REVENUE MEASURES PASSED BY THE 79th LEGISLATURE

2018 Regular Session
and
2018 1st Special Session

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Legislative Revenue Office

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OVERVIEW

During the first several months of the 2017-19 biennium, General Fund revenue projections were close to expectations. The December revenue forecast reported an increase of $156 million from the close-of-session estimate. That increase was driven by a larger than expected beginning balance of $95 million and an increase in Lottery resource of $81 million. General Fund revenues themselves were down $20 million. In late December, the federal Tax Cuts and Jobs Act (TCJA) was signed into law. Initial impact estimates were included into the March forecast, which was released on February 16th. Much of the revenue policy discussion during the February session was related to these impacts. In fact, the debate continued after the session and led to the special session on May 21st.

<u>Revenue Situation</u>

The June forecast provided updated 2017-19 revenue projections that incorporated legislative actions from both sessions, net collections activity from the April tax season, and an updated economic landscape for the remainder of the biennium. Table 1 contains the 2017-19 General Fund resource situation and how it changed since the end of the 2017 session.

Table 1: 2017-19 General Fund/Lottery Revenue Situation

Sources	2017-19 COS Estimates	Updated 2017-19 Estimates	Change
	(in millions)		
Beginning Balance	$780.8	$1,000.4	-$219.5
Transfer to Rainy Day Fund	-$180.1	-$179.4	+$0.7
Personal Income Tax	$17,147.4	$17,694.8	+$547.5
Corporate Income Tax	$1,077.0	$1,273.7	+$196.7
Other General Fund	$1,327.6	$1,335.4	+$7.8
Administrative Adjustments	-$21.5	-$21.5	$0.0
Other Transfers	-$75.5	-$69.6	+$5.9
Total General Fund Resources	$20,055.7	$21,033.8	+$978.1
Lottery resources	$1,331.9	$1,451.2	+$119.3
Transfers to Ed Stability Fund	-$229.8	-$251.3	-$21.5
Net Lottery	$1,102.1	$1,199.9	+$97.8
Combined General Fund/Lottery	$21,157.8	$22,233.7	+$1,075.9

The figures in Table 1 include the General Fund revenue impact of measures approved in the 2018 regular and 1st special sessions, as well changes to the forecast since the end of the 2017 regular session. After transfers, General Fund/Lottery resources are roughly $1,076 million higher than assumed at the close of the 2017 session. This is due to a combination of factors, including the continued strength in collections, the federal tax law changes, and the strength of Lottery earnings. The projected General Fund ending balance following the June revenue forecast was $1,108 million.

Based on this forecast both the personal and corporate kickers are projected to be triggered. The personal kicker is estimated to be roughly $555 million and would be refunded to personal income taxpayers when they file their 2019 tax returns. Since 2014, the corporate kicker has been directed to K-12 funding. Roughly $197 million is projected to go to K-12 education spending following the 2017-19 biennium.

The net General Fund revenue impact of 2018 legislative actions is complicated by the timing of federal actions and the corresponding legislative responses. The revenue forecast released in early February included estimated impacts from the new federal tax law. Two bills passed in February, SB 1528 and SB 1529, contained responses to the federal action and negated part of the estimated impacts. The following measures had estimated impacts reported for 2017-19 General Fund revenue:

SB 1528 (Pass-through deduction and the Opportunity Grant tax credit): +$244.4 million

> The March forecast included a projected revenue loss of $258 million from the pass-through deduction; this bill disconnected Oregon from that provision, thereby preventing that revenue loss from occurring. (It also included a new tax credit costing $14 million per year.)

SB 1529 (Corporate income tax): +$100 million

> The March forecast included a projected revenue loss of $100 million due to the structure of corporation tax laws that would have allowed a double (dividends received) deduction for certain corporations. This bill modified law to allow a single deduction, thereby preventing the revenue loss from occurring.

HB 4028 (Tax credit changes): +$1 million

HB 4301 (1st Special Session: Expansion of pass-through rates): -$14.8 million

Key Revenue Measures

This section highlights key revenue measures passed in the 2018 legislative sessions. A review of all 2018 revenue measures, including the ones in this section, can be found in the remainder of the report. For a review of measures passed during the 2017 session, see Research Report #5-17. For a review of budgetary actions taken during the 2018 session, see Legislative Fiscal Office (Budget Highlights Update, March 2018).

SB 1528

In response to the federal TCJA, the Legislature disconnected from the new federal deduction created for pass-through entities. The policy applies to tax years 2018 and later. Due to Oregon's automatic connection to the definition of taxable income, the provision would have automatically reduced Oregon's personal income tax collections. The estimated reduction of $258 million for 2017-19 was incorporated into the March revenue forecast. With SB 1528 becoming law, that projected reduction is avoided so the bill was assigned a positive revenue impact (of $244 million). The estimated impact for the bill includes a revenue loss of $14 million for the Opportunity Grant tax credit.

SB 1529

This bill generally updates the Oregon's connection date to federal law from December 31, 2016 to December 31, 2017 and is expected to have little impact on Oregon's tax collections.[1] This bill does, however, have a revenue impact due to changes to the corporation income tax. The TCJA made fundamental changes to the federal corporation income tax. These changes included amounts of overseas profits that would be considered 'deemed repatriated' to the U.S. and subject to the federal income tax. The general expectation was that this additional increase would flow through to Oregon and result in an increase in corporate tax collections. However, due to technical reasons in how Oregon's law was written, Oregon would have experienced a revenue reduction by allowing a (dividends received) deduction twice, costing the state an estimated $100 million. This bill modified Oregon law so that only a single deduction would be allowed, thereby preventing the $100 million loss. The bill also made two other notable changes. First, it requires income from repatriations to be included in Oregon taxable income. Second, due to the federal corporation tax changes and expected impact regarding corporation income from other countries, the bill also repeals Oregon's listed jurisdiction law and provides a tax credit for previous payments. The estimated impact from these policies is a net $140 million in 2017-19, with proceeds directed to the Employer Incentive Fund and the School Districts Unfunded Liability Fund.

HB 4162

This bill moves the sunset date for the Long-Term Care Facility Assessment from June 30, 2020 to June 30, 2026. While the bill has no revenue impact in 2017-19, revenue to the Long-Term Care Facility Qualify Assurance Fund is projected to increase by roughly $72 million in 2019-21 and $156 million in 2021-23.

HB 4007

This bill creates a first-time home buyer savings program that grants an income tax subtraction for funds deposited into a qualifying account of up to $5,000 (if single) or $10,000 (if joint) per year. The subtraction is means tested and phased out for higher income filers. Also, income earned from the account is exempt from state income taxation. The projected revenue loss begins in 2019-21 at roughly $4 million and grows to $6 million in 2021-23.

The bill increases the county document recording fee from $20 to $60. Also, the qualification threshold for the Home Ownership Assistance Program was changed from "low and very low income" to 100 percent of median family income. The fee increase is projected to increase collections by roughly $31 million in 2017-19 and $61 million in 2019-21.

HB 4028

This bill contains various technical corrections and policy clarifications to Oregon tax credit policy. In addition, this version also includes such modifications for certain property tax exemptions. The affected tax credits included are the Oregon Affordable Housing Lender's tax credit, the tax credit for contributions to and potential appropriations to the Oregon Production Investments Fund, the manure tax credit, and the Working Family Dependent Care tax credit. Property tax exemptions that were modified include cemetery property, industrial property, and low-income rental housing.

SB 1523

The temporary policy of how interstate broadcasters apportion their income to Oregon was extended for two more years, through tax year 2018. The potential impact on Oregon corporation tax

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[1] Most of the revenue impact on Oregon from the federal law change is due to the so-called 'rolling reconnect', Oregon's automatic connection to the definition of taxable income.

collections remains uncertain. There are a few legal cases between taxpayers and the Department of Revenue that are working their way through the Oregon court system.

HB 4120

A definitional change that expanded the meaning of “transient lodging intermediary” is expected to increase state collections of the Transient Lodging Tax by roughly $0.4 million annually and for local governments by roughly $2 million annually.

HB 4301 (1st Special Session)

The reduced tax rates for pass-through entities was extended to sole proprietors and LLCs that file as a sole proprietor. The program allows eligible business owners to opt for a reduced income tax rate on qualifying business income. The expansion is project to reduce revenue by just under $15 million in 2017-19 and growing to roughly $27 million in 2021-23.

PERSONAL INCOME AND CORPORATE INCOME AND EXCISE TAX

HB 4007 (CH 109)

Allows individual to create a first-time home buyer savings account within a financial institution to pay or reimburse eligible costs to purchase a single-family residence. Allows subtraction from federal taxable income, amount equal to funds contributed to an account holder's first-time home buyer savings account. Limits subtraction amount during a tax year to $5,000 for single and $10,000 for joint filers with limitation phasing out as federal adjusted gross income increases. Exempts interest and other income earnings of account from taxation. Limits subtraction and exemption for period not to exceed 10 years and limits aggregate total amount of principal and earnings to not exceed $50,000. Establishes limitations on qualified withdrawals from account. Assesses penalty equal to five percent of amount of funds withdrawn from a taxpayer’s account if funds withdrawn are not used for eligible costs. Applies to tax years beginning on or after January 1, 2019 and before January 1, 2037.

Increases the document recording fee for certain real property documents from $20 to $60 to be used for housing-related programs at the Housing and Community Services Department.

Revenue Impact (in $Millions):

	Biennium		
	2017-19	**2019-21**	**2021-23**
General Fund	$0	-$4.1	-$6.0

Impact estimate reflects potential reduction in Oregon tax liability resulting from first-time homebuyer’s creating first-time homebuyer savings account, subtracting deposits into such accounts and excluding earnings on the account from taxable income. To qualify for a subtraction from Oregon taxable income, a potential first-time homebuyer is required to designate and establish a first-time home buyer savings account with a financial institution. A subtraction is allowed in an amount equal to the funds contributed to the account (subject to specified limits) whereas earnings on the principal in the account are exempt from taxation. For example, a joint filer could subtract up to $10,000 per tax year, which translates into potential reduction in Oregon tax liability of $900 per tax year (excluding potential earnings on principal), up to the $50,000 aggregate tax benefit limit on the account.

As there is no requirement on the amount of time funds must stay in an account, a taxpayer may contribute to an account and shortly thereafter, withdraw the funds for use in a qualifying home purchase. This dynamic allows a potential tax benefit to nearly all first-time homebuyers depending upon the homebuyer's adjusted gross income and existing Oregon tax liability. For this reason, the potential impact on revenue will depend upon the number of first-time homebuyers that fulfill the administrative requirements of establishing an account. This in turn will depend heavily upon knowledge of the program, outreach from the realtor community and participation by financial institutions.

The revenue impact estimates were made assuming that 10-15% of first-time home buyers will utilize the program for at least one single tax year. This participation percentage is based upon participation in Montana's first-time homebuyer savings account program. In recent years, first-time homebuyers have accounted for about 20,000 home purchases annually.

The **policy purpose** of this measure is to provide an opportunity for Oregon residents to save funds for first-time home ownership and to provide Oregonians with a meaningful incentive to save for the purchase of a first home.

The increase in the document recording fee is expected to generate an additional $30.5 million through the end of the 2017-2019 biennium and an additional $61 million for 2019-2021. The fee increase in HB 4007 represents a significant increase in permanent, ongoing revenue for three separate housing programs administered by the Oregon Housing and Community Services Department.

HB 4026 (CH 52)

Prevents the Department of Revenue from considering charitable contributions or activities as a factor when determining the residency of a personal income tax filer.

Revenue Impact: Minimal

This policy could affect tax determinations in either direction, but the total impact on tax collections is expected to be minimal.

HB 4028 (CH 111)

Measure makes changes to several income tax credits and property tax exemptions. This section describes the income tax changes by policy.

Income Tax Expenditures

- *Affordable housing lender's credit:* Definitional change allowing a nonprofit corporation or housing authority that has a controlling interest in the real property that is financed by a qualified loan to be considered a qualified borrower.

- *Film production development contributions:* Timing of potential noncompulsory legislative appropriations for current or an upcoming fiscal year.

- *Bovine manure production or collection:* Clarifies that the term "bovine" refers to "cattle". Specifies that cattle mean: cows, heifers, bulls, steers or calves. Modifies $5 million annual credit claimed limitation to $5 million in annual credit certifications, as issued by the State Department of Agriculture for any calendar year.

- *Working family household and dependent care:* Limits amount of employment-related expenses to lesser amount attributable to either spouse on a combined return. Specifies that income limit refers to earned income taxable by Oregon and reportable on the taxpayer's return.

Revenue Impact (in $Millions):

Working family household and dependent care tax credit:

	Biennium		
	2017-19	2019-21	2021-23
General Fund	$1.0	$2.0	$1.1

Affordable housing lender's, film production development contributions and the bovine manure production or collection credits all have minimal impacts.

Limits amount of employment-related expenses to lesser amount attributable to either spouse on a combined return. Using the lesser of the spouse's income has the effect of reducing applicable expenses in instances where actual employment related expenses exceed the lesser income of the spouse's income. Using the lesser of the two spouse's income was administrative practice prior to changes made in 2017 session where limit was set to income earned in Oregon and reported on the taxpayer's return. Measure expands potential credit to Oregon taxpayers that earn income in another state.

HB 4080 (CH 57)

For purposes of ABLE accounts, updates connection date to Internal Revenue Code from December 31, 2015 to December 31, 2017.

Requires taxpayer, that makes a withdrawal from a 529 savings network account to pay expenses in connection with enrollment or attendance at an elementary or secondary school, to add for Oregon income tax purposes to federal taxable income: amount of withdrawal that is attributable to contributions that were subtracted from federal taxable income along with previously untaxed earnings and gains.

Revenue Impact: Minimal

The updated connection date relating to ABLE accounts is expected to have a minimal impact on revenue.

Estimated impact associated with Oregon addition to federal taxable income following a withdrawal from a 529 savings network account to pay expenses in connection with enrollment or attendance at an elementary or secondary school is estimated to be minimal. The income addition effectively requires a taxpayer to add back Oregon tax benefit associated with withdrawn funds. For this reason, there is little expectation that funds will be regularly withdrawn from 529 accounts for elementary or secondary school use.

SB 1523 (CH 73)

Extends the method of apportioning income for broadcasters based on customer domicile. Applies to tax years 2017and 2018.

Revenue Impact: Indeterminate

The bill extends for two years a policy that changes how income for interstate broadcasters is apportioned to Oregon. The policy was first put into place for tax year 2014. Preliminary data for that tax year was analyzed and the results were inconclusive, as described in a Legislative Revenue Office report. Information for some taxpayers suggested that the policy increased revenue by roughly one million dollars per year. However, a few legal cases pending in the Oregon court system could affect the interpretation of current law and, therefore, the basis for any revenue impact, potentially reversing the direction of the impact. The report cited three areas of uncertainty regarding the policy impact: 1) lack of clarity regarding which companies are interstate broadcasters, 2) which business activities would cause an interstate broadcaster to have nexus in Oregon, and 3) which portion of company's income is subject to apportionment under the interstate broadcaster provisions. Given the current level of uncertainty, the revenue impact is deemed to be indeterminate.

SB 1528 (CH 108)

Makes available credit against personal or corporate income/excise taxes to taxpayers that make certified Opportunity Grant contributions to the Opportunity Grant Fund. Requires Department of Revenue, in cooperation with Higher Education Coordinating Commission to conduct auction of tax credits. Limits fiscal year certifications of tax credits to no more than $14 million. Allows unused portion of tax credit to be carried forward up to three succeeding tax years. Applies to tax years beginning on or after January 1, 2018 and before January 1, 2024.

Effective for tax years beginning on or after January 1, 2018, requires addition to taxable income for amount allowable as a deduction under section 199A(a) of the Internal Revenue Code (IRC). Section 199A(a) is a federal deduction available to certain pass through entities that was newly enacted in December 2017 as part of the Tax Cuts and Jobs Act.

Revenue Impact (In $Millions):

	Biennium		
	2017-19	2019-21	2021-23
Oregon addition of IRC 199A(a) deduction	$258.4	$404.7	$455.4
Opportunity Grant Credit	-$14.0	-$28.0	-$28.0
Total General Fund	$244.4	$376.7	$427.4

Revenue impact figures represent current law revenue impact estimates on General Fund revenues. Current law reflects changes to federal definition of taxable income as changed in December 2017 by Tax Cuts and Jobs Act. As such, disconnect from deduction from taxable income allowable under section 199A(a) is reflected as an increase in general fund revenue.

Multiple sources were relied upon to estimate impact of disconnection from federal deduction allowable under section 199A(a), including tax return data and estimates made by the Joint Committee on Taxation regarding the federal impact of the deduction.

Estimate of impact to general fund resulting from allowing credit for certified Opportunity Grant contributions auctioned by Department of Revenue in cooperation with Higher Education Coordinating Commission, was based upon recent performance of similar tax credit auctions. Estimated impact on revenue assumes full $14 million worth of credits auctioned, however, it is worth noting that changes to federal tax liability resulting from the recent federal Tax Cuts and Jobs Act along with increased competition among auctioned Oregon credits, could result in less than the full $14 million credit allowance being sold.

The ***policy purpose*** of the credit for certified Opportunity Grant contributions is to establish an additional funding source to be used to support the Oregon Opportunity Grant program thereby expanding support to Oregon higher education students in need of financial assistance.

SB 1529 (CH 101)

Updates connection date to federal Internal Revenue Code and other provisions of federal tax law. Requires addback of federal dividends related to repatriation and creates a tax credit for amounts received under the tax haven law. Requires the Department of Revenue to estimate actual collections and transfer amount equal to estimate as follows: 18 percent to the Employer Incentive Fund and 82 percent to the School Districts Unfunded Liability Fund.

Revenue Impact (in $Millions):

	Biennium		
	2017-19	**2019-21**	**2021-23**
Repatriation	$160	$10	$0
OR Tax Haven Tax Credit	-$20	-$5	$0
Employer Incentive Fund	$0	$26	$0
School Districts Unfunded Liability Fund	$0	$119	$0
Corporate: General Fund	$100	$0	$0
Other Reconnect Provisions	Minimal	Minimal	Minimal

The revenue impact for the repatriation policy is the net impact from the addback. Without the statutory changes in this bill, corporate income tax collections are projected to be down $100 million in 2017-19 due to the federal repatriation policy. With the statutory change, revenues are projected to be up by $160 million instead. That means a change of $260 million in the net position based on the current revenue forecast and the impacts from the federal law change. Measure directs funds received from repatriation, based upon estimate made by Department of Revenue, to be deposited as follows: 18 percent to the Employer Incentive Fund and 82 percent to the School Districts Unfunded Liability Fund. While measure provides Department of Revenue until July 1, 2021 to estimate actual collections due to repatriation, it is expected that estimate will occur during 2019-21 biennium allowing for transfer of funds to occur during the 2019-21 biennium. The estimated $100 million increase to the general fund reflects the changes mitigating the expected $100 million loss that would otherwise occur. The tax haven tax credit is based on collections from tax years 2014 through 2016.

Measure includes numerous provisions where Oregon law connects to federal law at a specific point in time (December 31, 2017). Most of these updated connections to federal law connect to definitional provisions that have little to no impact on Oregon.

The ***policy purpose*** of the tax haven tax credit is to recognize the interaction between tax payments required by Oregon's tax haven law and repatriation related tax payments.

PROPERTY TAX

HB 4028 (CH 111)

Measure makes changes to several income tax credits and property tax exemptions. This section describes the property tax changes by policy

- *Housing Sunset Extension*

  The tax exemption once granted, continues for 20 years. This is a program that has been renewed multiple times.

  Revenue Impact: Minimal

  Policy Purpose Statements
  The housing exemption, extends and aligns the sunset to the end of the fiscal instead of calendar year.

- *Cemetery to housing*

  For cemetery property currently exempt from property taxation, allows additional taxes that would otherwise be due at time of cemetery property no longer being used as cemetery property, to remain a potential tax liability that is not imposed. Specifies requirements in order for additional taxes to remain a potential tax liability. Requirements include land being used or held for the purpose of providing low income housing that will be exempt from property taxation per specified statutes. After land has been used to provide exempt low-income housing for period of at least 25 years, additional taxes end.

  Revenue Impact:
  The revenue impact is expected to be minimal as the measure allows tax exempt property to remain off the roll. It provides for a transfer from a tax-exempt cemetery status to a tax-exempt low-income housing status, without triggering a 10-year claw-back on the back taxes for the cemetery property. The actual revenue impact would depend on when the property is sold, if it is sold, and the intended future use.

  Policy Purpose Statements
  The policy purpose of the property tax exemption being created regarding cemetery property is to eliminate the potential tax burden when transferring property from cemetery to low income housing use, thereby encouraging such practice.

HB 4139 (CH 64)

Imposes a two percent tax on rental price of heavy equipment and returns the revenue to the county in which it was rented. exempts from ad valorem taxes, all qualifying heavy equipment. Directs Department of Revenue (the Department) to establish and administer heavy equipment rental tax and provides the Department with up to 5% of the tax collected to establish and manage the program. Establishes that the owner of heavy equipment to pay, to the Department net amount if heavy equipment rental tax payable is less than estimated ad valorem tax payable. Establishes mechanism for refund to heavy equipment provider if tax revenue under this act exceeds tax payable. Requires the Department to submit report on program on or before July 1, 2022. Redistributes total collections, net Department of Revenue fee (up to 5% of total), to the counties.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
General Fund	0	0	0	0	0
Local governments	0	-$0.45	-$0.9	-$0.9	-$0.9

The Revenue Impact above, is due to the Department of Revenue administration fee. Generally, this bill was intended with a revenue neutral design. An excise tax replaces the current personal property tax, so that heavy equipment rental companies pay the same tax under the new excise tax that they would under current property tax statute and the bill provides a mechanism through the Department of Revenue to ensure that. There is a redistribution mechanism to counties without a rental location that would otherwise not receive revenue under this bill.
The Legislative Revenue Office is unable to independently verify the property value of heavy equipment rental that is currently subject to property taxation, or that which will be subject to the proposed excise tax. The equipment is currently assessed and taxed at the local level along with other business personal property and has not been parsed out to be made available.

However, given the revenue neutral design of the bill, assuming the 2% excise tax generates tax revenue equal to current property tax revenue, 2% of industry rental receipts is a proxy for tax revenue under this bill. The American Rental Association (ARA) does analysis on the economic impact of its industry, nationwide. LRO staff discussed the methodology and NAICS codes with the consulting economists for ARA. Given this data, this bill can be expected to generate approximately $9 million in tax. After the Department of Revenue collects, at most 5% of annual tax revenue to administer the new excise tax program, there is approximately a $450,000 annual loss to local governments.

Policy Purpose Statements - This bill was proposed as a way to modify, for the owners of construction rental equipment, the method of paying tax on moveable capital equipment

SCHOOL FINANCE

HB 4067 (CH 25)

Expands the definition of the term "child with a disability" for purposes of special education to include children who have developmental delays and who are in third grade or lower. Takes effect on July 1, 2019.

Revenue Impact: This bill does not change the total formula revenue available for distribution to school districts and education service districts.

With an expanded eligibility for special education, school districts may find additional students that would qualify for an individualized educational plan (IEP). At this time, there is not a credible estimate on the number of such students. If additional students are found to be eligible for IEP, the state total weighted Average Daily Membership (ADMw) increases, which in turn dilutes the formula revenue per ADMw, given fixed State School Fund. At the same time, it is likely that there will be a shift of formula revenue among school districts.

HB 4117 (CH 33)

Increases the upper limit of local option property tax revenues that school districts can keep and use, starting from July 1, 2018. Makes provisions so that a school district that exceeded binding caps in listed school years can keep and use specified over-the-cap amounts without sending them to a pool of formula revenues to be distributed among all school districts and education service districts. Takes effect on July 1, 2018.

Revenue Impact: This measure does not change the formula revenue available for distribution to school districts and education service in the 2015-17 and 2017-19 biennia.

If not for the changes in this bill, the Portland Public Schools (PPS) would have been in a position to send to the pool of formula revenue for the purpose of State School Fund distribution, over-the-cap local option property taxes they collected in the 2015-16, 2016-17, and 2017-18 school years. Based on the data provided by PPS, Oregon Department of Education, and Oregon Department of Revenue, estimated over-the-cap collections for 2015-16 and 2016-17 are $3.8 million and $8.7 million respectively. For 2017-18, it is most likely that PPS will go over the cap in local option property taxes they can keep and use within the district, but lack of data at this point does not warrant a formal analysis.

SB 1520 (CH 72)

Clarifies that a school district does not need to offer half-day kindergarten when it provides full-day kindergarten. Moves by two years to June 30, 2020, the sunset on provisions that allow foreign exchange students residing in a dormitory operated by an Oregon school district to be considered resident students of the school district in which the dormitory is located. in 2018-19, the estimated general purpose grant distribution to school districts with such students would total $300,000.

Revenue Impact: This bill does not change the total formula revenue available for distribution to school districts and education service districts.

During the 2016-17 school year, there were 39 foreign exchange students living in Oregon school district-operated dormitories. Assuming the same number of such students

MEDICAL PROVIDER TAXES

HB 4162 (CH 66)

Moves the sunset of the Long Term Care Facility Assessment to June 30, 2026. Takes effect on the 91st day after the adjournment sine die.

Revenue Impact (in $Millions):

	Biennium		
	2017-19	2019-21	2021-23
Long Term Care Facility Quality Assurance Fund	$ 0	$ 72.4	$ 156.3

Data Source: Oregon Department of Human Services

Under current law, the Long Term Care (LTC) facility assessment sunsets at the end of the 2019-20 fiscal year (FY). This bill allows the Oregon Department of Human Services to continue to collect assessment on LTC facilities (also known as nursing facilities) for six more years. LTC facility assessments will fetch matching federal funds. With the changes in this bill, the FY 2020-21 assessment will bring about an estimated $72.4 million. For the 2021-23 biennium, the LTC facility assessments are estimated to be $156.3 million.

MARIJUANA LEGALIZATION AND TAXATION

HB 4163 (CH 98)

Moves civil penalties collected by Oregon Liquor Control Commission (OLCC) due to

violations of laws and rules governing recreational marijuana from the OLCC's Marijuana Control and Regulation Fund to the General Fund, consistent with where civil penalties are deposited in other agencies.

Background:

This measure implements statutory changes necessary to support the 2017-19 legislatively adopted 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 2017-19 biennium. The measure has an emergency clause and is effective on passage.

Revenue Impact:

The measure moves the Marijuana violation penalties to the general Fund. This is about an $80,000 increase per biennium to the general fund.

Section 8 of the measure moves civil penalties collected by Oregon Liquor Control Commission (OLCC) due to violations of laws and rules governing recreational marijuana from the OLCC's Marijuana Control and Regulation Fund to the General Fund, consistent with where civil penalties are deposited in other agencies

SB 1544 (CH 103)

Creates Illegal Marijuana Market Enforcement Grant Program to provide financial assistance to local law enforcement agencies. Redirects funds in Oregon Marijuana Account for purposes of program.

Sunsets program in 2024. Increases, from four to eight, the number of registry identification cardholders for whom a person may produce medical marijuana. Directs Oregon Health Authority to establish maximum number of immature marijuana plants, under 24 inches in height, that may be produced at a registered medical grow site. Exempts small medical marijuana grow sites from obligation to participate in tracking system operated by Oregon Liquor Control Commission.

Background:

This measure relates to marijuana and addresses law enforcement, the medical marijuana program and industrial hemp, while making other marijuana-related changes to the law. It creates the Illegal Marijuana Market Enforcement Grant Program, modeled after a Colorado program, to assist local governments with the costs incurred in detecting and prosecuting unlawful marijuana cultivation and distribution operations. The program is funded by the Oregon Marijuana Account and administered by the Oregon Criminal Justice Commission (CJC). CJC is directed to evaluate the efficacy of services funded by the program and is required to report annually to the Legislative Assembly on the program. The program and funding mechanism sunset in January 2024.

Revenue Impact: No Impact

The Legislative Revenue Office has reviewed the proposed legislation and determined that it has No Impact on state or local revenues analyzed by this office. The funds mentioned in the measure are a repartitioning of the current amount $1.25 million quarterly going to the OLCC.

The measure funds enforcement programs through a transfer of revenue off the top of collections. $875,000 to the Oregon Liquor Control Commission for deposit in the Marijuana Control and Regulation Fund established under ORS 475B.296; and $375,000 to the Oregon Criminal Justice Commission for deposit into the Illegal Marijuana Market Enforcement Grant Program Fund established in section 15 of this Act. The transfers start in 1/1/2019 and sunset on 1/2/2023.

The Illegal Marijuana Market Enforcement Grant Program is established to assist cities and counties with the costs incurred by local law enforcement agencies in addressing unlawful marijuana cultivation or distribution operations. Providing financial assistance to local law enforcement agencies and district attorneys in rural areas to address, investigate, and prosecute unlawful marijuana cultivation or distribution operations.

SB 1555 (CH 81)

Modifies purposes for which a certain percentage of moneys in Oregon Marijuana Account may be used. Applies to any moneys transferred to account after effective date of Act. Sunsets and reverts law to original statutory language on July 1, 2019.

Background:

A portion of the retail marijuana tax revenues (20%) are allocated to the Oregon Health Authority (OHA) for use in alcohol and drug abuse prevention, early intervention and treatment. House Bill 5026 (2017) specified that $16 million of these tax revenues be spent on community mental health services. Current statute directs marijuana tax revenues into the Mental Health Alcoholism and Drug Services Account, which can only allocate moneys for drug abuse prevention, early intervention and treatment services, and not community mental health services. This measure enables the OHA to distribute a portion of the retail marijuana tax revenues to community mental health services.

Revenue Impact: No Impact

Senate Bill 1555 A does not change the distributions or the revenue amounts, but enables the OHA to use a portion of the retail marijuana tax revenues on community mental health services. Thus, The Legislative Revenue Office determined that the proposed legislation has No Impact on state or local revenues as analyzed by this office.

TRANSPORTATION

HB 4059 (CH 93)

Makes clarifications and technical corrections to House Bill 2017 (Chapter 750, 2017 Oregon Laws). **This is the omnibus fix it bill to the 2017 Transportation Package.** Eliminates limit on number of Pacific Wonderland vehicle registration plates. Extends transit agency seat belt exemption to tribal government public transportation vehicles. Exempts vehicles that are part of connected automated braking system from traffic offense of following too closely. Repeals statutory trigger for rulemaking for program allowing nonprofits to post information on human trafficking in highway rest areas. Provides for compensation to outdoor advertising sign companies for signs damaged, destroyed, or relocated due to construction.

Background:

House Bill 2017 (2017) presented a suite of recommendations from the Joint Committee on Transportation Preservation and Modernization, which conducted a statewide circuit of hearings and tours to review transportation needs across all modes throughout Oregon. The Committee held 13 meetings in 10 communities, toured transportation facilities, met with elected officials and stakeholders, and conducted public hearings. The final product included significant increases in transportation taxes and fees for highway maintenance, preservation, enhancement, and seismic rehabilitation; investments in multimodal transload facilities; increased funding for on-road and off-road bicycle and pedestrian facilities, including a new bicycle excise tax; a new statewide employee payroll tax as a revenue source for public transportation and a distribution formula for that new revenue; two new rebate incentive programs for zero-emission vehicles and a vehicle dealer privilege tax as a new revenue source to pay for them; and numerous modifications of transportation policy, including the creation of a statutory Joint Committee on Transportation.

Revenue Impact: Reductions in revenue are in brackets

	2017-19	2019-21	2021-23	2023-25
Road Use Assessment Fees RUAF	$0	($19,105)	($32,361)	($180,411)
log Trucks	$0	($252,393)	($468,258)	($1,442,130)
Dump Sand & Gravel	$0	($21,899)	($36,115)	($88,424)
Over-Dimension (OD) Revenue	$0	($135,445)	($272,071)	($373,282)
Trailers, Cabs & Chassis	$0	$0	$0	$0
Payroll (Transit)	($7,014,746)	($14,559,982)	($15,297,081)	($16,071,496)
Subtotal (impct/no change from HB 2017)	($7,014,746)	($14,988,824)	($16,105,886)	($18,155,742)
Weight Crt Receipts	$0	($549,047)	($1,102,838)	($1,529,279)
Bicycles @ $200	$21,005	$42,769	$43,802	$44,859
Electric bikes (difference in Tax)	$6,075	$12,370	$12,668	$12,974
Subtotal (change from HB 2017)	**$27,080**	**($493,908)**	**($1,046,368)**	**($1,471,445)**
Total all impact	**($6,987,666)**	**($15,482,732)**	**($17,152,254)**	**($19,627,187)**

Road Use Assessment Fees (RUAF) are levied on heavy trucks with indivisible loads. Flat Fees are in lieu of weight mile for commodity (Log & Dump) carriers. Those categories were transcribed in HB 2017 with the wrong amounts. Over Dimensional (OD) categories were not supposed to be increased in HB 2017 to achieve the revenue balance. Reducing the fees mentioned above represents a reduction from current law but not form the Base estimate of HB 2017. However, the reduction in weigh certificates is a reduction in the base estimates of HB 2017. These reductions start on Jan-1-2020, and do not roll back increases that occurred in 2018.

For the purpose of the Dealers Privilege Tax; Trailers definition is narrowed to DMV registered trailers, and the medium trucks are specified to have only the Cab and Chasse subject to the tax. Medical modifications are also excluded from the price of other vehicles.

The Transit Tax is reduced by excluding “periodic income” from the base that the rate applies to. This is a reduction from current law, but not from the estimate of HB 2017.

For the bicycle excise tax; the measure takes out the wheel size definition of “bicycle”, and includes electric assisted bicycles to the category. The difference in the revenue for the electric bike above the HB 2017 estimates is about $30,400 a year. However, the difference from taxing them as bicycles (at $15), rather than Vehicles comes out as the amount stipulated in the table of the revenue impact. The bike revenue is the only positive revenue category in this measure.

HB 4062 (CH 114)

Modifies fees for certain documents and services provided by the Oregon Department of Transportation. **This is the DMV Fee Bill.** Reorganizes statutes related to motor vehicle titling and registration, driving privileges, and vehicle business certificates. Specifies that in instances where vehicle registration plates are transferred between vehicles owned by different individuals the remaining registration period on the plates ceases for both vehicles.

Background:

The Driver and Motor Vehicle Services Division (DMV) of the Oregon Department of Transportation (ODOT) is the state agency tasked with issuing licenses and permits for the lawful operation of motor vehicles on public roads, and with titling and registering motor vehicles. More than three million Oregonians are licensed to operate vehicles, and about 177,000 new driver licenses are issued and 335,000 licenses are renewed each year.

The fees assessed by DMV for the services the agency provides are set in statute and were originally set to cover the cost of the service, with vehicle title and registration fees set to produce additional revenue for the State Highway Fund. However, as the cost of providing these services has increased, revenue that would otherwise be deposited into the State Highway Fund has instead been used to cover the difference between the statutory fee and the actual cost of providing the service.

DMV conducted an extensive study of its costs and fees in 2013 and identified several fees that would need to be raised in order to ensure that the statutory fee covers the cost of service. Some of these were addressed with the passage of House Bill 2017 (2017). House Bill 4062-B adjusts the statutory fees for various DMV products and services, and streamlines related statutes.

Revenue Impact: Reductions in revenue are in brackets

Transactions with Fee increases	2017-19	2019-21	2021-23
Original CDL Issuance - $0.50 decrease	($1,662)	($7,009)	($7,091)
Original Commercial Learner Permit - $0.50 decrease	($1,669)	($6,681)	($6,761)
Original/Renewal Non-Comm Instruction Permit - $0.50 decrease	($17,755)	($71,202)	($72,058)
Motorcycle Instruction Permit - $0.50 decrease	($536)	($1,780)	($1,802)
Special, Emergency, Other Permit - $0.50 decrease	($3)	($16)	($19)
CDL Renewal - $0.50 decrease	($1,635)	($7,462)	($7,549)
Replacement Licenses & Permits - $0.50 decrease	($29,502)	($121,789)	($123,248)
Airbrake Removal Skills Test - $14 increase	$72	$289	$302
School Bus Endorsement Skills Test* - $70 increase	$0	$0	$0
Passenger Endorsement Skills Test - $70 increase	$3,831	$15,318	$15,463
CDL Combination Knowledge Test - $10 increase	$33,250	$132,980	$134,580
Motorcycle Knowledge Test - $5 increase	$18,065	$72,250	$73,115
School Bus Endorsement Added to CDL - $6 increase	$3,942	$15,768	$15,960
Total Gross Revenue Increase	**$6,398**	**$20,666**	**$20,892**

The measure makes statutory changes to DMV fees. The -A6 amendment rounds fees down to whole numbers instead of up, and eliminates a cost/fee study mandate. It also changes statutes governing vehicle plate transfers to allow the remaining registration on the plate to be transferred to the new vehicle only if both vehicles are owned by the same person. The -A6 makes the effective date 91 days after adjournment sine die. The -A6 changes to statutes related to plate transfers are operative July 1, 2018. The -A6 changes to DMV fees are operative January 1, 2019. The increase fees will pay for DMV costs that otherwise would be subsidized by the highway fund.

SB 1538 (CH 76)

Replaces probationary driving permits with hardship permits. Standardizes requirements for hardship permits. Repeals requirement to notify law enforcement agencies of hardship permits. Eliminates family necessity hardship permits. Prohibits hardship permit for second or subsequent driving under the influence of intoxicants conviction that occurs within a five-year period. Repeals requirement for restoration of habitual offender revocation to reinstate license after five years. Repeals driver license suspensions for certain student behavior and criminal offenses involving controlled substances. Eliminates suspension for littering, uncollectible payment to the Department of Transportation, failure to use same name, giving false information to a police officer, transfer of documents for misrepresentation of age, perjury or false affidavit for certain vehicle transactions, and theft of gasoline. Permits court to suspend minor's driver license for the offense of misrepresentation of age when it is to purchase or consume cannabis on the second offense; the first offense, if the offense involved the operation of a motor vehicle; or the first offense, if the person has previously entered into a formal accountability agreement. Modifies law allowing court to suspend minor's driver license for misrepresentation of age in order to purchase or consume alcohol; offenses involving the delivery, manufacture, or possession of controlled substances; and offenses involving possession, use, or abuse of alcohol or cannabis. Allows member of the commissioned corps of the National Oceanic and Atmospheric Administration to operate motor vehicles in Oregon without an Oregon license during the person's duties. Allows these persons, and their spouses, to operate a motor vehicle in Oregon without an Oregon driver license, if they have a current out-of-state license or driver permit. Makes conforming and technical amendments

Revenue Impact: Highway Fund Reduction:

Revenue BN	2017-19	2019-21	2021-23
Total Revenue Reduction	**($73,574)**	**($278,847)**	**($282,131)**

The measure will result in a revenue loss due to decreased reinstatement and hardship applications. DMV estimates a decrease of 2,591 reinstatements and 50 hardship permits during the 2017-2019 biennium, and 10,364 reinstatements and 50 hardship permits during the 2019-2021 biennium. The amended measure resolves conflicts with another bill (HB 4055, and possibly HB 4062) that changes the category of the permit. The amendment also makes it permissive for the court to suspend driving privileges instead of mandatory.

TRANSIENT LODGING TAX

HB 4120 (CH 34)

Expands definition of "transient lodging intermediary" to include person that collects consideration for occupancy of transient lodging and person that receives fee or commission and requires transient lodging provider to use specified third-party entity to collect consideration for occupancy of transient lodging. Provides joint and several liabilities for state transient lodging tax for each and every owner of transient lodging. Provides rules governing filing of local transient lodging tax returns. Authorizes unit of local government to subpoena and examine witnesses, administer oaths and order production of evidence in hands of any person as necessary and proper in prosecution of inquiries related to local transient lodging tax.

Background:

Oregon's statewide transient lodging tax law was created in 2003 with the passage of HB 2267. The 2005 Legislative Assembly expanded the definition of transient lodging (HB 2197) to include dwelling units used for temporary human occupancy, where temporary was defined as fewer than 30 days. The 2005 law explicitly exempted certain other temporary overnight dwelling units, such as hospitals and nonprofit summer camps. The 2013 Legislative Assembly clarified circumstances under which a transient lodging intermediary (HB 2656) rather than a lodging provider would be the entity responsible for collecting and remitting transient lodging taxes. Transient lodging intermediaries include Online Travel Companies (OTC), travel agents, and tour outfitter companies, among others. The law specifies that the entity collecting the payment from the customer is the entity required to collect and remit the tax based on the total retail price paid by the customer.

HB 4146 of 2016 directed the Legislative Revenue Office to lead an interim work group to study a series of specific travel industry issues. HB 4146 also marked the first major change in the structure of the tax. The major provisions of HB 4146 were:

• An increase in the tax rate from 1% to 1.8% for the period July 1, 2016 to July 1, 2020. On July 1, 2020 the rate goes to 1.5%. The new higher rate is expected to generate an additional $12.7 million in the 2015-17 biennium and $27.4 million in the 2017-19 biennium after allowance for collection costs.

• A requirement that 20% of revenue collected from the transient lodging tax be spent implementing the regional cooperative tourism program and 10% be allocated to a competitive grant program to fund tourism-related facilities and events. The bill directs the Tourism Commission to base grant awards on demonstrated return on investment, geographic equity and community support.

FY 2016 collection is about $21 million. Eighty-four cities and fifteen counties in Oregon levy a locally administered transient lodging tax and are also included in that definition.

Revenue Impact:

The revenue impact out of the increased enforcement is about $0.4 million a year for the state and about $2.0 for local government tax collection.

The definition changes in Section 1 of the bill clarifies that all intermediaries are subject to state and local lodging taxes. Some intermediaries considered that they are not subject to the 2013 clarification.

For intermediaries that don't collect/remit state lodging tax but are required to, the new language makes all the intermediary business models that currently exist in the industry, subject to the collection and remittance requirement. The definitional change is likely to reduce or even eliminate potential litigation about the issue.

Naturally the same applies to local governments, however, their specific ordinances play a role as well in who is required to collect, report, and remit.

BONDING AND DEBT

SB 5702 (CH 87)

Revises amounts authorized for issuance of general obligation bonds of state during 2017-2019 biennium.

Revenue Impact:

The bond bill includes the bond proceeds as revenue and the debt service payment as negative revenue or a transfer out.

			Bond Par Value	Costs & Reserves	2017-19 Debt Service	2017-19 Revenue	2019-21 Revenue	2021-23 Revenue
GF	Department of Administrative Services	XI-Q	$49,850,000	($743,013)	($833,867)	$48,273,120	($9,198,425)	($10,140,343)
GF	Higher Education Coordinating Comm.	XI-G	$30,505,000	($505,000)	$0	$30,000,000	($3,164,508)	($6,472,840)
OF	Higher Education Coordinating Comm.	XI-F (1)	$3,950,000	($100,000)	$0	$3,850,000	($499,585)	($709,828)
Lottery	DAS Lottery Revenue Bonds		$21,165,000	($2,015,000)	$0	$19,150,000	($3,253,745)	($4,330,627)
	Total		**105,470,000**	**(3,363,013)**	**(833,867)**	**101,273,120**	**(16,116,263)**	**(21,653,638)**

The measure increases the Higher Education Coordinating Commission (HECC) Article XI-G general obligation bond authorization for Public Universities by $30,505,000, from $101,385,000 to $131,890,000. The increase provides funding to finance grants for one new capital project and an increase in a previously approved capital project. The measure increases General Fund supported Article XI-Q general obligation bond authority by $49,850,000, from $563,839,225 to $613,689,225, to finance the capital costs of projects for real or personal property owned or operated by the state. HECC projects funded by grants to Public Universities are described in detail in the budget report.

FINANCIAL MANAGEMENT AND TAX ADMINISTRATION

HB 4074 (CH 95)

Provides proceedings to escheat to State of Oregon matured United States savings bonds presumed abandoned and in custody of state. Authorizes Director of Department of State Lands to seek payment for escheated bonds from United States Treasury

Background:

This measure allows the Department of State Lands to redeem fully matured savings bonds and deposit the proceeds to the Common School Fund by escheatment. If the bond owners come back after escheatment they will still be able to reclaim the bond proceeds via a petition process. There is likely to be $ 2 million that will be generated in the coming biennia.

Revenue Impact: The expected revenue impact is about $2 million to the Common School Fund (CSF). $900,000 is to be available in 2017-19 biennium and $1.1 million in the 19-21 biennium.

House Bill 4074 allows the agency to redeem fully matured savings bonds and deposit the proceeds to the Common School Fund by escheatment. If bond owners come back after escheatment they will still be able to reclaim the bond proceeds via a petition process.

Over 2,500 savings bonds, with a matured value over $900,000 would be immediately available for online posting, due process activities and escheatment. The total inventory currently is 5,207 savings bonds valued at $1.6million to $2 million.

SB 1553 (CH 79)

Clarifies who is subject to the requirements to file when it comes to collection or attempting to collect a debt by debt buyer.

Revenue Impact: No impact

The new subsection “(t) added in this measure specifies that; "Collects or attempts to collect a debt if the debt collector is a debt buyer, or is acting on a debt buyer’s behalf, and collects or attempts to collect purchased debt before providing to a debtor, within 30 days after the date of the debtor’s request, all of the documents listed in subsection (4)(b) of this section."

the specified (4)(b) allows for the following:

Brings a legal action against a debtor or otherwise brings a legal action to attempt to collect a debt without possessing business records that satisfy the requirements of ORS 40.460 (6) or ORS 24.115, if the record is a foreign judgment, that establish the nature and the amount of the debt and that include:

“(A) The original creditor’s name, written as the original creditor used the name in dealings with the debtor;

“(B) The name and address of the debtor;

“(C) The name, address and telephone number of the person that owns the debt and a statement as to whether the person is a debt buyer;

“(D) The last four digits of the original creditor’s account number for the debt, if the original creditor’s account number for the debt had four or more digits;

“(E) A detailed and itemized statement of:

“ (i) The amount the debtor last paid on the debt, if the debtor made a payment, and the date of the payment;

“ (ii) The amount and date of the debtor’s last payment on the debt before the debtor defaulted or before the debt became charged-off debt;

“ (iii) The balance due on the debt on the date on which the debt became charged-off debt;

“ (iv) The amount and rate of interest, any fees and any charges that the original creditor imposed, if the debt buyer or debt collector knows the amount, rate, fee or charge;

“ (v) The amount and rate of interest, any fees and any charges that the debt buyer or any previous owner of the debt imposed, if the debt buyer or debt collector knows the amount, rate, fee or charge;

“ (vi) The attorney fees the debt buyer or debt collector seeks, if the debt buyer or debt collector expects to recover attorney fees; and

“ (vii) Any other fee, cost or charge the debt buyer seeks to recover;

“ (F) Evidence that the debt buyer and only the debt buyer owns the debt;

“ (G) The date on which the debt buyer purchased the debt; and

“ (H) A copy of the agreement between the original creditor and the debtor that is either:

“ (i) The contract or other writing the debtor signed that created and is evidence of the original debt; or

“ (ii) A copy of the most recent monthly statement that shows a purchase transaction or balance transfer or the debtor’s last payment, if the debtor made a payment, if the debt is a credit card debt or other debt for which a contract or other writing that is evidence of the debt does not exist;

The sections referenced ORS 40.460 (6), and/or ORS 24.115 40.460 Rule 803. Hearsay exceptions; availability of declarant immaterial. The following are not excluded by ORS 40.455, even though the declarant is available as a witness:

(6) A memorandum, report, record, or data compilation, in any form, of acts, events, conditions, opinions, or diagnoses, made at or near the time by, or from information transmitted by, a person with knowledge, if kept in the course of a regularly conducted business activity, and if it was the regular practice of that business activity to make the memorandum, report, record, or data compilation, all as shown by the testimony of the custodian or other qualified witness, unless the source of information or the method of circumstances of preparation indicate lack of trustworthiness. The term "business" as used in this subsection includes business, institution association, profession, occupation, and calling of every kind, whether or not conducted for profit. or ORS 24.115, ORS 24.115 Filing of foreign judgment; effect.

(1) A copy of any foreign judgment authenticated in accordance with the Act of Congress or the statutes of this state may be filed in the office of the clerk of any circuit court of any county of this state. Except as otherwise provided by law, the person filing the copy of the foreign judgment must pay the filing fee established under ORS 21.135. The clerk shall treat the foreign judgment in the same manner as a judgment of the circuit court. (2) A certified copy of any foreign judgment authenticated in accordance with the Act of Congress or the statutes of this state shall be recorded in the County Clerk Lien Record of any county other than the county in which the judgment is originally filed, in order to become a lien upon the real property of the judgment debtor in that county as provided in ORS 18.152.

(3) A judgment so filed has the same effect and is subject to the same procedures, defenses and proceedings for reopening, vacating or staying as a judgment of the circuit court in which the foreign judgment is filed, and may be enforced or satisfied in like manner.

(4) A foreign judgment of a tribal court of a federally recognized Indian tribe that is filed in a circuit court under this section, and that otherwise complies with 26 U.S.C. 414(p) as a domestic relations order as defined in 26 U.S.C. 414(p), is a domestic relations order made pursuant to the domestic relations laws of this state for the purposes of 26 U.S.C. 414(p). [1979 c.577 §2; 1985 c.343 §5; 1987 c.586 §14; 1995 c.273 §13; 2003 c.576 §180; 2007 c.663 §1;

2011 c.595 §32]

HB 4301 (CH 1) - 1st Special Session

Extends the existing preferential tax rates for certain pass-through income to taxpayers filing as a sole proprietor.

Revenue Impact (in $Millions):

	Biennium		
	2017-19	**2019-21**	**2021-23**
General Fund	-$14.8	-$24.7	-$27.2

Estimates were based on an analysis of sole proprietor data for tax years 2015 and 2016 and then projected forward to tax years 2018 and later. The analysis incorporated information on factors such as business income, total income, and labor costs. For tax year 2018, roughly 12,000 sole proprietors are projected to be eligible to participate in the program. Model simulations indicate roughly 50 percent are likely to opt-in. Consequently, roughly 6,000 taxpayers with income from a sole proprietor are projected to take advantage of the preferential rates. Their average tax reduction is estimated to be roughly $1,900 in 2018. The estimated revenue impact is assumed to grow at an average annual rate of five percent, based on recent history and the most recent economic forecast.

Policy Purpose Statement

The purpose of this policy change is to expand the allowed use of the preferential tax rates to include sole proprietors.