

This measure specifies a further reporting and transparency requirements for the county economic development funds.

BONDING AND DEBT

HB 5005 (CH 614)

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

Revenue Impact:

In millions

General Fund		2011-13		2013-15	
Revenue		$140.57			
Cost and debt service		($13.129)		($29.95)	
Net General Fund Revenue		$127.438		($29.95)	
Other Funds					
Revenue		$197.38			
Cost and debt service		($21.61)		($27.5)	
Net Other Fund Revenue		$175.77		($27.5)	

Impact Explanation:

The detail of the bonding revenue and payments as well as the projects can be found in the LFO budget report. Below are some of bonding categories.

General Fund				2011-13		2011-13		2013-15
				Total cost		**Debt service**		**Debt service**
	OUS	XI-G		$17.61		($1.11)		($2.95)
	Com colleges	XI-G		$24.50		$0.00		($3.57)
	Military Dept	XI-M		$7.61		($0.62)		($1.24)
	DAS	XI-Q		$90.85		($1.01)		($6.52)
Total				**$140.57**		**($2.73)**		($29.95)
Other Fund								
	OUS/ campuses	XI-F		$84.84		**($6.33)**		**($12.65)**
	DEQ	XI-H		$16.74		**($1.25)**		**($2.50)**
	ODF, ODOT, OUS	XI-Q		$95.80		**($12.12)**		**($13.71)**
Total				**$197.38**		**($19.69)**		**($28.86)**

HB 5036 (CH 624)

Increases amount of lottery bonds authorized to be issued from the economic Development account.

Revenue Impact:
In millions

		2001-13		**2001-13**	
Lottery Bonds					
Total cost		$222.71			
Issuance cost		($2.93)			
Debt service		($2.21)		($38.92)	
Reserves and other costs		($19.39)			
Net revenue available		**$198.17**		**($38.92)**	

Impact Explanation:
HB 5036 is the Lottery Bond Bill. The bill identifies authorized uses of lottery bonds in the 2011-13 biennium budget. A total of $200,388,052 of lottery bonds proceeds are authorized to be spent. A total of $222,705,000 of lottery revenue bonds are authorized in HB 5005 to generate the proceeds for the approved projects, plus to pay associated bond-related costs. Authority to spend the bond proceeds for projects, to pay for the cost of issuing the bonds, and to pay any 2011-13 biennium debt service costs associated with the bonds is included in individual agency budget bills, the capital construction bill (HB 5006), or in SB 5508. More details on the projects and uses are in the LFO budget report. Reserves will stay in a designated fund until the final debt service payment comes due.

SB 19 (CH 14)

Authorizes State Treasurer to issue Article XI-Q bonds and creates the accounts and mechanism for the movement of money. Amends the current biennial budget authorization for bond issuance, from COP's to XI-Q bonds, to finance costs associated with projects owned or operated by State of Oregon.

Revenue Impact:

	2011-13	**2013-15**	**2015-17**
Interest savings (GF)	$1,395,286	$1,395,286	$1,395,286

Impact Explanation:
The bill authorizes the department of Administrative Services (DAS) to use $343,320,000 bonding authority in XI-Q bonds. These new bonds (approved by voters) will supplant the Certificate of Participation (COP's) authorized for the 2009-11 biennium. This bond sale is expected to conclude in the spring of 2011. The revenue impact is reflective of the savings in debt service payments resulting from lower net interest costs (30 basis points) expected as a

result of the improved interest conditions of the XI-Q bonds. The $3 million replacing the XI-G bonds will not result in improved interest rates conditions, thus will not result in significant savings. There might be additional replacements of ODOT revenue bonds, but those will not likely result in drastic savings after considering the costs of the reserves resulting in net interest costs that are close to the starting point. The bill also takes away authorization from other types of bonds in order to stay under the bond limit recommended by the State Debt Policy Advisory Commission.

FINANCIAL MANAGEMENT

HB 2612 (CH 25)

Clarifies that the current statutory collateral on aggregate amount of public funds deposits that may be held by a bank depository applies only to uninsured public funds.

Revenue Impact: None

Impact Explanation:
A bank depository is an insured institution or trust that maintains either a head office or branch in Oregon in the capacity of an insured institution or trust company, and that complies with statutory conditions for acting as a custodian or bank depository (ORS 295.008). Current statute restricts a bank depository from permitting the aggregate of public funds deposits (funds under the control or in the custody of a public official by virtue of office) on deposit with the bank depository from all public officials to exceed at any time, with the amounts varying depending on whether the bank depository is classified as either an undercapitalized, adequately capitalized or well capitalized bank depository. Statute also limits the aggregate not to exceed 30 percent of the total aggregate uninsured public funds deposits of all public officials in all bank depositories as reported in the most recent notice received from the State Treasurer. Typically, “uninsured public funds” deposits are all Oregon public fund deposits that exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). This measure restricts the application of the current limits to only uninsured public funds.

295.008 Conditions for acting as custodian or bank depository. (1)(a) An insured institution or trust company may not be a custodian bank under ORS 295.001 to 295.108, unless it certifies in writing to the State Treasurer that it will furnish the reports required under ORS 714.075 to the Director of the Department of Consumer and Business Services.

(b) The State Treasurer may approve one or more insured institutions or trust companies to serve as custodians. The State Treasurer shall promptly notify all bank depositories of the approval of an insured institution or trust company to serve as a custodian.

(2) An insured institution or trust company may not be a bank depository under ORS 295.001 to 295.108, unless it:

(a) Certifies in writing to the State Treasurer that it will furnish, by the time specified by the Director of the Department of Consumer and Business

(A) The reports required under ORS 714.075 to the director; and

(B) Any other information the director considers necessary to determine whether to advise the State Treasurer to order a bank depository to increase its collateral under ORS 295.018.

(b) Except as provided in subsection (4) of this section, enters into a pledge agreement; and

(c) Complies with subsection (3) of this section.

(3) Any insured institution or trust company that wishes to become a bank depository shall file with the State Treasurer an initial written report signed or authenticated by an officer of the insured institution or trust company setting forth, as of the date the insured institution or trust company intends to commence acting as a bank depository:

(a) The estimated total amount of public funds that will be on deposit with the insured institution or trust company;

(b) The estimated net worth of the insured institution or trust company;
(c) The amount and nature of the collateral that will be deposited with its custodian to collateralize the public funds deposits; and
(d) The identity of its custodian.
(4) An insured institution or trust company may be a bank depository under ORS 295.001 to 295.108 without entering into a pledge agreement or complying with subsection (3) of this section if the insured institution or trust company does not hold any uninsured public funds deposits. The provisions of ORS 295.006, 295.013, 295.015, 295.018, 295.037 and 295.061 do not apply to an insured institution or trust company that is a bank depository under this subsection.
(5) An insured institution or trust company that merges with, acquires all the assets of, acquires ownership of or otherwise becomes a successor entity to a bank depository that has entered into a pledge agreement must execute a new pledge agreement or provide evidence satisfactory to the State Treasurer of the assumption by the successor insured institution or trust company of all of the duties and obligations of the bank depository under the existing pledge agreement. An insured institution or trust company that fails to enter into a pledge agreement or provide evidence of its assumption of the existing pledge agreement within the time specified by the State Treasurer shall be treated as a bank depository holding uninsured public funds that has failed to pledge adequate collateral under ORS 295.031. [2005 c.112 §3; 2007 c.871 §16; 2009 c.821 §4]

HB 2613 (CH 477)

Specifies that the current statutory limit on aggregate amount of public funds deposits that may be held by depository applies only to uninsured public funds.

Revenue Impact: None

Impact Explanation:
House Bill 2034 (2005) allow public funds to be deposited in amounts that exceed the statutory limit outlined in ORS 295.002 without the requirement of demonstrating that the depository has entered into a pledge agreement or deposited securities under specified circumstances, such as participating in a program like the Certificate of Deposit Account Registry Service (CDARS). CDARS is a reciprocal deposit program that breaks up large investments in order for such investments to be protected by Federal Deposit Insurance Corporation (FDIC) insurance. The advantage of using such programs is not only the FDIC insurance coverage, but also not having to collateralize public funds and the ability to quickly deploy the funds back into their local communities.
For public funds, programs such as CDARS are limited to certificates of deposit, while businesses and individuals who participate in these programs can place funds in transition accounts. This measure extends this same ability to public entities.

A bank depository is an insured institution or trust that maintains either a head office or branch in Oregon in the capacity of an insured institution or trust company, and that complies with statutory conditions for acting as a custodian or bank depository (ORS 295.008). Current statute restricts a bank depository from permitting the aggregate of public funds deposits (funds under the control or in the custody of a public official by virtue of office) on deposit with the bank depository from all public officials to exceed at any time, with the amounts varying depending on whether the bank depository is classified as either an undercapitalized, adequately capitalized or well capitalized bank depository. Statute also limits the aggregate not to exceed 30 percent of the total aggregate uninsured public funds deposits of all public officials in all bank depositories as reported in the most recent notice received from the State Treasurer. Typically, “uninsured public funds” deposits are all Oregon public fund deposits that exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). This measure restricts the application of the current limits to only uninsured public funds.

HB 2970 (CH 667)

States that a credit union depository that has been granted a 90-day grace period to correct their noncompliance, shall cease accepting deposits of uninsured public funds within three business days of receiving notice from the State Treasurer.

Revenue Impact: None

Background:

The time lines for both types of depository institutions (banks and credit unions) need to be aligned for the State Treasurer processes to catch up with the new requirements. Adds language to ORS 295.048, as amended by section 16 of Chapter 101 (Oregon Laws 2010), to state that a credit union depository that has been granted a 90-day grace period in which to correct their noncompliance with the requirements of ORS 295.048(1), and has failed to do so within this time period, to stop accepting public deposits.
Changes section 13 of Chapter 101 (Oregon Laws 2010) to address both the initial and ongoing funding of a public funds collateralization program for credit union depositories. State that once the conditions have been satisfied the State Treasurer will have 180 days to implement the credit union public funds collateralization program. States that a bank depository that has been granted a 90-day grace period to correct their noncompliance, shall cease accepting deposits of uninsured public funds within three business days of receiving notice from the State Treasurer. Upon notification, public officials will be required to withdraw all uninsured public funds that exceed the limits specified within section (1)(d) from the depository within 15 days.

SB 20 (CH 256)

Authorizes public bodies that borrow money under provisions of ORS chapter 287A to issue refunding bonds to purchase outstanding bonds of public body. Makes other procedural changes related to issuance of bonds generally. Authorizes hospital facility authorities to issue refunding bonds to convert, purchase or restructure outstanding bonds. Restructures authority of sanitary districts to issue bonds.

Revenue Impact: None

Impact Explanation:

The Municipal Debt Advisory Commission (MDAC) – which includes local government finance representatives as well as public members and a designee of the State Treasury brings issues in local government bonding issues to the legislature every session. This measure attempts to give local governments the ability to repurchase its bonds in order to allow it to take advantage of interest rate changes. Conforms timeline to the proposed changes (end of sec 3). Includes sanitary districts under the ORS 287A less restrictive definitions and conditions. The amendment removes the requirement for limiting the authority for refinancing without going again to the voters.

JUDICIAL SYSTEM AND COURT FUNDING

HB 2104 (CH 719)

Increases fee paid by persons convicted of driving while under the influence of intoxicants and persons entering into driving while under the influence of intoxicants diversion agreement to Director of Oregon Health Authority for deposit in Intoxicated Driver Program Fund.

Revenue Impact:

Passage of this bill is anticipated to generate an additional $2,679,200 in other fund revenue for the 2011-13 biennium and $3,782,400 for the 2013-15 biennium.

Impact Explanation:

This revenue will be dedicated to the Intoxicated Driver Program Fund (IDPF). The average number of DUII offenses is 24,680, however, approximately 18,912 (or 1,576 per month) of the offenses result in collection of a fee. Current law specifies that moneys in the IDPF may be used to pay for treatment and services for indigent individuals who enter diversion agreements including interpreter services and the ignition interlock program. The Judicial Department (OJD) will charge an estimated eight percent revenue management assessment on the revenue first collected.

HB 2710 (CH 595)

Revises laws relating to court fees for filing civil cases.

Revenue Impact:

		3 months old fee and 21 new fee 2011-13 Estimate	2013-15 Estimate	2015-17 Estimate
	General Fund	$ 33.13	$ 40.43	$ 42.83
	Transfers and Other Funds	$ (14.34)	$ (23.19)	$ (25.27)
	Collection Cost (move to GF)	$ (2.66)	$ (2.83)	$ (3.00)
Total	Net Revenue Increase	$ 16.13	$ 14.41	$ 14.56

Impact Explanation:

The measure continues the current law civil filing fees for three months and extends the temporary civil and criminal fees and assessments of HB 2287 (2009) for three months. Beginning October 1st, 2011, the measure establishes a new civil filing fee structure in statute. The new civil filing fee structure is based on fixed dollar amount filing fees, which do not include any add-on charges or surcharges. The new fee amounts will be uniform across all the state courts.

All revenues will be deposited in the general fund, Legal Aid services, however, will receive an $11.9 million direct distribution of civil filing fee revenue from the Judicial Department, through quarterly revenue distributions from the account for Legal Aid. Collection costs for the judicial department will moved to the General fund as an appropriation rather than 8% off the top of the gross revenue.
Adds a $3 filing fee to fund an account to provide assistance to counties with critical state court facility improvement needs. Reinstates the Appellate Mediation Program to the list of eligible program. Raises the jurisdiction of the small claims departments of circuit and justice courts to $10,000. Modifies filing fees payable in Small Claims courts of Justice Courts. Establishes Small Claims filing fee of $50 for cases less than $2,500 and $90 for case more than $2,500, but less than $10,000. Establishes a forcible entry detainer fee of $75. Establishes a garnishment fling fee of $35. Increases the Small Claims filing fee to $65. Clarifies that a declaratory judgment actions are subject to the standard filing fee. Increases the fee for issuance of writs of garnishment by the court from $10 to $35. Prevailing party fee in small claims actions was increased to $93 (without trial) and $108 (with trial). Reinstates language that the Department of Justice requested relating to an exemption from filing fees for child support cases. The C version extends the diversion administration surcharge to January 1, 2012 and redirects revenue from the General Fund to CFAA, and it Increases diversion fees and the amounts justice and municipal courts are required to send to the state

HB 2712 (CH 597)

Revises laws relating to offenses and violations.

Revenue Impact:

New Revenue arrangement	3 months old fee and 21 new fee 2011-13 Estimate	2013-15 Estimate	2015-17 Estimate
CFAA	$0.00	$0.00	$0.00
Other Revenue (new and redirected) to CFA	$14.24	$12.12	$12.91
Collection Cost (move to GF)*	($7.96)	($8.59)	($9.14)
Gross Revenue Increase	$22.2	$20.71	$22.05

* Collection costs are moved to a general fund appropriation, which effectively means new revenue is net of those amounts.

Impact Explanation:

The introduced version of the measure was the product of the Joint Interim Committee on State Justice System Revenues. This version of the measure updates and simplifies the current statutory revenue and distribution structure related to criminal fines, assessments, and other financial penalties imposed on violations other than parking infractions but include conviction for felonies and misdemeanors. The measure does not make any change to current law misdemeanor or felony structure. The major provisions of the measure are:

Violation	Current Law		HB 2712	
	Presumptive Fine	Minimum	Presumptive Fine	Minim
Class A Violation	$472	$320.25	$435	$220
Class B Violation	$287	$181.50	$260	$130
Class C Violation	$190	$108.75	$160	$80
Class D Violation	$142	$72.75	$110	$55

Establishes a presumptive fine thereby eliminating the need for calculation of a foundation amount, base fine amount, and the minimum fine amount. 2) Establishes the presumptive fine by statute, applies this fine statewide, and eliminates variability in fine amounts based on the court into which a person is cited. 3) Eliminates the unitary assessment and the county assessment by consolidating them into the presumptive fine. 4) Provides for judicial discretion to reduce the presumptive fine by up to 50 percent. 5) Increases the judicial discretion in school, construction, and safety corridor zones fine to 75 percent of the presumptive fine. 6) Adds $3 to the uniform presumptive fine amounts for state court facilities and security. The C version allocates additional revenue to the intoxicated driver program fund. The following table compares the current law violation amounts with those in the measure: This bill does not affect the distribution of fine revenue, which remains the same as current law. The measure eliminates the Unitary Assessment and the county assessment and replaces it with a flat fine amount, a portion of which is to be remitted to the state in lieu of the Unitary Assessment and the county assessment. The local court portions don't seem to be affected.

HB 3525 (CH 689)

Provides that 10 percent of amount awarded as punitive damages under verdict in civil action is payable to Attorney General for deposit in Courthouse Capital Improvement Trust Fund.

Revenue Impact: (in $Millions): The revenue is highly variable from one biennium to the next, but expected to average about $2.75 to $3 million a year over the extended period of time.

Impact Explanation:

As introduced, the measure creates the Courthouse Capital Improvement Trust Fund. It reduces the punitive damages award currently payable to the prevailing party from 40% to 30%. It makes ten percent of the punitive damages award payable to the Attorney General for deposit into the Courthouse Capital Improvement Trust Fund. The fund will be used for capital improvements to county courthouses. The receipts from punitive damages vary greatly from biennium to biennium. DOJ reports that the 60% deposited in the Criminal Injuries Compensation Account since the 1999-01 has varied from $1.0 to $11.4 million per biennium. These numbers reflect the amount collected and not necessarily the amount awarded. The same variance applies to the proposed 10% going to the new Courthouse Capital Improvement Trust Fund under this measure.

MISCELLANEOUS

HB 2679 (CH 660)

Conforms the Oregon surplus lines insurance law to the federal Nonadmitted and Reinsurance Reform Act of 2010. Allows the Director of the Department of Consumer and Business Services to establish rules regarding reporting, collection, payment, allocation and disbursement of premium taxes on Oregon home state risks. Authorizes the Department of Consumer and Business Services to enter into a compact or otherwise establish surplus lines premium tax allocation procedures among states. Imposes surplus lines reporting requirements and premium tax on independently procured insurance policyholders. Revises the calculation method of surplus lines State Fire Marshal tax. Specifies time period for a health insurer to request from a health care provider, refund of a paid claim. Specifies time period for a health care provider to request additional payment from a health insurer, and to resubmit a claim denied by or refunded to a different health insurer. Requires insurers, health care service contractors and multiple employer welfare arrangements that offer prescription eye drop coverage to also cover one early refill of prescription for eye drops to treat glaucoma under specified conditions.

Revenue Impact (in $Millions):

(1) Surplus Lines Insurance

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
General Fund	**minimal***	**minimal**		**minimal**	**minimal**	**minimal**
State Fire Marshall Tax	**minimal***	**minimal**		**minimal**	**minimal**	**minimal**

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

(2) Health Insurance Overpayment Recovery Procedures: None
(3) Early Refill of Prescription Eye Drops for Glaucoma Treatment: None

Impact Explanation: The new federal law authorizes states to collect premium taxes on independently procured surplus lines insurance policies. Currently, these policies are not subject to the two percent premium tax in Oregon and consequently there are no data on them. Lack of data makes it difficult for revenue impact analysis. Other states show only a minor presence of independently procured policies in entire surplus lines and the same is expected of Oregon.

Current State Fire Marshall tax rates on surplus lines are varied depending on the nature of policies. This bill sets one fixed tax rate of the State Fire Marshall tax on all surplus lines premiums or fees: 0.3 percent. This rate ensures revenue-neutrality between the two taxing schemes.

HB 3339 (CH 3)

Transfers funds from Secretary of State Operating Account and Tax Amnesty programs to the General Fund for the purpose of balancing the current biennium budget.

Revenue Impact:

$12.7 Million transfer to the General Fund in 2009-11 biennium.

	2009-11	2011-13
Transfer secretary of State Corporation Division fee revenues	$0.745 million	0.0
Transfer Tax Amnesty money	$12.0 million	0.0
Total to General Fund	**$12.745 million**	**0.0**

In addition to the general fund transfer, the measure transfers $0.5 million within the programs of DHS, and reverts $40.1 thousand of HB 2287 revenue from the legislative branch to the Judicial Surcharge account.

Impact Explanation:

This measure implements statutory changes necessary to support the legislatively approved budget and to clarify the application of statutes. This measure, relating to state financial administration, is not an appropriation bill and therefore does not include the appropriation of funds. The measure, however, is necessary to achieve a balanced budget for the 2009-11 biennium. The measure is effective on passage. The fiscal or budgetary impacts of provisions of this measure are contained in HB 5050, which is the budget rebalance bill for the 2009-11 biennium. Additional details relating to the transfers of funds in this measure can be found in LFO fiscal statement and Staff Measure Summery.

HB 3657 (CH 613)

Reduces Oregon Fish and Wildlife Commission nonresident commercial-fishing fees to no more than $50 more than resident fees.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2011-12	2012-13	2011-13	2013-2015	2015-2017
Department of Fish & Wildlife – Other Funds	-$0.29	-$0.29	-$0.58	-$0.77	-$0.77

Impact Explanation: The measure would reduce the charge for commercial fishing licenses and permits by nonresidents to no more than $50 above resident licenses and permits. If these charges were fees in the traditional sense, the funds would only be used for administration of the licenses and permits, but money from these licenses and permits is also used for scientific study and management of the fisheries, so these changes constitute a revenue impact. The measure limits the fees to licenses purchased for calendar year 2012 and subsequent years but adds an emergency clause, making the new fees effective immediately.

SB 242 (CH 637)

Redefines Oregon University System (OUS) as public university system with greater authority and independence to manage affairs, operations and financial obligations. Eliminates requirement to seek permission to exceed expenditure limitation to spend other available moneys, including enrollment fees collected. Exempts OUS from certain laws relating to state agencies. Authorizes board of higher education to purchase property and construct facilities without legislative approval. Maintains all interest earned in Oregon University System Fund to OUS.

Revenue Impact:

The interest income to the general fund will be reduced and that same amount becomes other funds.

(in $Millions):		2011-2013		2013-15	
Interest earning reduction to the General Fund		($7.440)		($22.043)	
Interest earning Other Funds Increase to OUS		$7.440		$22.043	

Impact Explanation:

The measure changes the treatment of Interest earnings. Currently, interest from fees paid for tuition, housing, parking, food, or General Fund appropriations are credited back to the General Fund. Under this proposed measure, Interest on any OUS reserves, including General Fund appropriations, would be credited to OUS. HB 2208, which passed in 2009, was introduced at the request of OUS to consolidate their numerous accounts into one Oregon University System Fund to allow for more effective investment of revenues. As a result of that change the ending balance and interest earnings are expected to be higher than in past years.

The Oregon University System (OUS) estimates that this change would reduce the General Fund earnings by $4,281,554 in 2011-13 (18 months) and $5,906,737 in 2013-15. These estimates are based on Fiscal Year 2008-10 average daily balances in the OUS Fund and an interest rate of less than 1%, while the Governor's budget estimated an average return in the Treasury Short Term Fund of 1.72% for 2011-13. However, for this analysis a different estimate was reached. Projected balances were obtained from the product of student enrollment and average annual Dollar balances per student. This forecast future cash balances that will be available to the university system and no longer available to the general fund. Then using the May forecast for the rate of 3-months T-bill (0.78% FY11, 2.27% FY12, 3.45% FY13, 4.19% FY15), the resulting General Fund revenue loss would be $7.4 million in 2011-13 (18 months) and $22 million in 2013-15.

The measure establishes a revenue bond program allowing OUS to issue revenue bonds. Projects utilizing proceeds from Article XI-F (1) and Article XI-G general obligation bonds would still need to be authorized by the Legislature. The measure removes OUS from being represented by the Department of Justice (DOJ) except for bond issuance.

SB 372 (CH 707)

Removes ambulance services from the list of fee schedules used to calculate provider charges for personal injury protection benefits. Declares an emergency and takes effect on September 1, 2011.

Revenue Impact (in $Millions): None

SB 863 (CH 566)

Directs Public Utility Commission to prepare report for Legislative Assembly on methods to increase heating and energy bill assistance for low-income families. Requires electric company or Oregon Community Power, at request of Public Utility Commission, to collect an additional $5 million dollars per 12-month period from residential consumers for low-income electric bill payment assistance

Revenue Impact : This measure is expected to raise around $10 million from utility rate charges in the 2011-13 biennium.

Impact Explanation:

The Oregon Low-Income Energy Assistance Program (LIHEAP) is intended to provide low income Oregonians assistance with their home energy expenses. Households wishing to receive assistance from the program must be at or below 60% of state median income level. This measure involves a temporary $5 million a year additional charge. This additional charge is subject to tests of economic health of the state and a measure of the need of the below poverty population. Each of these categories involves two separate tests. The four tests are:

1. The Oregon unemployment rate exceeded 10% for at least 6 months of the previous 12 month period.

2. The Oregon poverty rate exceeded 12% during the previous 12 month period.

3. The moneys allocated for the year under the federal Low Income Energy Assistance Act are 75% or less of the previous year's allocation.

4. The number of households in Oregon receiving supplemental nutrition assistance has exceeded 20% during the previous 12-month period.

Two of these conditions are likely to persist in the coming biennium, and that is sufficient for the measure (if enacted) to trigger the collection of the $5 million in each year of the biennium. The measure is designed to sunset after 24 months.

SB 5522 (CH 578)

Limits biennial expenditures from fees, moneys or other revenues, collected or received by Oregon Liquor Control Commission including the continuation of the 50 cent bottle surcharge.

Revenue Impact:

$2.2 million increase in the OLCC General Fund transfer and $1.7 million to local governments ($1.34 to cities, and $0.39 to counties) in the 2011-13 biennium. An additional $26.5 million in bottle surcharge revenue is also a product of this bill.

Impact Explanation:

The budget of $133,661,718 Other Funds and 239 positions (231.72 FTE) for the OLCC is a $3.93 million decrease from the 2011-13 Current Service Level assumed in the May forecast. The decrease in agency expenditure leaves additional transfer amounts of 56% (of the savings) to the general fund, 34% to cities and 10% to counties. The budget also includes expenditure limitation associated with the continuation of a $0.50 per bottle surcharge through the 2011-13 biennium, which is projected to generate $29 million in additional gross revenue, with $2.55 million being distributed to liquor agents for sales commission. The balance of the money ($26.5) is directed to the general fund in the program change bill. Accordingly it is considered new General Fund revenue.