



**REVENUE MEASURES PASSED
BY THE 81st
LEGISLATURE
2021 Session
(With 2020 Regular and Special Sessions)**

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Legislative Revenue Office

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House Bills		Senate Bills
HB 2008	HB 2740	SB 25
HB 2060	HB 3011	SB 120
HB 2137	HB 3055	SB 136
HB 2165	HB 3138	SB 139
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HB 2247	HB 3143	SB 154
HB 2330	HB 3178	SB 165
HB 2341	HB 3275	SB 172
HB 2343	HB 3294	SB 225
HB 2359	HB 3295	SB 316
HB 2433	HB 3389	SB 397
HB 2434	HB 3398	SB 464
HB 2438	HB 4061	SB 727
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HB 2456	HB 4202	SB 817
HB 2457	HB 4210	SB 846
HB 2523	HB 4303	SB 1603
HB 2530	HB 5006	SB 1607
HB 2607		SB 5505
HB 2739		SB 5514
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2021 REVENUE MEASURES PASSED

OVERVIEW

Revenue Policy Environment

The overwhelming concern has obviously been the pandemic and its impact on public health. As governments - including Oregon - responded to the unfolding health crises, the impact on the economy was immediate. Certain sectors and businesses were effectively shut down or required to dramatically change their operations. Consequently, the economic expansion that began in June 2009 officially ended in February of 2020. The expansion became the longest on record at 128 months, according to the National Bureau of Economic Research (NBER). The prior record of 120 months lasted from March of 1991 to February 2001.

While initial concerns were for a dramatic drop in revenue for the 2019-21 biennium, the economic recession was technically short-lived. In fact, the NBER declared the recession lasted just two months. While employment levels are not expected to reach pre-pandemic levels until late 2022, the revenue rebound has been strong and swift.

As the 2019-21 biennium began, Net General Fund & Lottery revenue was projected to be \$22.3 billion, representing a nearly four percent decrease from the prior biennium. Immediately following the onset of the pandemic and the resulting economic shutdowns in the Spring of 2020, the June 2020 forecast reflected a roughly \$2.3 billion reduction in 2019-21 GF & Lottery revenue. As the 2021 session got under way, the estimate had rebounded to \$22.5 billion, despite the downturn. By the time the June forecast was released, Net General Fund & Lottery revenue was projected to be just under \$24.3 billion, a nearly five percent increase over the prior biennium.

By the time of the September forecast and the books were closed, so to speak, on the 2019-21 biennium, net GF & Lottery revenue totaled just over \$24.9 billion. The strong rebound has been attributed to the unprecedented amount of federal stimulus and the ability of asset markets and corporate profits to remain at elevated levels. That revenue level results in a personal kicker of roughly \$1.9 billion to be credited against 2021 personal income tax liabilities during the 2021-23 biennium. Also, a corporate 'kicker' of \$847 million is dedicated to K-12 spending.

Just prior to the 2021 Legislative Session, the projected General Fund & Lottery revenue for 2021-23 was just over \$25.4 billion. However, by the May 2021 forecast, that estimate had grown to just over \$27.5 billion. Oregon received roughly \$2.6 billion for state spending and another \$1.5 billion for local governments. Much of the energy during the session was spent on appropriating those federal dollars. This level of funding resulted in little action by way of changing tax policy to meet the 2021-23 budget demands.

As the 2021 session adjourned, the forecast was again revised upward as optimism increased and the strength of the recovery continued. While there continue to be risks, they are generally geared toward the downside in the near term. Namely, supply chain constraints may present challenges in meeting consumer demand as it returns to pre-pandemic levels. Also, labor constraints present another area that economists are closely monitoring. The combination of these factors suggest that inflation could be a concern, although it is currently expected to be transitory as the Oregon economy returns to an equilibrium. Having said that, the most significant concern to arise since the session concluded is the increase in COVID cases, generally attributable to the Delta variant. As of this writing, it remains an open question as to what, if any, policy responses may be instituted. Fortunately, the number of cases has started to decline.

Projected General Fund Revenue for the 2021-23 Biennium

The 2021-23 Legislatively Adopted Budget (LAB) is based on the May economic and revenue forecast adjusted for actions taken by the Legislature during the 2021 session. The available GF resources for the 2021-23 biennium is just over \$26 billion, as reflected in the table below.

2021-23 Legislatively Adopted Budget Revenue Forecast General Fund, \$M

Beginning Balance	\$3,025.6
Allocation to Rainy Day Fund	-\$224.6
Short-Term Interest Costs	-\$21.5
Projected General Fund Revenue	\$23,404.8
Shared Revenues	-\$40.6
Corporate Income Tax to Rainy Day Fund	-\$56.0
PERS UAL Fund	-\$74.9
Subtotal	\$26,012.8
Legislative Actions	
Tax Expenditure Omnibus (HB 2433)	-\$69.6
EITC Expansion (HB 2457)	-\$13.0
Pass Through Entities (SB 139)	\$41.7
Interstate Broadcasters (SB 136)	-\$1.2
Court Filing Fees (HB 2178, SB 397, SB 817)	-\$4.4
Traffic Fines (HB 2137 and HB 2530)	-\$0.8
OLCC Fees (HB 2740 and SB 316)	-\$9.1
Secretary of State Fees (SB 25)	\$1.5
Other Adjustments	\$50.3
Subtotal	-\$4.4
Total Resources	\$26,008.4

Projected General Fund resources, including the beginning balance, are estimated at \$26,008.9 million for the 2021-23 biennium. This compares with an estimated \$25,466.3 million for the 2019-21 biennium. The estimates for 2021-23 include the impact of the kicker.

While we have technically entered a new economic expansion, the cyclical nature of Oregon's durables goods manufacturing oriented economy and the volatility of General Fund revenue, the state's reserve fund positions continue to be a critical element of the state's financial profile. The combined balances in Oregon's two reserve funds (the Education Stability Fund and the Oregon Rainy Day Fund) is just under \$1.4 billion following the 2019-21 biennium.

These balances are projected to grow to just over \$1.9 billion by the end of the 2021-23 biennium. When combined with the projected \$562 million General Fund ending balance, the state's

reserves are 9.8% of LAB expenditures. This level should be sufficient to cover revenue declines in a mild to moderate recession.

For a detailed discussion of the 2021-23 Legislatively Adopted Budget see “2021-23 Budget Highlights” released by the Legislative Fiscal Office.

As far as other sources of revenue for the 2021-23 Biennium, Lottery is projected to have resources of \$1,774 million, the Corporate Activity Tax is projected to have \$2,526 million, and Marijuana \$362 million.

Major 2021 Revenue Legislation

This section summarizes major revenue bills. One of the themes from the session is that policy actions were implemented through a collection of bills. The main themes were responses to the wildfires, economic effect of the pandemic, business income taxation, and the biennial tax expenditure review. House Bills 2341 and 2607, along with SB 464 were enacted in response to the wildfires. House Bill 2341 modifies the assessment process for property taxes of damaged or destroyed homes; HB 2607 exempts related rebuilding efforts from local construction taxes; and SB 464 provides an optional cancellation of taxes. As the Oregon economy continues to recover, unemployment insurance taxes were scheduled to increase significantly to replenish the Unemployment Insurance Trust Fund. Policies to address the UI system were implemented with HBs 3389, 3137, and SB 172. House Bill 3389 contains the primary policy that implements changes to reduce those tax increases while keeping the fund solvent. The Revenue committees revisited the taxation of pass-through entities, SB 139 eliminates certain business from the preferential rate program with the intent focusing the policy on job creation and business investment among Oregon small businesses. Passed alongside that bill was SB 727, which is Oregon’s response to the federal limitation of the State and Local Tax deduction taken on personal income tax returns. This policy creates a voluntary program where qualified business owners are able to increase their business deductions against their federal income tax. Lastly, the Legislature continued the process of tax credit reviews. The 2021 session marks the sixth review; HB 2433 is the omnibus bill for tax credits and a few other tax expenditures.

Wildfire Response

HB 2341, HB 2607, and SB 464

These bills are part of the Legislature’s policy response to the wildfires of 2020. HB 2341 allows county tax collectors to proactively adjust property taxes for property that was destroyed or damaged by fire or act of God when a state of emergency has been declared. The bill allows them to take this action instead of waiting for the property owner to file such an application. The bill also adjusts the method by which the adjustment is calculated to ensure more properties are eligible for such adjustments. SB 464 allows for the cancellation of roughly 83 percent of property taxes owed if such an ordinance is adopted by the relevant governing body. Relief may be granted for properties affected by the 2020 wildfires that experience either a loss in real market value or a disruption of use. HB 2607 pertains to local construction taxes. It exempts from such taxes the replacement of residential housing that was destroyed or damaged by wildfire or other specified emergency or circumstance.

Unemployment Insurance

HB 3389, HB 3178, and SB 172

These bills modify the Unemployment Insurance (UI) tax in response to the impact of the pandemic, corresponding business closures, and UI benefits payments. HB 3389 reduces the programmatic tax increases that are required to replenish the UI Trust Fund as the economy

returns to normal. The bill also reduces Adequacy Percentage Ratio used to determine which UI tax schedule takes effect. Among other changes the bill allows businesses to use the same experience rating used in 2020 for calendar years 2022 to 2024. Some employers are also allowed a deferral or forgiveness of 2021 UI tax payments. HB 3178 temporarily alters certain conditions for individuals to be deemed “unemployed” to increase the amount of UI benefits paid. The status quo is reestablished on January 2, 2022. Lastly, SB 172 limits the recovery period of certain non-fraudulent UI benefit overpayments and allows a waiver of non-fraudulent benefit overpayments in certain circumstances.

Pass-Through Entity Taxation

SB 139 and SB 727

Taken together, these two bills constitute significant income tax changes for pass-through entities. SB 139 is a modification of the policy that has been in effect since tax year 2015; it was enacted during the 2013 special session. A primary change is that the policy is limited to pass-through businesses with no more than \$5 million of ordinary business income. In an attempt to focus the incentive on job and business growth opportunities, an additional two-prong test is included. Eligible business must meet either an employee-to-owner ratio that varies with income level or a threshold on the amount of profit that must be reinvested into the business. Also, the number of tax brackets was reduced by one and two of the tax rates have been reduced. SB 727 is considered a companion bill by stakeholders. It is a two-year policy that creates an entity level tax applied to pass-through entities that is fully offset by tax credits claimed by the business owners. Consequently, there is no net revenue impact to the state. This policy is Oregon’s version of a work-around to the federal limitation placed on the personal State and Local Tax (SALT) deduction within the Tax Cuts and Jobs Act of 2017.

Tax Expenditure Policies

HB 2433

This bill was the 2021 biennial omnibus tax expenditure bill. Eleven tax credits were scheduled for their regular review this session; six of them were extended without modification and three were extended with some modification. The other three were allowed to sunset. In terms of their revenue impact, the most significant policy extended was the Working Family Dependent Care tax credit. The bill also modified and/or extended four other income tax credits, out of their scheduled review cycle, and created a new personal income tax subtraction for AmeriCorps educational awards. No new tax credits were created. Altogether, the estimated revenue impact on the General Fund for 2021-23 is -\$69.6 million, with one year affected. The impact in 2023-25, affecting both years, is projected to be -\$156 million. Embedded in that impact is revenue that is redirected to the Greenlight Labor program and the Oregon Production Incentives Fund. Also included in the bill was the creation of an explicit sunset date for the medical marijuana exemption from the retail marijuana tax. Lastly, one exemption from the Transient Lodging Tax was expanded.

PERSONAL AND CORPORATE INCOME TAX

HB 2433 (CH 525)

This measure is an omnibus bill that affects the personal and corporate income taxes, marijuana tax, and transient lodging tax. Consequently, the relevant bill analysis is reported in each of these three sections. Follow the links in the table on page 2 to access the different tax programs.

This measure extends, modifies, and creates tax expenditures.

Revenue Impact (\$Millions):

Policy	Biennium		
	2021-23	2023-25	2025-27
Child with a disability credit	-\$4.9	-\$10.2	-\$10.6
Severe disability credit	-\$4.8	-\$9.7	-\$9.7
Rural medical providers credit	-\$1.2	-\$4.4	-\$6.1
University Venture Development contribution credit	-\$0.3	-\$0.5	-\$0.4
Working family household and dependent care credit	-\$33.2	-\$66.3	-\$66.3
Individual development account contribution credit	-\$6.6	-\$13.6	-\$13.9
OR Life & Health Ins. Guaranty Association credit	-\$0.7	-\$0.9	-\$0.5
Oregon Veterans' Home physician credit	Minimal	-\$0.1	-\$0.1
Agriculture workforce housing credit	-\$0.5	-\$2.7	-\$5.0
Affordable housing lender credit	\$0.0	-\$4.1	-\$6.4
Film production development contributions credit	-\$11.5	-\$26.3	-\$39.0
Greenlight Oregon film production labor rebate	\$0.0	-\$4.8	-\$9.8
Labor rebate subtraction	\$0.0	-\$0.4	-\$0.8
AmeriCorps service education awards subtraction	-\$0.2	-\$0.2	-\$0.2
Oregon earned income tax credit	-\$5.7	-\$11.9	-\$6.1
<i>Total General Fund</i>	<i>-\$69.6</i>	<i>-\$156.0</i>	<i>-\$174.8</i>
Fund Receipts*			
Greenlight OR Labor Rebate (GOLR)	\$0.0	\$4.8	\$9.8
Oregon Production Investment Fund (OPIF)	\$10.9	\$23.6	\$36.3

*Fund receipts reflect transfers resulting from proceeds of auctioned film production development tax credits, and transfers of income tax withholding resulting from Greenlight Oregon film production labor rebate.

Sunset extensions & modifications (income tax expenditures)

The following income tax expenditures have their sunsets extended for six years without policy modification:

- Child with a disability credit
- Severe disability credit
- Public University Venture Development Funds contribution credit
- Oregon Life and Health Insurance Guaranty Association credit
- Oregon Veterans' Home physician credit

- Greenlight Oregon film production labor rebate

The following income tax expenditures are modified (some with sunset extension as well):

- Rural medical providers tax credit
- Working family household and dependent care credit
- Individual development account contributions credit
- Oregon earned income tax credit
- Agriculture workforce housing credit
- Affordable housing lenders credit
- Film production development contributions credit

New Income Tax Subtraction

AmeriCorps national service educational awards:

Creates personal income tax subtraction from federal taxable income for amounts received as AmeriCorps national service educational awards. Applies to tax years beginning on or after January 1, 2021 and before January 1, 2027.

Taxpayers receiving AmeriCorps national service educational awards will be allowed a personal income tax subtraction equal to the amount of the education award received by the taxpayer. Education awards can be used to pay current educational expenses at eligible schools or used to repay qualified student loans. Subtraction is not allowed if such education award amount is not included in the taxpayer's federal gross income.

In the most recent five years for which reporting is available, AmeriCorps participation in Oregon has averaged about 975 participants per year. For the same time period, total education awards for all such Oregon participants has averaged about \$3.9 million per year. This equates to an average education award per participant of about \$4,000. However, roughly half of all participant education award amounts are not used.

Policy Purposes

Child with a disability credit

The policy purpose of this credit is to provide financial relief and offset costs associated with a child's disability.

Severe disability credit

The policy purpose of the tax credit is to provide financial relief and offset costs associated with a taxpayer's disability.

Rural medical providers credit

The policy purpose of this credit is to support the recruitment and retention of certain medical professionals in rural areas, thereby improving access in rural areas to such health care providers.

Public University Venture Development Funds contribution credit

The policy purpose of this credit is to encourage contributions to respective university venture development funds.

Working family household and dependent care credit

The policy purpose of the credit is to enable low-income working families to care for young children and disabled dependents by offsetting care costs so that they may be gainfully employed or attending school.

Individual development account contributions credit

The policy purpose of this credit is to fund an asset-based antipoverty strategy that promotes personal financial management, investment, and savings for key assets.

Oregon Life and Health Insurance Guaranty Association credit

The policy purpose of this credit is to offset the cost of insurance guarantee assessments with General Fund resources.

Oregon Veterans' Home physician credit

The policy purpose of this tax credit is to increase the number of health care professionals providing long-term care to Oregon veterans, thereby increasing the number of veterans receiving such care.

Agriculture workforce housing tax credit

The policy purpose of this credit is to provide support for the construction or rehabilitation of agriculture workforce housing, thereby supporting the goal of ensuring adequate agricultural labor housing through a collaboration of the public, private, and nonprofit sectors.

Affordable housing lenders credit

The policy purpose of this credit is to support the development of housing affordable to households with incomes up to 80 percent of area median income, the preservation of housing with federal rent subsidy contracts, and the preservation of manufactured dwelling parks.

Film development and contributions credit

The policy purpose of the credit is to provide a financial return for qualified contributions to the Oregon Production Investment Fund thereby encouraging film and video production in Oregon and strengthening Oregon's film and video industry infrastructure by bringing in more production spending.

Greenlight Oregon film production labor rebate

The policy purpose of the subtraction is to maximize the value of the Greenlight Oregon Labor Rebate Fund.

AmeriCorps national service educational awards

The policy purpose of this subtraction is to eliminate a tax burden on AmeriCorps members when using their education award, causing a subsequent increase in use of awards, and acting as an incentive for AmeriCorps members of other states to attend school in Oregon.

Oregon earned income tax credit

The policy purpose of this expansion is to make the earned income tax credit more equitable by eliminating the distinction between taxpayers filing with a Social Security Number and those filing with an Individual Taxpayer Identification Number.

HB 2456 (CH 528)

Makes relatively modest changes to multiple tax provisions including property tax exemptions and income tax expenditures.

Revenue Impact: Minimal/indeterminate.

Updating **ABLE accounts** point-in-time connection date to the federal internal revenue code is expected to have a minimal revenue impact.

Modifications to **auctioned tax credits** issued by Oregon Film and Video Office and Higher Education Coordinating Commission are expected to minimally impact income tax revenue. Allowing auctioned tax credits to be taken in an immediately preceding tax year can reduce the time between when a taxpayer bids and receives a credit certification, and when that taxpayer can claim the credit on a tax return. This shortening of the time horizon may increase the financial return to taxpayers that purchase the credits at auction thereby increasing demand for the auctioned tax credits. Increasing potential financial return per changes in measure may increase the success of auctions, especially if a second auction is required to be held closer to the tax return deadline.

Internal Revenue Code cross reference correction for the corporate excise tax is a technical correction and not expected to modify underlying tax policy.

Changes to the **short line railroad rehabilitation** tax credit are technical statutory cross reference corrections and eliminations of redundant statutory language.

The estimated impact on General Fund revenue resulting from the expansion of the **manufactured park capital gain** subtraction is indeterminate. Wildfires in 2020 destroyed and/or severely damaged over 20 manufactured dwelling parks in Oregon. If such a park is sold to a nonprofit organization or housing authority, changes contained in measure would allow an income tax subtraction for the capital gain amount received as a result of the sale of the park. While purchase of such parks is being actively pursued by nonprofits and housing authorities, it is unknown the number of sales that will occur, nor the amount of capital gain park owners may have accrued.

The policy purposes of the following tax expenditures modified by the measure are unchanged: film production development contributions, Opportunity Grant Fund contributions, and short line railroad rehabilitation.

Manufactured Park Capital Gain

The policy purpose of this measure is to modify the existing income tax subtraction available to a taxpayer that sells a manufactured dwelling park to a corporate entity formed by the tenants of the park, or by a nonprofit corporation or housing authority. The modification of the tax subtraction is reflective of the many manufactured parks recently destroyed by wildfires in which the existing tax subtraction provides no tax benefit due to the lack of tenants that could form a corporate entity. Modification is intended to encourage the sale of such destroyed parks to a nonprofit corporation or housing authority that will redevelop the site as a manufactured dwelling park.

HB 2457 (CH 456)

Updates connection date to federal Internal Revenue Code and other provisions of federal law from December 31, 2018 to April 1, 2021.

Revenue Impact (\$Millions):

	Fiscal Year		Biennium		
	2021-22	2022-23	2021-23	2023-25	2025-27
General Fund	-\$12.7	-\$0.2	-\$13.0	-\$0.4	-\$0.4

Since Oregon last updated the point-in-time federal statutory connection date (currently December 31, 2018), multiple substantive federal tax policy measures have been enacted. In December of 2019, H.R. 1865 was enacted which included provisions modifying and/or extending numerous tax provisions. In March of 2020, S. 3548, known as the CARES Act was enacted which included provisions relating to retirement savings, disaster relief, and extension of previously expired or expiring provisions. In December of 2020, H.R. 133, named the federal Consolidated Appropriations Act (CAA), was enacted and included provisions modifying and/or extending numerous tax provisions. In March of 2021, H.R. 1319 (American Rescue Plan Act - ARPA) was enacted and included numerous tax law provisions relating to promoting economic security and providing income support through the tax system. Most of the changes contained in the respective federal measures were automatically incorporated into Oregon tax law through Oregon’s rolling reconnect to the definition of federal taxable income. In some instances, federal tax law changes are incorporated into Oregon tax law when Oregon’s point-in-time connection to federal tax statute is updated.

Temporary and permanent modifications to the federal earned income tax credit (EITC) were included in the CAA & ARPA measures. As Oregon’s earned income tax credit is a percentage of the federal credit, adopting a point-in-time connection date that is after the respective measures’ enactment dates causes Oregon’s earned income tax credit to be modified in accordance with the federal changes.

For the purposes of calculating the EITC on their 2020 tax return, the CAA allows taxpayers to substitute their 2019 earned income for their 2020 earned income if their earned income at the end of 2020 is less than their 2019 earned income. The ARPA also allows a taxpayer to substitute their 2019 earned income for their 2021 earned income on their 2021 return if their earned income at the end of 2021 is less than their 2019 earned income.

For tax year 2021 only, the ARPA expands the EITC for taxpayers with no qualifying children by reducing the minimum age eligibility, eliminating the upper age limit, and modifying the credit formula. The ARPA also permanently expands the EITC by increasing the investment income disqualification limit, modifying qualification for taxpayers where all qualifying children do not have Social Security Numbers, and expands qualification for separated taxpayers living with children.

Revenue impact table reflects estimates resulting from changes to the EITC. Most of the substantive revenue changes to the EITC are temporary for tax year 2021, causing most of the revenue loss to occur in the 2021-23 biennium. Permanent changes to the EITC are reflected in impact estimates for the 2023-25 and 2025-27 biennia. Not reflected in the table is an estimated -\$3.4 million change in revenue resulting from the tax year 2020 EITC change which is already

being incorporated into the General Fund revenue stream as 2020 tax returns are actively being filed.

The policy purpose of the earned income tax credit is to increase the spendable income of low-income working families by offsetting state income taxes on such households, thereby encouraging low wage earners to enter the labor force or earn more if already part of the labor force.

SB 119 (CH 36)

Eliminates requirement that taxpayer-creator submit with their tax return, an appraisal report showing the fair market value of the art object being subtracted from taxable income. Applies to tax years beginning on or after January 1, 2022.

Revenue Impact: Minimal

SB 120 (CH 37)

Modifies period in which certain tax refund interest begins accruing, effective for refunds owing as of January 1, 2018.

Revenue Impact (\$Millions):

	Fiscal Year		Biennium		
	2021-22	2022-23	2021-23	2023-25	2025-27
Refund Interest	\$1.0	\$0.1	\$1.1	\$0.2	\$0.2

Modification to period in which tax refund interest begins accruing is estimated to negate an otherwise expected reduction in revenue resulting from additional refund interest amounts being issued. A positive revenue impact is estimated for the 2021-23 biennium reflective of the negation of five years of otherwise expected refunds being issued. Positive revenue impacts in later biennia are expected to be about \$200,000 per biennium. Absent modification in measure, it is expected that Department of Revenue would issue relevant refunds accrued since January 1, 2018 and would otherwise make necessary programming changes to generally meet, where possible, the more stringent timeline of issuing refunds before interest begins accruing.

SB 136 (CH 74)

Requires use of taxpayer's audience or subscribers in determining numerator of apportionment factor for broadcasting sales, for purposes of corporate excise taxation. This bill largely maintains the audience apportionment method with some changes. The bill directs taxpayers to use third party ratings or information from their books and records to determine the numerator of the sales factor. In cases where aforementioned information is not available the Department of Revenue may use the ratio of Oregon population to United States population as the sales factor. In the case of licensing to subscription services or advertising on subscription services the numerator of the sales factor is equal to 0.6% multiplied by the taxpayer's receipts from licensing to subscription services and advertising on subscription services. The bill also adds to statute a modified definition of broadcasting. Additionally, the bill provides all taxpayers engaged in broadcasting with an option to elect to apply their apportionment ratio to total gross receipts, not just broadcasting sales. The bill clarifies that the denominator of the sales factor shall include the total

gross receipts in the taxpayer’s regular course of business, including receipts from tangible personal property and real property. Finally, the bill repeals statutes specifically related to interstate broadcasters and removes from statute references that become obsolete upon repeal. The bill applies to tax years beginning on or after January 1, 2020 and takes effect on the 91st day following adjournment sine die.

Revenue Impact (\$Millions):

	Fiscal Year		Biennium		
	2019-20	2020-21	2019-21	2021-23	2023-25
General Fund	-\$0.2	-\$0.7	-\$0.9	-\$1.2	-\$1.2

The bill adjusts current law such that different revenue streams for taxpayers engaged in broadcasting are apportioned separately. Under current law, all receipts of a broadcaster other than tangible personal property and real property, are apportioned using a single apportionment factor. Upon passage, SB 136 allows broadcasting sales specifically to be apportioned using audience or subscriber information. Sales from licensing and advertising on subscription services are apportioned differently, as described below. The estimated revenue impact is comprised of three components relating to the three revenue streams in of taxpayers engaged in broadcasting. The revenue impact estimate above is based on tax return information from the Department of Revenue (DOR). Variation in future revenue received by the state may be subject to ongoing developments in audits as well as legal decisions impacting this area of tax law.

First, the bill directs taxpayers with broadcasting receipts that derive from licensing to or advertising on subscription services to calculate the numerator of the sales factor by multiplying 0.6% by the sum of the taxpayer’s receipts from licensing to or advertising on subscription services. Information from the Motion Picture Association (MPA) indicates that on average, licensing to and advertising on subscription services makes up roughly 10% of member companies revenue streams. Comparing this method of calculation to the baseline calculation of apportioning these receipts using the audience method indicates that this will result in an average annual revenue decline of roughly \$430,000.

Second, the bill also provides taxpayers engaged in broadcasting the option to elect to apply the apportionment method for broadcasting sales to the taxpayer’s total gross receipts. Taxpayers will likely take this election when doing so results in a lower tax liability compared to apportioning only broadcaster sales. Since the election is equivalent to current law, there is no revenue impact associated with taxpayers making this election.

Finally, the bill requires taxpayers with broadcasting sales to use audience or subscriber information to determine the numerator of the sales factor used to apportion multistate broadcasting sales revenue. This is a policy change from current law which requires such apportionment for all receipts, except tangible personal property and real property. The bill separates out broadcasting sales from other sources of revenue. While broadcasting sales are still apportioned using audience or subscriber information, sales of other types are apportioned using market-based sourcing rules related to those revenue streams. Given the election option, it is expected that this choice will be made when it results in a lower tax liability.

SB 139 (CH 570)

Modifies tax rates and income eligible for elective reduced personal income tax rates allowed for qualified pass-through income. Measure reduces two marginal pass-through entity (PTE) income tax rates, implements more stringent employment requirements of participating pass-through entities, and excludes owners of partnerships and S corporations with ordinary business income (OBI) exceeding \$5 million from benefitting from PTE reduced rates.

Reduces marginal tax rates at which non-passive pass-through income is subject. Reduces tax rate from 7.2 percent to 7.0 percent for pass-through income exceeding \$250,000 but not exceeding \$500,000. Reduces tax rate from 7.6 percent to 7.5 percent for pass-through income exceeding \$500,000 but not exceeding \$1 million.

Limits reduced rate pass-through income qualification to S corporations and partnerships with OBI not in excess of \$5 million. For all sole proprietorships, and pass through entities with OBI that does not exceed \$250,000, changes to reduced rate qualification requirements made by measure are not applicable.

In addition to existing law PTE qualification requirements, measure requires S corporations and partnerships to meet either an Oregon employee to employer ratio, or a three-year average limitation on distributions of income as a percentage of OBI. Determines employee to employer ratio requirement based on amount of OBI of the S corporation or partnership. For S corporation or partnership with OBI that exceeds \$250,000 but does not exceed \$500,000, requires pass through entity to employ one employee in Oregon per owner. For entities with OBI of \$500,000 to \$1 million, entity is required to employ two Oregon employees for every owner. For entities with OBI of \$1 million to \$2.5 million, entity is required to employ four Oregon employees for every owner. For entities with OBI of \$2.5 million to \$5 million, entity is required to employ ten Oregon employees for every owner.

If entity does not meet employee ratio requirements (but does meet existing law requirements), measure allows entity to qualify for PTE reduced rates if the distributions of income of a partnership or S corporation, as a percentage of OBI, does not exceed 25 percent. Percentage is computed based on total distributions and total OBI for current and most recent two tax years.

Changes apply to tax years beginning on or after January 1, 2021.

Revenue Impact (\$Millions):

	Fiscal Year		Biennium		
	2021-22	2022-23	2021-23	2023-25	2025-27
General Fund	\$13.4	\$28.3	\$41.7	\$59.9	\$64.2

Modifications to Oregon’s reduced income tax rates available to qualifying taxpayers receiving non-passive pass through income are expected to have a net positive revenue impact on General Fund revenue. Reductions to the PTE marginal rates increases the benefit from the PTE program for taxpayers with qualifying PTE income exceeding \$250,000. The marginal rate changes cause a reduction in General Fund revenue. However, the new more extensive qualification requirements for S corporations and partnerships with OBI exceeding \$250,000 are expected to reduce the number of pass-through entities whose pass-through income qualifies for the PTE reduced rates.

The policy purpose of this measure is to refine the PTE program to align qualification parameters more closely with the original intent of the policy which is to encourage small business growth and investment. In particular, intent is to focus the tax benefit on relatively smaller business entities that are employing a greater number of individuals working in Oregon and/or profitable business entities that are reinvesting a sizeable amount of their profits back into the business.

PROPERTY TAX AND LOCAL GOVERNMENT FINANCE

HB 2008 (CH 446)

Provides tax exemption for property of religious organization held or used solely to provide affordable housing to low income households, conditional on 60-year affordable housing covenant. Precludes application of automatic six-year sunset.

Revenue Impact: The future revenue impact may be negative, but the magnitude is indeterminate.

For properties that are currently owned by religious institutions and currently exempt, the passage of this bill, and the subsequent development of those properties into qualifying affordable housing property will result in no change in local tax revenue, as both would be exempt. However, there are additional situations that may occur that are not captured in that scenario. Religious institutions may currently own and operate affordable housing properties that do not qualify for property tax exemption. The passage of this bill and the qualification of those properties would result in a property tax revenue loss. Religious institutions may also choose to purchase properties and then develop them into low-income housing. These scenarios may result in a property tax loss.

HB 2247 (CH 452)

Authorizes county to adopt ordinance or resolution authorizing waiver of interest charged on delinquent business real property taxes for business property owners who are current as of February 15, 2020.

Revenue Impact: This measure has no direct revenue impact as it is permissive.

The governing body of a county may adopt an ordinance to waive interest on delinquent property taxes when the delinquency was directly due to the wildfires of 2020 or the pandemic. As it is permissive, the impact is contingent on individual county decisions. For context, approximately \$33 million are collected in interest annually statewide for all delinquent properties. This measure would give a county governing board discretion to affect a specific portion of that for a specific year.

HB 2341 (CH 356)

Authorizes tax collector in county covered by state of emergency declared by Governor due to fire or act of God, or authority of Governor under Emergency Conflagration Act, who knows or has reason to believe property has been destroyed or damaged by fire or act of God to prorate taxes imposed on property.

Revenue Impact: The revenue impact of this measure is negative to affected counties. However, on a biennial basis, the amount is unknown, as it depends on the scale of disaster.

The measure includes uniformly downward property tax collections for properties affected by natural disaster and covered by Governor declared state of emergency, resulting in a revenue decrease. The dollar estimate for the 2020-2021 tax year is specifically tied to the wildfires which led to a declared state of emergency in the fall of 2020. The best available estimates available from the affected counties is a reduction of \$1.2 million in tax collections, for the 2020-2021 property tax year, according to county assessors. The 2020 Wildfires specifically impacted Clackamas, Douglas, Jackson, Klamath, Lane, Linn, Lincoln, and Marion county. Impacts on the 2021-22 property tax year or future biennia may be much different in magnitude, as a declared state of emergency could include earthquakes, flooding, and other large events.

For any particular State-of-Emergency induced damage, the reduction in property tax collections occurs only in a single year, as current statute dictates that damaged properties are re-assessed in subsequent years. That is unchanged with this legislation.

The potential for multi-year revenue reductions is unknown in magnitude. It stems from future anticipated state of emergencies, no-harm principle to damaged and destroyed property owners, and the structure of reduced property tax collections in this bill.

HB 2343 (CH 552)

Authorizes governing body of enterprise zone sponsor to adopt resolution suspending enterprise zone employment requirements otherwise imposed on authorized business firms for assessment years beginning January 1, 2020, or January 1, 2021. Provides that qualifying business may continue to receive exemption if failure to meet qualifications results from pandemic and state of emergency declared on March 8, 2020 if resolution with alternative requirements is adopted by governing body. Mandates reporting requirements. Provides for refunds of taxes already collected for non-compliance of Enterprise Zone requirements during this period.

Revenue Impact: There is no direct revenue impact as this measure is permissive.

This bill provides local control and authority over whether to adopt a resolution that would temporarily waive Enterprise Zone requirements, while still permitting property tax exemptions. The bill specifies mandatory components of potential resolution and reporting requirements. Because the bill is permissive, it is unknown how many governing bodies of zone sponsors will adopt such measures and how many businesses could potentially be affected.

If such a resolution were adopted, local governments may collect lower property tax revenue than they otherwise would have. However, since these Enterprise Zones already exist, and property tax exemptions already exist for these businesses, this would not necessarily constitute a reduction of property tax revenue from the status quo.

HB 2438 (CH 527)

Establishes permissive property tax exemption program for workforce housing. Requires adoption of ordinance by governing body of county. Applies to county with population of less than 15,000. Establishes program ordinance minimum requirements. Establishes cap of five on allowable new participants. Applies to homeowner with incomes less than \$75,000 if filing as single for income tax purposes or \$150,000 if filing as joint for income tax purposes.

Revenue Impact: There is no direct revenue impact of this measure.

The measure is permissive, and as such has no direct revenue impact. It allows for the development of a property tax exemption ordinance by counties with populations of less than 15,000. Given the population limit, there are eight counties that could potentially adopt a resolution allowed by this measure. For context, the average real market value of residential homes in those counties is approximately \$200,000 and the maximum number of new properties allowed each year under this property tax exemption would be five.

HB 2446 (CH 455)

Extends sunset from June 30, 2022 to June 30, 2028 for property tax exemption available to property of a nonprofit corporation that was granted property tax exemption in property tax year 2012-2013 under ORS 307.130, for property that was actually offered, occupied or used as low-income housing.

Revenue Impact (\$Millions):

	Property Tax Year		Biennium		
	2021-22	2022-23	2021-23	2023-25	2025-27
Revenue Loss	N/A	-\$0.6	-\$0.6	\$1.3	-\$1.4
Revenue Shift	N/A	-\$0.1	-\$0.1	-\$0.1	-\$0.2

The revenue impact is based upon responses received from county assessors from 2016 detailing the amount of property receiving exemption under ORS 307.130 as it relates to exemption provided in Chapter 7, OR Laws 2014 (HB 4039 - 2014). The stock of eligible housing eligible for this exemption has not changed because of the statutory restriction. Growth rates, tax rates, and bond proportions were considered for individual counties and affordable housing.

Absent extension of sunset, properties currently receiving exemption under ORS 307.130 as it relates to provisions in HB 4039 (2014) and HB 4081 (2016), would no longer be exempt under ORS 307.130. This interpretation of current law is based upon the vacated Oregon tax court decision in Corvallis Neighborhood Housing Services Inc. v. Linn County Assessor (decided February, 2013).

HB 2456 (CH 528)

Makes relatively modest changes to multiple tax provisions including property tax exemptions and income tax expenditures.

Revenue Impact: Minimal

Modifications to the **low-income rental** and **nonprofit low-income rental** property tax exemptions are expected to minimally impact property tax revenue. Both property tax exemptions are subject to local governing body approval.

Modification of **environmentally sensitive logging equipment** property tax exemption is expected to have a minimal revenue impact. Modification allows for such equipment that would otherwise be exempt, but for the property not being actively used during the tax year for a specified exempt purpose, to qualify for the exemption. As exemption limits use of the equipment

in non-forest applications to not more than 20 percent of the operating hours of the equipment for the tax year, equipment not actively used for exempt purposes in the tax year may not be used at any point during the tax year for non-exempt purposes and still qualify for exemption.

Modification to the **single-unit housing property** tax exemption is estimated to have a minimal impact on property tax revenue. Modification allows but does not require a participating city to allow an additional 24 consecutive months to construct a qualified single-unit housing structure.

Policy Purposes

The policy purposes of the following tax expenditures modified by the measure are unchanged: Low-income rental housing, nonprofit low-income rental housing, single-unit housing.

The policy purpose of the modification to the **environmentally sensitive logging equipment** exemption is to expand the existing property tax exemption to exempt environmentally sensitive logging equipment that is not specifically used per exemption parameters during the tax year but otherwise still qualifies for the exemption.

HB 3143 (CH 548)

Starts the clock for interest accrual on late property taxes at December 15th of the property tax year in which the tax is imposed.

Revenue Impact: The potential revenue impact is negative, but the magnitude is unknown.

Annually, the counties collect approximately \$33 million in interest for delinquent property taxes. This includes property accounts that are more than one year in default. The portion of this amount that is due to a late payment, by more than a month, of the first installment is likely small, but not discernable with current records.

HB 3275 (CH 466)

Exempts land owned by eligible covenant holder that is burdened by affordable housing covenant requiring permanent affordability from ad valorem property taxation if improvements on land constitute owner-occupied housing. Creates partial assessed value exemption of owner-occupied affordable condominium units on land under covenant.

Revenue Impact: This measure will likely create a revenue loss, but the magnitude is unknown.

The full exemption of the land underneath the low-income housing development and the 27% exemption of the condo units that serve as owner-occupied affordable housing under this bill, would create a revenue loss as compared with fully taxable property. The tax exemption is only on the land, not on the improvements (the 27% of condominium value is a proxy for the land portion because land value is apportioned to condo units in property tax accounts), so the impact is expected to be minimal.

Currently, several counties already exempt similar properties in this manner under a locally adopted resolution. There may be additional properties if non-profit entities, which own property, reconfigure their housing contracts to align with the conditions in this bill.

SB 141 (CH 476)

Addresses calculation of partial property tax exemption in vertical housing. Eliminates possibility of rounding in calculation and adjusts partially exempt value schedule.

Revenue Impact: The revenue impact of this measure is negative, but the amount is uncertain.

In this existing property tax exemption program, calculation of the portion of the building to be exempt involves the calculation of residential equalized floors, weighted for average size of floor in the mixed-use building. Historically, if this calculation has resulted in a mixed numeral, for example 2.4, then the whole number (2 in this case) has been determined to be the calculated number of residential floors. This bill would require the use of the full mixed numeral without the ability to adjust up or down to the nearest whole number. Given that the historical adjustments have been downwards to the whole number, this bill would result in additional exemption value, related to the proportional floors calculated.

SB 154 (CH 571)

Extends to January 1, 2028, sunset of program under which property constituting solar project may be exempt and instead pay fee in lieu of property taxes. Allows for payment in lieu of tax (PiloT) payments negotiated between \$5,500 and \$7,000 per megaWatt.

Revenue Impact: There is no direct revenue impact from this measure as it is permissive.

The revenue impact likely negative, but the magnitude is contingent on the continued growth of eligible solar projects in Oregon, and signed agreements by the governing bodies of counties and solar project owners. The most current Department of Revenue Tax Expenditure Report estimates a \$14.7 million loss in property taxes for the current biennium. The amount of projects, both in value and capacity, has been doubling annually since the PiLoT program began with the passage of HB 3492 in 2015. Passage of this measure allows for lower PiLoT rates down to \$5,500 per megawatt, potentially increasing the net revenue loss to the counties for eligible projects. Finally, the measure clarifies that counties must specify whether the land under the solar project is exempt under the PiLoT or taxable.

SB 464 (CH 580)

Allows for cancellation of 5/6ths of imposed property taxes by tax collector, upon such ordinance adopted by governing body of county affected by 2020 wildfires. Applies to 2020-21 property tax year. Does not apply to Centrally Assessed property. Allows for cancellation of property taxes for properties that experience loss in real market value or disruption of use. Does not require, but allows for, application of wildfire tax relief. Establishes application and appeal process for wildfire tax relief. Establishes refund process.

Revenue Impact: There is no direct revenue impact as this bill is permissive. However, there is likely a revenue loss for affected counties of unknown magnitude.

Upon adoption of local ordinance, the measure has the effect of canceling property taxes on 5/6ths of affected properties. The losses would likely be proportional, in location, to property damage and infrastructure damage caused by the fires in those counties.

CORPORATE ACTIVITY TAX

SB 164 (CH 572)

Adjusts CAT statutes to accommodate fiscal year filing. Modifies language to exclude from commercial activity receipts from the transfer of new vehicles between franchised motor vehicle dealerships. Changes net revenue to receipts to conform language throughout statute. Exempts from commercial activity compensation of any consignee engaged in the sale of groceries on behalf of the owner of the groceries, to the extent that the compensation is related to groceries. Exempts from the CAT insurance companies that are subject to the retaliatory tax. Allows for the collection of estimated CAT from the lease of a vehicle. Changes filing deadline for business closures or sales to the 15th day of the fourth month of the taxpayer's tax year. Removes language to clarify tax administration penalties are not limited to penalties explicitly listed in statute. Applies to tax years beginning on or after January 1, 2021. Takes effect 91 days following adjournment sine die.

Revenue Impact: Minimal

Fiscal Year Filing

SB 164 A changes statute to accommodate businesses filing on a fiscal year that is different from the calendar year. Language within statute is adjusted to move from calendar year filing towards tax year filing, which is inclusive of both fiscal and calendar year filers. This change affects the timing of returns and estimated payments but is not expected to affect the amount of revenue due to the state.

Grocery Outlet Adjustment

Feedback from stakeholders and the DOR indicated that due to the unique business model of Grocery Outlet stores, the Independent Operators (IOs) of the store were required to pay CAT on revenue related to the sale of groceries. Grocery Outlet's stores are run by IOs similar to other franchise or license-based business models. However, Grocery Outlet maintains ownership of the products (grocery and non-grocery) sold in Grocery Outlet stores by IOs. Despite never owning the groceries, the IOs receive revenue based on the consignment sales made in the store. The language in SB 164 A adjusts statute to clarify that revenue from grocery sales on a consignment basis are also subject to the grocery exemption. Given that this issue is related specifically to Grocery Outlet's business model, using tax return data is not possible for revenue analysis due to disclosure issues. Based on publicly available data from the Wall Street Journal, Grocery Outlet's national sales in 2019 were roughly \$2.5 Billion. After sharing that national amount down to Oregon, adjusting for exclusions from commercial activity, and applying the CAT rate, the estimated revenue decline from this provision is likely to be minimal, less than \$50,000 on an annual basis.

Retaliatory Tax

SB 164 A exempts from the CAT, insurance companies that are subject to the retaliatory tax in Oregon. In general, foreign or alien insurers writing policies in Oregon are subject to the retaliatory tax. When taxes on insurers in Oregon increase, Oregon based insurers operating in other states are faced with retaliatory tax increases in every other state in which they operate (assuming all else is held equal). When foreign and alien insurers writing policies within Oregon experience a tax increase in Oregon, their retaliatory tax burden declines, resulting in a revenue loss to the state. By exempting entities subject to the retaliatory tax in Oregon (foreign and alien insurance companies), Oregon based insurers avoid the retaliatory tax impact of the CAT in the

other states in which they operate, and the revenue decline due to retaliatory taxes paid from foreign and alien insurers is also avoided.

Under current law, foreign and alien insurers are subject to the CAT and the retaliatory tax. Additionally, ORS 327.001 requires a transfer from the Fund for Student Success to the General Fund (GF), to backfill any decline in GF revenue due to the CAT. Since the CAT triggers the retaliatory tax under current law, the portion of GF revenue lost to the retaliatory tax is backfilled by the transfer from the Fund for Student Success at the end of the biennium. Effectively, the CAT revenue received from foreign and alien insurers is moved from the Fund for Student Success to the General Fund to backfill the loss to the General Fund due to retaliatory taxes. Under SB 164 A, insurers subject to the retaliatory tax are exempt from the CAT. That exemption results in a decrease in CAT revenue but avoids the decline in General Fund revenue related to the retaliatory tax caused by the CAT. The ending balance of the Fund for Student Success is the same under current law and SB 164 A due to the transfer required by ORS 327.001, thus there is no revenue impact of this provision.

SCHOOL FINANCE

HB 2060 (CH 350)

Expands the list of eligible applicants to receive distributions from the Student Investment Account to include the Youth Corrections Education Program, the Juvenile Detention Education Program and public charter schools not sponsored by school districts. Makes changes in the distribution formula to accommodate additionally eligible applicants. Establishes the Student Success Teams Account (SSTA) to fund the specified program. Takes effect on July 1, 2021.

Revenue Impact: No impact on the amount of money in the Student Investment Account, available for distribution.

This bill expands the list of eligible applicants to receive distributions from the Student Investment Account (SIA) and makes changes in the distribution formula to accommodate additionally eligible applicants. While the bill changes the eligibility for receiving the SIA fund and its distribution formula, it does not change the amount of money in the SIA, available for distribution.

The newly established SSTA is funded from the money in the Statewide Education Initiative Account (SEIA), which receives money from the Fund for Student Success raised by the Corporate Activity Tax (CAT). There will be a shift of funds within the SEIA, but the total amount of money available for the account remains the same.

HB 2330 (CH 355)

Removes 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. Makes small school district grants permanent and modifies a requirement for a high school to qualify as a small high school to receive such grants. Takes effect on passage.

Revenue Impact: No change in the formula revenue available for distribution to school districts and education service districts

Governing laws on small school district grants and school district funding for foreign exchange students are scheduled to sunset on June 30, 2021. This bill removes the sunset.

Some school districts that house foreign exchange students in dormitories are eligible for receiving formula revenue. Currently five school districts (Mitchell, Spray, Ukiah, Burnt River, and Paisley) are receiving such revenue for about 40 students. There is a statutory cap of 47 students for which school districts can receive formula revenues.

Small school district grants of \$2.5 million per school year are designed to provide some additional operating revenues to districts with statutorily defined small high schools. Currently there are around 80 school districts that qualify for these grants. This bill also increases the weighted average daily membership (ADMw) cap of a school district with eligible small high schools from 8,500 to 9,500 to qualify for small school district grants. Small school district grants are commonly called small high school grants.

HB 3294 (CH 635)

Requires every public education provider to make both tampons and sanitary pads available at no cost to students. Allocates \$5.595 million out of the State School Fund (SSF) in each biennium to make such products available in specified public education provider facilities. First applies to the 2021-22 SSF distributions. Takes effect on July 1, 2021.

Revenue Impact: No change in the formula revenue available for distribution to school districts and education service districts

This bill creates a carve-out off the top of the State School Fund (SSF) every biennium to provide specified feminine hygiene products at no cost to students. Just like any other carve-outs out of the formula revenue, \$5.595 million will be set aside before distributing the rest of the formula revenue to school districts (SDs) and education service districts (ESDs). After adjusting for this carve-out, the distributable formula revenue per ADMw (weighted average daily membership) will decline by \$3.98 in the 2021-22 school year.

ESDs altogether will receive up to 7.5% of this carve-out and SDs the rest. The distributions to SDs and ESDs are based on the average daily membership (ADM). The bill specifies that the State Board of Education adopt rules necessary for the administration and distribution of this carve-out.

SB 225 (CH 574)

Establishes a minimum distribution to an education service district (ESD) out of the total funds available to all ESDs in the Statewide Education Initiative Account (SEIA). First applies to the 2021-22 school year.

Revenue Impact: There is no change in the total formula revenue available for distribution to school districts and education service districts.

The amended bill sets the minimum distribution at one percent to an ESD from the total funds available to all ESDs in the SEIA. The SEIA receives up to 30 percent of the Fund for Student Success (FSS) available for distribution. The FSS derives its revenue from the Corporate Activity Tax (CAT) and its distribution is independent of the State School Fund distributions.

SB 743 (CH 494)

Specifies that, in calculating a school district’s extended weighted average daily membership (ADMw) for the State School Fund distributions, the calculation for a virtual public charter school in a school district be separate from that for the school district if, compared to the previous school year, the school district has a decreasing enrollment. Modifies calculation of the district’s extended ADMw for a school district that is a sponsor of a virtual public charter school with a decreasing enrollment for the 2021-2022 or 2022-2023 school year. Takes effect on July 1, 2021.

Revenue Impact: No change in the formula revenue available for distribution to school districts and education service districts

The measure changes the way the extended weighted average daily membership (ADMw) is calculated for the purpose of distributing the State School Fund when a school district sponsors a virtual public charter school and faces a decreasing enrollment. This measure also modifies the calculation of the district’s extended ADMw for a school district that is a sponsor of a virtual public charter school whose enrollment is declining in the 2021-2022 and 2022-2023 school years. These changes will bring about shifts of the formula revenue among school districts but are not amenable to quantitative analyses until the actual enrollment changes are known.

SB 5514 (CH 289)

Appropriates for the 2021-23 State School Fund, \$8,016.0 million from the General Fund, \$370.5 million from the Lottery revenues, \$36.0 million from marijuana taxes, \$676.9 million from the Fund for Student Success, \$200.0 million from the Education Stability Fund, and \$0.6 million from miscellaneous receipts.

Revenue Impact (\$Millions):

	Biennium
	2021-23
State School Fund	\$9,300.0
From General Fund	\$8,016.0
From Lottery Resources	\$370.5
From Marijuana Taxes	\$36.0
From Fund for Student Success	\$676.9
From Miscellaneous Receipts	\$0.6
From Education Stability Fund (SB 226)	\$200.0

This bill appropriates \$9,300.0 million for the 2021-23 State School Fund (SSF), with \$8,016.0 million allocated from the General Fund, \$370.5 million from the Lottery revenues, \$36.0 million from marijuana taxes, \$676.9 million from the Fund for Student Success, \$200.0 million from the Education Stability Fund, and \$0.6 million from other sources. This SSF is combined with local revenues from school districts (SDs) and education service districts (ESDs) to form the total formula revenue available for distribution.

The attachments to this impact statement display projected formula revenue distributions to individual school districts and education service districts for school years in the 2021-23 biennium.

The link below displays projected formula revenue distributions to individual school districts and education service districts for school years in the 2021-23 biennium.

<https://olis.oregonlegislature.gov/liz/2021R1/Downloads/MeasureAnalysisDocument/61176>

Note: HB 5006 adjusts appropriations to the State School Fund to align with the total amount in SB 5514 as enrolled. The section within SB 5514 related to a \$200 million from the Education Stability Fund did not take effect. Instead, HB 5006 increases the expenditure limitations from the Lottery (\$219 million) and the Fund for Student Success (\$8.8 million) and reduces the appropriation from the General Fund (\$27.8 million). The net impact of these changes is to maintain the State School Fund allocation of \$9.3 billion provided in SB 5514.

TRANSPORTATION

HB 2137 (CH 12)

This measure modifies, adds, and repeals laws related to transportation, it makes four different changes related to traffic fines and DMV transactions.

1. The citation moratorium prohibits law enforcement from issuing citations for: Operating a vehicle without driving privileges under ORS 807.010; Unlawful parking in a space reserved for persons with disabilities under ORS 811.615; and Traffic offenses based upon a vehicle registration or permit that is expired fewer than 6 months. This is effectively giving individuals 6 extra months to renew their credentials. In a typical year there are 11-13 thousand offenses filed, with about \$1 million collected in the first year and up to \$1.5 million collected after 3 years. However, 2020 and 2021 are not typical years, but still need to be compared with current law, the reductions are estimated from a much lower base.
2. Elimination of the knowledge test requirement for out-of-state driver license applicants. Current statutes require that an individual moving to Oregon must take an Oregon knowledge test prior to receiving an Oregon license. These transactions are approximately 200,000 per biennium, each with a fee of \$5. The revenue reduction as a result of the elimination of these tests is projected to be approximately \$1 million during the 21-23 and 23-25 biennia. However, the transaction reductions might produce some cost savings. If this provision becomes operative during the 19-21 biennium, any revenue reduction is expected to be minimal.
3. Elimination of a redundant knowledge test required during the teen driver licensing process. DMV does not charge a fee for this test, and no revenue reduction will be realized. However, the transactions will go away.
4. Extension of the one-year limit on driver license renewals. This change will allow drivers who've been unable to renew their license, or those that have taken advantage of recent citation moratoriums, to renew their driver license and avoid having to return to the field office to re-test. However, the revenue impact is minimal and only pushes the transactions forward in time.

Revenue Impact: For the general fund and the CFA, this measure is likely to reduce revenue by \$0.75 million for the 21-23 biennium and about \$0.25 million for the 23-25 biennium. For the Highway fund, the impacts (loss) are about \$1.0 million each biennium going forward.

HB 2165 (CH 95)

Increases, by \$10,000, maximum base manufacturer's suggested retail price to \$60,000) for hydrogen fuel-powered light-duty zero-emission vehicles to qualify for standard and Charge Ahead zero-emission and electric vehicle rebates. Modifies eligibility for and increases value of Charge Ahead zero-emission and electric vehicle rebates. Modifies provisions related to administrative costs of program. Repeals sunset on standard and Charge Ahead zero-emission and electric vehicle rebate programs. Maintains funding of programs through tax for privilege of engaging in business of selling motor vehicles at retail. The measure also Authorizes PUC Public Utility Commission to allow electric companies to recover costs from retail electricity consumers for prudent infrastructure measures to support transportation electrification if certain criteria are met.

This measure is divided between two main activities: Transportation Electrification & Infrastructure, and Zero-Emission & Electric Vehicle (ZEEV) Rebates.

The portion of the bill related to the Oregon Public Utility Commission (PUC) directs an electric company to collect an amount of $\frac{1}{4}$ of one percent of total revenues from retail electricity consumers and expend those funds to support and integrate transportation electrification. The Commission is granted broad authority to approve and determine prudent electrification investments. The Commission may allow utilities to recover costs on their investments that benefit the utility customers and may include expenditures outside the utilities' service territory. These provisions are repealed on January 1, 2031.

The ZEEV portion of the measure is related to Oregon Department of Environmental Quality (DEQ) Charge Ahead Program (zero-emission vehicle rebates), which is expanded to allow for "low-income service providers" and "qualifying households". Additionally, section 5 doubles the amount of the rebate available, from up to \$2,500 but not less than \$1,250, to up to \$5,000 but not less than \$2,500. The Charge Ahead Rebate program is funded by an annual transfer of \$12 million from DOR to DEQ of privilege tax revenue.

Revenue Impact: The measure continues the annual transfer of \$12 million from the privilege tax revenue beyond the current sunset date of January 2, 2024. The revenue would otherwise go to the Connect Oregon Fund after the sunset date.

A tax of 0.5% of new vehicle value was imposed (by HB 2017) on dealers for the privilege of selling in Oregon. Privilege tax revenue is expected to average \$31 million a year for the foreseeable future. An annual transfer of \$12 million is used to fund DEQ's Charge Ahead Program. However, this transfer was designed to sunset on January 2, 2024. The measure repeals this sunset, making the Charge Ahead Program and the annual fund transfer permanent. The amendments of the bill increased the maximum eligible retail price for certain eligible vehicles, from \$50,000 to \$60,000. Vehicles eligible for this price increase include polymer electrolyte membrane fuel cells; and proton exchange membrane fuel cells that use hydrogen fuel and oxygen from the air to produce electricity.

The remaining revenue (beyond the \$12 million) is currently used to support the Connect Oregon program, which funds multimodal transportation projects across Oregon (including marine, rail, and aviation projects). The Connect Oregon program is statutorily mandated to have a minimum \$50 million balance before a competitive project selection process can take place. Due to its inability to achieve the \$50 million minimum, the Connect Oregon program is likely to continue being an every-other-biennium program beyond 2024.

HB 2434 (CH 526)

Removes sunset of increase in aircraft fuel taxes, jet fuel (1 to 3 cents) and aviation gasoline (9 to 11 cents), including Mo-Gas), that would have occurred on January 1, 2022. Restructures distributions of aircraft fuel tax revenues that provide funding for airports and aviation-related business under Aviation System Action Program. Allows Oregon Department of Aviation to enter into commercial arrangements for terms up to 50 years.

House Bill 2075 of the 2015 Legislative Session (chapter 700, Oregon Laws 2015) increased Aviation fuel taxes and imposed a sunset date on that increase of January 1, 2022. That measure amended ORS 319.020 by increasing aircraft fuel (avgas) tax from nine cents to eleven cents per gallon and increasing jet fuel tax from one cent to three cents per gallon. The Aviation System Action Program fund (ASAP) was created as a result of the passage of HB 2075 and directs the increased fuel tax revenue (after 5% is deducted for ODA’s administration costs) into the following three programs that benefit Oregon airports and aviation:

1. Critical Oregon Airport Relief (COAR) program received 50% of the funding.
2. Rural Oregon Aviation Relief (ROAR) received 25% of the funding.
3. State Owned Airports Reserve (SOAR) program received the rest of the funds.

Revenue Impact (\$Millions):

		Biennium		
		2021-23	2023-25	2025-27
Jet Fuel Revenue		\$5.05	\$6.89	\$7.0
AVGAS Revenue		\$0.08	\$0.10	\$0.1
TOTAL Revenue		\$5.12	\$6.99	\$7.09
Distributions	ODA Admin	\$0.26	\$0.35	\$0.35
	COAR @75%	\$3.65	\$4.98	\$5.06
	SOAR @25%	\$1.22	\$1.66	\$1.69

This Measure increases the COAR distribution from 50% to 75%, it also adds a fourth priority to the COAR Program, which is to assist commercial air service to rural Oregon. The remaining 25% will fund the SOAR program for infrastructure and safety improvements at federally and non-federally funded state-owned airports.

The revenue forecast adjusts to the weakness of the Aviation industry during the COVID Era and anticipates a strong but reasonable rebound for fuel demand in the coming biennium. ODOT deducts its collection costs before transferring the net revenue to the Oregon Department of Aviation (ODA). The impact reflects only 18 months in the 2021-23 biennium, because the sunset would have occurred on January 1st, 2022

HB 2523 (CH 226)

Directs Department of Transportation to waive driving privilege reinstatement fee if driving privileges were suspended for failing to pay fine.

This measure that sunsets on January, 2, 2023, requires ODOT to waive the driving privilege reinstatement fee if driving privileges were suspended for failure to pay a traffic related court fine, failure to appear in court related to a vehicle offense or minor in possession charge, or failure to maintain proof of liability insurance.

Revenue Impact: The measure will reduce the revenue from DMV fees and the Highway Fund by about \$1.5 million in the 2021-23 Biennium. The reduction, however, is set to sunset on January 2, 2023, and not have a lasting effect.

The total number of eligible suspensions under this measure is about 215 thousand. The fee for reinstatement is \$75. However, DMV, on average, receives one reinstatement fee of \$75 for every 2.84 suspensions (individuals are often suspended for multiple reasons at the same time, and an individual only needs to pay one reinstatement fee of \$75 when they are eligible for reinstatement). Using these estimates, a total of 75,649 (214,844 / 2.84) individuals are eligible for this fee waiver. ODOT also notes that most current suspensions eligible for a fee waiver under this measure have been in place for greater than 10 years and unlikely to be all practiced in the time allowed, but the ones occurring in the specified time horizon are likely to use it.

Thus, using FTA (Failure to Appear) suspensions to isolate an average year, approximately 26% of those suspended for FTA are reinstated each year. At that same rate, DMV is likely to encounter around 19,669 individuals who will seek this fee waiver. Resulting in a likely revenue reduction of \$1,475,175 during the 21-23 biennium, and no revenue reduction during the 23-25 biennium.

The impacts on court fines and fees, as a consequence of these deferrals, are not estimated.

HB 3055 (CH 630)

Modifies, adds, and repeals laws relating to transportation. Exempts from license tax first sale, use or distribution of motor vehicle fuel in this state purchased by Indian tribe, tribal entity or tribal member entity for delivery to service station owned by Indian tribe, tribal entity or tribal member entity and operated on tribe's reservation or trust land. Requires Indian tribe to impose tax at same rate as license tax on sales of purchased motor vehicle fuel and to use revenues solely for uses consistent with constitutional requirements applicable to revenues from sales of motor vehicle fuel. Takes effect on 91st day following adjournment sine die.

The measure contains a variety of transportation-related provisions. Some of which have an impact on revenue. Some sections of this measure have unknown revenue impact at this time, while few others impose minimal revenue impacts as explained in the following parts of this measure's impact and explanation.

Revenue Impact (\$Millions):

		Biennium		
		2021-23	2023-25	2025-27
Highway Fund				
	Fuel Tax	(\$4.6)	(\$6.5)	(\$6.8)
	Weight-Mile Tax	TBD	TBD	TBD
State		(\$2.5)	(\$3.5)	(\$3.6)
Counties		(\$1.2)	(\$1.8)	(\$1.9)
Cities		(\$0.8)	(\$1.2)	(\$1.2)
Gas Tax revenue to Tribes		\$4.6	\$6.5	\$6.8

Some other sections of this measure have unknown revenue impact at this time, while few others impose minimal revenue impacts as explained in the following explanation paragraph.

The change of Fuel taxation in the measure is expected to reduce state highway revenue and the amounts that are shared with the cities and counties. This reduction in state revenue is likely to require adjustments in heavy taxes under the cost responsibility provisions of the constitutional Article. IX, sec. 3a (3). However, it is not clear at this point which projects will be impacted and if the new expenditures by the tribal governments on transportation projects will be part of the mix of otherwise funded transportation projects (in the same way that local government tax revenue are expended and treated). Therefore, the coming (2021-23) Highway Cost Allocation Study (HCAS) would have to determine these projects and the reductions if any to the heavy vehicle taxes.

Other parts of the measure have minimal impacts on revenue. Such as the disabled parking placards, plates of totaled vehicles, single plate replacement, accepting out-of-state motorcycle education, CDL changes in Sections 102-124, and the new violation (Class C, presumptive fine of \$800) for failure to carry and use traction devices.

The update of tolling statutes in Sections 52-80 make programmatic changes to Oregon related tolling. These changes include consolidating financial accounts related to tolling and providing ODOT statutory authority to bond against future toll revenues. However, no new revenue is affected at this time because of the lack of toll collections on any major projects. Once tolling is put in place the levels will have to conform to the constitutional balance of revenue between vehicle classes.

Section 82 raises the limit of ODOT’s existing short-term borrowing authority from \$100 million to \$600 million and allows for those debt instruments to have a five-year repayment period rather than three. Additionally, this section makes changes to statute that enable the State Treasurer to issue refunding revenue bonds if that short-term borrowing mechanisms are called early. However, the bonding amounts and conditions will be specified in the bonding bill elsewhere in the bond authorization process.

Sections 44 and 45 add leased infrastructure (in addition to owned infrastructure) to the short line railroad tax credit program.

ESTATE TAX

HB 3138 (CH 372)

Extends time for filing of estate tax return to for all estate tax filers to 12 months following decedent's death.

Revenue Impact: Minimal

Given the increase in filing time, there may be a shift in the first year of implementation, as estate tax filers make use of the additional three months. However, this impact is a one-time potential shift, as it would have double symmetrically increasing and decreasing effects in following years.

ENERGY AND UTILITIES

HB 2739 (CH 536)

Establishes Public Drinking Water and Sewer Ratepayer Assistance Fund.

Revenue Impact: None

The measure allows collection of funds for low-income electric bill payment and crisis assistance. While these collections may result in an increase in fees and rates passed on to electric customers throughout the state, these fees are not taxes either imposed by the state and local government, nor collected by the government.

HB 3141 (CH 547)

Reduces public purpose charge for retail electricity consumers within service areas of electric companies and Oregon Community Power.

Revenue Impact: None

This measure does not affect taxes or tax revenue. It reduces the Public Purpose Charge in Oregon, which is a surcharge placed on the customer bills of electric companies under the purview of the Public Utility Commission, Investor Owned Utilities. The measure reduces this surcharge from 3% to 1.5%. The portion that will no longer be collected as a portion of the Public Purpose Charge has historically been directed to the Energy Trust of Oregon for conservation activities that offset load and generation requirements by the utilities. This amount will now be collected in rates on customer bills in the same manner that other resource costs are allocated and collected by the utilities.

BONDING AND DEBT FINANCE

SB 5505 (CH 658)

This is the main bonding authorization bill. It establishes amounts authorized for issuance of general obligation bonds, revenue bonds, certificates of participation and other financing agreements for biennium.

Revenue Impact (\$Millions): While Bond proceeds (minus issuance costs) represent increased revenue, debt service payments are reductions to revenues coming to the state system in the particular biennium.

Program Designation	Total Issuance 2021-23	Cost of Issuance	Net Proceeds	Debt Service 2021-23	Net Revenue 2021-23	Debt Service 2023-25	Debt Service 2025-27
GENERAL OBLIGATION BONDS							
General Fund Obligations							
Higher Education Coordinating Comm. - PU (Art. XI-G)	\$42.84	(\$0.77)	\$42.07	\$0.00	\$42.07	(\$4.44)	(\$4.50)
Higher Education Coordinating Comm. - CC (Art. XI-G)	77.16	(1.21)	75.95	0.00	75.95	(8.10)	(\$8.20)
Dept of Environmental Quality (Art. XI-H)	10.30	(0.30)	10.00	(0.40)	9.60	(0.79)	(\$0.80)
Oregon Business Development Dept. (Art. XI-M)	111.30	(1.30)	110.00	(4.38)	105.62	(17.11)	(\$17.32)
Oregon Business Development Dept. (Art. XI-N)	50.75	(0.75)	50.00	(1.99)	48.01	(7.81)	(\$7.90)
Oregon Department of Education (Art. XI-P)	126.09	(1.09)	125.00	0.00	125.00	(20.46)	(\$20.71)
Department of Administrative Services (Art. XI-Q)	1,254.71	(14.83)	1,239.88	(48.74)	1,191.13	(210.90)	(\$213.43)
Subtotal General Fund	\$1,673.15	(\$20.25)	\$1,652.90	(\$55.51)	\$1,597.39	(\$269.62)	(\$272.86)
Dedicated Fund Obligations							
Department of Veterans' Affairs (Art. XI-A)	\$180.00		\$180.00	(\$36.00)	\$144.00	(\$72.00)	(\$72.86) M
Higher Education Coordinating Comm. (Art. XI-F(1))	114.51	(1.51)	113.00	0.00	113.00	(11.32)	(\$11.46)
Dept of Environmental Quality (Art. XI-H)	10.00		10.00	(10.02)	(0.02)	0.00	\$0.00
Housing and Community Services Dept (Art. XI-I(2))	50.00		50.00	(10.00)	40.00	(20.00)	(\$20.24) M
Department of Administrative Services (Art. XI-Q)	224.63	(2.66)	221.98	(15.83)	206.15	(35.71)	(36.14)
Subtotal Dedicate Funds	\$579.14	(\$4.16)	\$574.98	(\$71.85)	\$503.13	(\$139.03)	(\$140.70)
Total General Obligation Bonds	\$2,252.29	(\$24.41)	\$2,227.88	(\$127.36)	\$2,100.51	(\$408.65)	(\$413.56)
REVENUE BONDS							
Direct Revenue Bonds							
Housing and Community Services Department	\$500.00	(\$6.40)	\$493.60	(\$100.00)	\$393.60	(\$200.00)	(\$202.40) M
Department of Transportation							\$0.00
Highway User Tax	880.00	(11.26)	868.74	(176.00)	692.74	(352.00)	(\$356.22) M
Oregon Business Development Department	30.00	(0.38)	29.62	(6.00)	23.62	(12.00)	(\$12.14) M
Department of Administrative Services	0.00						\$0.00
Lottery Revenue Bonds	492.44	(6.30)	486.14	(18.47)	467.67	(78.87)	(79.82)
Total Direct Revenue Bonds	\$1,902.44	(\$24.35)	\$1,878.09	(\$300.47)	\$1,577.62	(\$642.87)	(\$650.59)

Bonding amounts donated by "M" are assumed to be a Mid-Biennium issue.

This is the 2021-23 major bond bill. Revenue in 2021-23 represents the sum of net proceeds income and the debt service payments for the biennium. The bonds are assumed to be 25 years repayment service and 5% interest rate, except for XI-H Other Funds which are expected to be fully repaid in 2021-23.

For a detailed list of projects financed by the bond bill please refer to LFO budget report of [SB 5505](#), and the Capital Construction Bill [SB 5506](#).

SB 5534 (CH 682)

Increases amount of lottery bonds authorized to be issued by Oregon Business Development Department and other departments. Establishes funds, or provides for deposit of moneys into existing funds, and appropriates moneys for projects financed. Declares emergency, effective July 1, 2021.

Revenue Impact (\$Millions): The revenue impact of lottery bonds includes the proceeds as revenue and costs and debt service as a reduction in revenue.

		Project Amount	Cost of Issuance	DS Reserves	Bond Par Value	2021-23 Debt Service	Net Revenue 2021-23	2023-25 Debt Service	2025-27 Debt Service
Business Development	OBDD	\$94.15	(\$1.62)	(\$8.64)	\$104.41	(\$6.91)	\$87.24	(\$17.17)	(\$17.32)
Administrative Services	DAS	\$173.50	(\$2.91)	(\$14.66)	\$191.07	(\$4.62)	\$168.88	(\$29.09)	(\$29.36)
Housing and Community	HCSD	\$50.00	(\$0.78)	(\$4.98)	\$55.77	(\$2.19)	\$47.81	(\$9.76)	(\$9.85)
Energy	ODE	\$17.50	(\$0.23)	(\$1.81)	\$19.55	\$0.00	\$17.50	(\$3.48)	(\$3.51)
Transportation	ODOT	\$6.10	(\$0.10)	(\$0.51)	\$6.72	(\$0.33)	\$5.77	(\$1.02)	(\$1.03)
Veterans Affairs	ODVA	\$6.00	(\$0.11)	(\$0.50)	\$6.62	(\$0.50)	\$5.50	(\$0.99)	(\$1.00)
Health Authority	OHA	\$20.00	(\$0.25)	(\$2.07)	\$22.32	\$0.00	\$20.00	(\$3.98)	(\$4.01)
Parks & Recreation	OPRD	\$10.00	(\$0.21)	(\$0.84)	\$11.06	(\$0.41)	\$9.59	(\$1.67)	(\$1.68)
Water Resources	WRD	\$68.00	(\$1.04)	(\$5.91)	\$74.95	(\$3.51)	\$64.49	(\$11.71)	(\$11.82)
Total		\$445.25	(\$7.27)	(\$39.92)	\$492.44	(\$18.47)	\$426.78	(\$78.87)	(\$79.58)

This is the 2021-23 Lottery bond bill. The bond sales are predicted at different times in the biennium; however, it is assumed to be 25 years repayment service and 5% interest rate. Revenue in 2021-23 represents the sum of net proceeds income (project amount) and the debt service payments for the biennium. These amounts will show up in the relevant agencies budgets as revenue (or reduction when payments) coming to the agency.

For a detailed list of projects financed by the lottery bond bill please refer to LFO report of [SB 5505](#), and the Capital Construction Bill [SB 5506](#).

COURT FINES & FEES

HB 2178 (CH 451)

Modifies provisions by reducing fees in tax court.

Revenue Impact: The revenue reduction to the general fund is about \$230,000 for a typical biennium.

This measure reduces the fees by \$231, from \$281 to \$50 on about 400 to 500 annual transactions (court filings) at the Magistrate Division of the Oregon Tax Court. The revenue reduction to the general fund is below \$250,000 for a typical biennium.

HB 2530 (CH 358)

Repeals sunset on authorization to operate fixed photo radar on urban high crash corridors in City of Portland.

Revenue Impact (\$Millions):

	Biennium		
	2021-23	2023-25	2025-27
CFA / General Fund	\$0.00	\$4.79	\$7.47
City of Portland	\$0.00	\$2.18	\$3.39
Total Revenue	\$0.00	\$6.97	\$10.86

In 2019, there were a total of 78,759 photo enforcement cases filed in Multnomah County Circuit Court. Of those, fixed speed cases comprised 43,513. On average 55% are convicted and 45% are dismissed. Collection rates are about 68% over 18 months. The average fine was \$165. The repeal of the sunset is effective on January 1, 2024, which leaves the 2021-23 biennium with no impact, and the 2023-25 with partial impact.

Most of the fine revenue generated by the cameras and paid through the Court goes to the State of Oregon’s General Fund (approximately 70%). The fines are disposed as follows. ORS 153.633 (1) directs the state get \$65 prior to any other distribution of the fine. ORS 153.640 (2)(a)(A) further directs that the \$65 (or less) amount be deposited in the Criminal Fine Account (\$5 goes to County Courthouse Account). Of the remaining fine amount, ORS sections 153.640(2)(a)(B) and (C), 50% is payable to the local government and 50% is payable to the state. City funds are used to pay for operation and maintenance of the program and remaining revenue is dedicated by statute to traffic safety.

A camera system enforces one direction of travel. There is currently a total of eight camera systems located on four High Crash Corridors. (1) SW Beaverton-Hillsdale Highway (2) SE 122nd Avenue (3) SE Division Street (4) NE Marine Drive. The City of Portland bureaus of transportation and police are working together with Multnomah County Circuit Court on a modest speed safety camera expansion plan. The tentative agreement is to expand the system in the next two to three years from the current size of 8 cameras (on 4 corridors) to a total of 20 cameras (on 10 corridors). Some additional efforts are still needed to ensure both police and court capacity to support this expansion. For the purpose of this estimate, the assumption is that, two cameras are added every biennium.

SB 397 (CH 486)

Modifies procedures for motions to set aside conviction, arrest, citation, charge, finding of contempt of court or judgment of guilty except for insanity. Eliminates filing fee and requires person to provide fingerprint card and criminal record check fee, if required, directly to Department of State Police. Reduces waiting period for filing motion if person was revoked from probation, or state elects not to proceed with prosecution. Modifies waiting periods for filing of motion for conviction or guilty except for insanity judgment based upon offense classification. Aligns time period prior to filing of motion, during which person may not have any other convictions other than motor vehicle violations, to waiting period. Authorizes prosecuting attorney to object to motion to set aside conviction or guilty except for insanity judgment within 120 days of motion. Provides that court shall grant motion to set aside arrest, citation or charge, or motion to set aside conviction if no objection received. Modifies standard for granting motion over objection. Prohibits prosecuting attorney from conditioning plea offer on defendant's waiver of ability to set aside conviction.

Prohibits prosecuting attorney from conditioning agreement not to object to entry of guilty except for insanity judgment on defendant's waiver of ability to set aside judgment. Prohibits criminal history data provider from including in criminal history report information that fails to reflect material changes to criminal history occurring more than 60 days before date of report. Provides that violation of prohibition constitutes unlawful trade practice.

Revenue Impact: The filing fees for set asides currently generates approximately \$1.2 million a biennium to the General Fund, this would be the estimated revenue decrease to the General Fund.

This measure modifies procedures for filing motions to set aside convictions, eliminates or reduces the fees involved, and reduces the waiting period for filing the motions. When a person seeks to have a record set aside, they must obtain and pay for a fingerprint card from the Oregon State Police, which is submitted to the prosecutor along with a copy of the motion to set aside. This measure provides for a reduction in the fingerprinting and background check fees. The logistics for obtaining the criminal history check via the Oregon State Police’s fingerprint card are also streamlined in the measure.

SB 817 (CH 597)

Eliminates fees, court costs and fines associated with juvenile delinquency matters. Provides for appointment of court-appointed counsel at state expense in all juvenile delinquency matters. Removes parental support obligation for youths, youth offenders or young persons in state custody. Applies retroactively, rendering as satisfied judgments with outstanding balances and waiving accrued interest, fees and collection expenses on those balances. Takes effect on 91st day following adjournment sine die.

Revenue Impact (\$Millions):

Loss to the General Fund and Criminal Fine Account during	Biennium		
	2021-23	2023-25	2025-27
Elimination of Fines and Fees on Juvenile Cases	(\$0.42)	(\$0.57)	(\$0.58)
Truancy Offenses	(\$0.08)	(\$0.11)	(\$0.11)
Collection Fees	(\$0.15)	(\$0.20)	(\$0.21)
Retroactive Repeal of Unitary Assessments	(\$0.03)	(\$0.03)	(\$0.03)
Satisfaction of Juvenile Fine and Fee Judgments	(\$2.28)	\$0.00	\$0.00
Total	(\$2.96)	(\$0.91)	(\$0.92)

Other impacts to agencies where the costs were paid for by fees are not considered as revenue impacts since the costs that will no longer be paid for, will be a budgetary action and backfilled by the general fund.

1. The measure eliminates fines and filing fees in various juvenile delinquency proceedings which is typically around \$280,000 annually. This would result in an estimated \$560,000 revenue loss to the General Fund and Criminal Fine Account in a typical biennium and 18 months only in 2021-23.
2. In 2019, there were 849 truancy offenses. The measure removes the classification of truancy as a violation of law. Since 2017, OJD has imposed approximately \$250,000 in truancy fines and \$185,000 in fees associated with truancy cases, with an approximate

collection rate of 50%. This has resulted in \$210,000 in revenue in the last four years that would no longer be collected under the provisions of the measure.

3. The measure eliminates the court-imposed surcharges for collecting a judgment owed to the court when a juvenile is not waived to adult court. Annually, about \$100,000 in collection fees are from juvenile cases, which would result in a \$200,000 revenue loss to the General Fund in general and 18 months only in 2021-23.
4. Under the measure, OJD is required to repeal unitary assessment fines for offenses committed before January 1, 2012 committed by a minor and adjudicated in juvenile court. Approximately \$20,000 is collected on these fees annually, therefore the estimated revenue loss to the Criminal Fine Account in 2021-23 is \$40,000.
5. Under the measure, OJD is required to make null and void and “considered paid in full and satisfied” any judgment entered before January 1, 2022 for fines, fees, costs, or other monetary obligations. However, OJD is not required to reimburse any fines or fees previously paid by parties. Approximately \$450,000 is collected each year in juvenile fines, fees and costs including the ongoing costs which would result in a \$900,000 revenue loss to the General Fund and Criminal Fine Account in ongoing basis. However, the existing amounts are about \$7.2 million with an assumed collection rate of 39% the impact will be \$2.3 million to occur only once in 2021-23.

Juveniles are currently subject to the same minimum fines imposed on adults for misdemeanors and felonies. Where this measure removes these fines and the overall effect avoids costs. This would allow courts to resolve cases more quickly than current caseloads permit, however, the revenue impact is indeterminate.

Currently, the court has the authority to require a parent or guardian to pay a fine of up to \$1,000 for failure to seek court-ordered treatment associated with a delinquency case. The revenue impact is indeterminate.

In practice, courts rarely impose administrative costs or “court costs” in juvenile cases. Thus, the revenue impact from canceling them is minimal. Since 1991 courts have only imposed \$22,000 in court costs in juvenile cases.

OLCC (ALCOHOL, BEER & WINE AND MARIJUANA)

HB 2264 (CH 180)

Allows Indian tribe or airline that holds full on-premises sales license to negotiate with Oregon Liquor Control Commission purchase price of distilled liquor for specified sales. Changes definition of "malt beverage." Provides that motor vehicle operator's license issued by province or territory of Canada or other form of identification specified by commission is acceptable identification for purchase of alcoholic beverages. Allows nonprofit organization to sell alcoholic beverages for up to 45 calendar days per year without license issued by commission. Allows holder of full on-premises sales license to sell, deliver and ship to consumers specified alcoholic beverages for off-premises consumption. Allows holder of limited on-premises sales license to deliver and ship to consumers specific alcoholic beverages for off-premises consumption. Allows holder of off-premises sales license to sell specified alcoholic beverages for off-premises consumption. Allows holder of temporary sales license to ship specified alcoholic beverages to consumer. Repeals license application fee. Extends period during which specified equipment may be leased or furnished to 14 days and allows for extension of 14-day period as necessary for

setup or removal of equipment. Allows advertising by liquor store to be visible from outside store. Specifies that retail sales or distillery outlet agent's deposit with commission is of check and cash receipts. Specifies wine containing more than 16 percent alcohol by volume is taxed at 10 cents per gallon. Requires manufacturer, purchaser and distributor of alcohol to retain records for three years.

The Oregon Liquor Control Commission (OLCC) oversees the sale of alcoholic beverages and recreational marijuana to allow access to responsible adults while protecting Oregon's public health, safety, and community livability. The OLCC advocates responsible alcohol consumption by managing and distributing distilled spirits, licensing and regulating businesses that sell and serve alcohol, and training and issuing permits for alcohol servers.

Beer and Wine are defined and taxed differently. Under current law Beer is defined as: Malt beverage means an alcoholic beverage obtained by the fermentation of grain that contains not more than 14 percent alcohol by volume. This definition includes: 1. Beer, ale, porter, stout and similar alcoholic beverages containing not more than 14 percent alcohol by volume. 2. Malt beverages containing six percent or less alcohol by volume and that contain at least 51 percent alcohol by volume obtained by the fermentation of grain, as long as not more than 49 percent of the beverage's overall alcohol content is obtained from flavors and other added non-beverage ingredients containing alcohol; and 3. Malt beverages containing more than six percent alcohol by volume that derive not more than 1.5 percent of the beverage's overall alcohol content by volume from flavors and other added non-beverage ingredients containing alcohol. "Malt beverage" does not include cider or an alcoholic beverage obtained primarily by fermentation of rice, such as sake.

This measure changes the definition (section 4) of a 'malt beverage' to mean beer, ale, porter, stout and other similar fermented beverages that contain one-half one percent and not more than 16 percent alcohol by volume and that are brewed or produced from malt, wholly or in part, or from a substitute for malt, wholly or in part, or from rice, grain, bran, glucose, sugar or molasses as a substitute for malt.

The changed definition might include a class of flavored carbonated alcoholic beverages that may currently be classified as wines under Oregon law (hard seltzers). The change in definition of malt beverage expands the class of beverages that are subject to the malt beverage privilege tax rate of \$2.6 per 31-gallon barrel (\$.08 per gallon). This change in definition would include products that would otherwise be defines as wine and taxed at the wine higher tax level.

Wines are defines as: any fermented vinous liquor or fruit juice, or other fermented beverage fit for beverage purposes that is not a malt beverage, containing more than one-half of one percent of alcohol by volume and not more than 21 percent of alcohol by volume. "Wine" includes fortified wine. "Wine" does not include cider. Wine is subject to a privilege tax of \$.67 gallon, and the measure doesn't change the definition. However, dessert wine is defined as wines containing more than 14 percent alcohol by volume and is taxed an additional \$.10 per gallon. This measure changes the threshold of ABV for dessert wines (section 16) where an addition 10 cents tax is imposed on a manufacturer or importing distributor of wines. The new ABV for dessert wines will be wines containing more than 16 percent alcohol by volume.

The measure requires the holder of wine self-distribution permit or manufacturer of wine to retain records for three years and provide records to the OLCC upon request. The measure authorizes the OLCC to negotiate price with Indian tribes and commercial airlines in the sale of distilled liquor,

while clarifying that Indian tribes and commercial airlines must hold full on-premises sales licenses as defined by statute.

The measure adds identification issued by a territory or province of Canada to the list of acceptable forms of identification to purchase alcoholic beverages, and specifies that such identification must be in the form of a motor vehicle license or other identification bearing the person's name, picture, date of birth, and physical description, while also authorizing the OLCC to define, by rule, other acceptable forms of identification for the purchase of alcoholic beverages.

The measure authorizes nonprofits and charitable organizations registered in the state to sell alcoholic beverages for up to 45 days in a calendar year without a license. The measure also authorizes certain license holders to sell or deliver factory-sealed containers of malt beverages, wine, and cider without requiring a direct shipper permit.

Finally, the measure allows a manufacturer or wholesaler to lease or furnish equipment for no more than 14 days or a reasonable period for the equipment to be set up or removed.

Revenue Impact: The revenue impact of this measure is indeterminate for the reasons explained in the next paragraph.

The measure changes the definition of malt and harmonizes with the federal definition. If Oregon harmonizes with the federal rule on malt beverages, then all hard seltzers will be taxed at the \$2.63 rate for each (33 gallon) barrel, which translates as (\$0.08/gallon) for malt rate. The OLCC has been researching if some seltzers, based on their ABV, should pay at the higher wine rate (\$0.65/gallon). However, current OLCC practice does not use the higher rate, if it did the loss of revenue could be at least \$2 million a year. Accordingly, any loss in revenue is hypothetically assumed to the results of what the OLCC would have determined. The simplification of definitions by aligning to the federal rules might have the benefit of streamlining collections and making it easier to comply and collect.

The measure also changes the Alcohol by Volume (ABV) for Dessert Wine and makes this definition also consistent with federal definition of Dessert Wine. Dessert wine constitutes about 10% of total wine taxes, but the amount of Dessert wine that falls between 14% and 16% ABV is not known. Thus, the change has the potential to slightly reduce revenue that is generated from the (10 cents) difference in wine rates for that subsection of wine.

It is also not clear, however, what would be the other benefits of aligning to the definitions in federal rules.

HB 2433 (CH 525)

This measure is an omnibus bill that affects the personal and corporate income taxes, marijuana tax, and transient lodging tax. Consequently, the relevant bill analysis is reported in each of these three sections. Follow the links in the table on page 2 to access the different tax programs.

Enacts express sunset for exemption of medical marijuana registry cardholder or primary caregiver from tax imposed on retail sale of marijuana items. Establishment of express sunset

results in an explicit six-year sunset for the exemption. The state revenue is distributed according to the marijuana account percentages, and the local revenue is for jurisdictions that impose their own taxes.

Revenue Impact (\$Millions):

	Biennium		
	2021-23	2023-25	2025-27
State Revenue	-\$24.1	-\$32.0	-\$30.9
Local Revenue	-\$4.0	-\$5.0	-\$4.8

HB 2740 (CH 620)

Establishes compensation schedule for Oregon Liquor Control Commission retail sales agents. Applies to compensation paid on or after July 1, 2021. Declares emergency, effective on passage.

Revenue Impact (\$Millions): General Fund, and Local Governments.

		Biennium		
		2021-23	2023-25	2025-27
General Fund	56%	(\$7.56)	(\$7.98)	(\$8.41)
Cities	34%	(\$4.59)	(\$4.84)	(\$5.11)
Counties	10%	(\$1.35)	(\$1.42)	(\$1.50)
Total	100%	(\$13.50)	(\$14.24)	(\$15.03)

Currently, retail sales agent compensation is based on an OLCC approved compensation formula. Depending on the type of store (exclusive or non-exclusive), the agent will receive a fixed base allowance, plus a variable sales commission. The current compensation formula is based upon a store's total annual sales and the mix of sales between consumers and licensees (e.g., bars, restaurants). The current variable sales commission rates are 8.20% for consumer sales and 6.40% for licensee sales, but OLCC may adjust the variable sales commission in order to maintain the legislatively approved overall disbursement rate of 9.02% of liquor sales by the end of the biennium. This measure changes the compensation formula by employing a different set of factors, including annual sales, location, and other defined wage increases, and codifies the new compensation formula in statute. Thus, the OLCC will be unable to adjust the formula on its own. This change will effectively increase average agent compensation from 9.02% to 9.86%, which will impact General Fund revenues and distributions to cities and counties by approximately \$13.5 million in the 2021-23 biennium. Available revenue in the OLCC account is distributed 56% to state General Fund, 10% to counties by population, 20% to cities by population, and 14% to cities by formula. This revenue impact is based on several factors, including total projected liquor sales (and whether the formula moves stores up or down in the 10 class sizes), forecasted population growth from 2020 to 2029, and state income growth forecasts, which are the OLCC's main predictors of consumption.

HB 3295 (CH 636)

Modifies county eligibility requirements for transfer of moneys from Oregon Marijuana Account. Requires county to convene cannabis advisory panel before county adopts specified ordinance related to marijuana to be eligible for transfers of moneys. Creates exception to convening of county cannabis advisory panel before ordinance adoption for certain counties. Takes effect on 91st day following adjournment sine die.

Counties receive 10 percent of the total Marijuana revenue collected by the state. However, Measure-110 of 2020 limited that amount to \$9 million a biennium. The distribution formula to the different counties is based on the number of Marijuana businesses in each county relative to all similar business in the state. Twenty counties allow marijuana businesses to operate and consequently receive a portion of the marijuana revenues proportionate to the number of businesses in each of those counties.

Revenue Impact: There is no new revenue generated by the measure, only a redistribution of existing revenue. The change in the distributions between counties will take \$376,880 (in a typical biennium) from the total county share and redistribute it to Deschutes county. Other counties will experience a reduction in their distributions relative to their percentage share of that amount.

The measure as amended allows counties that recently opted-out but continue to allow existing businesses to operate in the county, to be reconsidered in the county distribution formula. Accordingly, under the amended measure Deschutes county, which continues to have existing businesses, will again be eligible to receive funds from the marijuana state distribution. If the number of businesses in all counties don't change, the current proportions will be reevaluated to include Deschutes county numbers of marijuana businesses. That will give Deschutes county 4.19% of the total county share (10% of total) of the marijuana account. That share comes to \$376,880 in a typical biennium. Since the total county amount is fixed by current law (M-110), any change in that number is only dependent on the change in proportions relative to the total number of businesses in all counties.

SB 316 (CH 649)

Establishes rate of compensation to be paid by Oregon Liquor Control Commission to distillery retail outlet agent for distilled liquor retail sales by agent. Sunsets January 2, 2028.

Revenue Impact (\$Millions):

	Biennium		
	2021-23	2023-25	2025-27
Liquor Revenue	(\$2.67)	(\$4.04)	(\$4.16)
Distributions			
General Fund	(\$1.50)	(\$2.26)	(\$2.33)
Cities	(\$0.91)	(\$1.37)	(\$1.41)
Counties	(\$0.27)	(\$0.40)	(\$0.42)

Distilleries are treated as liquor stores but are permitted to sell their own liquor out of their own tasting rooms. Each distiller is allowed a maximum of 5 tasting rooms in addition to the main distillery (for a total of 6 tasting rooms). As of 2019 there are about 65 distilleries selling liquor out of 104 tasting rooms. Under current law, liquor sales through tasting rooms are treated in the same fashion as liquor sales through ordinary liquor stores, applying the same agent compensation formula, markup formula, surcharge and listing process. However, for tasting rooms, OLCC never actually handles the liquor sold in the tasting rooms but distillers are required to file weekly reports on their sales. Distilleries remit net profit to the state after taking out their manufacturing cost and their retail agent compensation. The compensation rate has been averaging about 16% to 17% in the last few of years. This measure fixes the compensation rate in statutes at 17% for sales over \$250,000. For sales below \$250,000, each distiller will be compensated at 45% rate (regardless of the number of tasting rooms). Prior to the COVID pandemic, tasting rooms have been experiencing strong double-digit growth, however, for this analysis, the assumption is that the growth gradually returns to pre pandemic levels by the end of 2023, then stabilizes at 3% a year growth until the sunset date on Jan-2028.

The policy purpose of this measure is to incentivize the small distilleries and allow them the chance to grow their products. Although the OLCC markup is not thought of as a tax in the classic sense, the revenue from the markup is an important source of revenue for General Fund.

TRANSIENT LODGING TAX

HB 2433 (CH 525)

This measure is an omnibus bill that affects the personal and corporate income taxes, marijuana tax, and transient lodging tax. Consequently, the relevant bill analysis is reported in each of these three sections. Follow the links in the table on page 2 to access the different tax programs.

Exempts barracks and other military quarters from transient lodging tax.

Revenue Impact: Minimal

HB 2521 (CH 156)

Requires transient lodging tax collector to provide invoice, receipt or other similar document that clearly sets forth sum of all transient lodging taxes charged for occupancy of transient lodging. Takes effect on 91st day following adjournment sine die.

In 2003, the Legislative Assembly (HB 2267) decided to designate the Oregon Tourism Commission a stand-alone agency. The same legislative action established a statewide one percent transient lodging tax to help fund the tourism commission. Under the 2003 law the Legislature defined transient lodging in ORS 320 as “hotel, motel and inn dwelling units that are designed for temporary overnight human occupancy, and [which] includes spaces designed for parking recreational vehicles during periods of human occupancy of those vehicles.”

2013 Legislative Assembly (HB 2656) clarified circumstances under which a transient lodging intermediary rather than a lodging provider would be the entity responsible for collecting and

remitting transient lodging taxes. Online Travel Companies (OTC) will have to collect the tax based on the final price that the consumer pays. HB 2400 and HB 3180 of the 2017 session gave DOR and local governments additional enforcement authorities and allowed for better collaboration. HB 4120 of the 2018 session expanded the definition of intermediary to include third party entities for stricter compliance. The 2019 session provided additional clarity to the timing of collection and when the payments are due (HB 3137), allowed the OTC’s to collect on temporary rentals of less than 30 days (HB 3138), and established (and funded) a mechanism for a pilot system to collect local data (HB 3136).

Revenue Impact: None

The measure is a transparency and ease of enforcement measure with no revenue impact expected.

UNEMPLOYMENT INSURANCE TAX

HB 2359 (CH 453)

Stipulates that the services performed by all language translators and interpreters be considered employment for purposes of unemployment insurance benefits, if such services are not performed by statutorily defined independent contractors. Takes effect on passage.

Revenue Impact (\$Millions):

	Fiscal Year		Biennium		
	2021-22	2022-23	2021-23	2023-25	2025-27
Unemployment Insurance Trust Fund	\$1.0	\$1.0	\$2.0	\$2.4	\$2.7

Data Source: Oregon Employment Department

Under this bill, ORS 657.048 is repealed, which leads to including in the definition of employment for unemployment insurance benefits purposes, the services performed by all language translators and interpreters other than those provided by independent contractors. The Oregon Employment Department (OED) identifies about 1,550 individuals working in such services. These individuals will be newly eligible for unemployment benefits and their employers will be subject to employer tax contributions to the unemployment insurance (UI) Trust Fund. OED estimates that net inflow to the fund (tax contributions minus UI benefit payments) will be \$2.0 million for the 2021-23 biennium, and \$2.4 million for 2023-25.

HB 3178 (CH 30)

Temporarily removes a condition for being deemed "unemployed" that an individual's weekly remuneration for part-time work must be less than the individual's weekly unemployment insurance benefit amount. Restores such condition for weeks beginning on or after January 2, 2022. Takes effect on passage.

Revenue Impact (\$Millions):

	Fiscal Year		Biennium
	2021-22	2022-23	2021-23
Unemployment Insurance Trust Fund	-\$75.0	\$0	-\$75.0

Data Source: Oregon Employment Department

Specified in this bill, a temporary removal of a non-eligibility criterion is expected to result in (1) an increase in the amount paid on current weekly benefits, (2) an increase in new claims filed, and (3) an increase in the number of individuals transitioning from Work Share to regular benefits. Estimated increase in benefit payments and associated loss of interest income amount to \$75 million, concentrated in the fiscal year 2021-22. Payments to reimbursing employers are estimated to be \$19.8 million but the fund will recoup such cost within the same fiscal year.

While this bill has a substantial Unemployment Insurance Trust Fund impact, the Oregon Employment Department does not anticipate that such impact will alter the baseline unemployment insurance tax schedule projection.

Expected total payment of \$93 million (\$73.2 million to employees of tax-paying employers, and \$19.8 million to those of reimbursing employers) could increase personal income tax collections, depending on recent federal legislation.

HB 3389 (CH 638)

Provides that the same experience rating used to determine an employer's 2020 unemployment insurance (UI) tax rate be used to determine its rate for the calendar years 2022, 2023, and 2024. Allows for a payment deferral of up to one-third of 2021 UI tax payments for certain employers. Authorizes forgiveness of a percentage of deferrable tax payments for certain employers. Reduces the UI Trust Fund Adequacy Percentage Ratio requirements in determining the statewide UI tax schedule. Changes the look-back period from 10 to 20 years in consideration of high benefit cost period. Excludes calendar years 2020 and 2021 from high benefit cost period. Takes effect on the 91st day after the 2021 adjournment sine die.

Revenue Impact (\$Millions):

	Fiscal Year		Biennium		
	2021-22	2022-23	2021-23	2023-25	2025-27
Unemployment Insurance Trust Fund	-\$89.9	-\$201.9	-\$290.9	-\$649.5	-\$836.9

Data Source: Oregon Employment Department

The UI Trust Fund balance stands at \$3.8 billion as of March 28, 2021. The most recent current law UI Trust Fund forecast by the Oregon Employment Department anticipates that the fund balance will hit a low of \$3.1 billion in the first quarter of 2022, followed by a steady increase.

The policy in this bill reduces the employers' UI tax payments to the UI Trust Fund in two ways - UI tax reduction (a consequence of a lower statewide UI tax schedule and lower employer tax rates) and deferment/forgiveness of UI tax contributions. The tax deferment and forgiveness are only for 2021-22 fiscal year, but the rate reductions due to tax schedule changes will have a lasting impact. The revenue impact also includes an expected loss in interest earnings stemming from employers' lower contributions to the UI Trust Fund.

With the policy change in the bill, the fund balance is expected to be \$3.5 billion at the end of the 2021-23 biennium, and \$4.8 billion at the end of the 2023-25 biennium. The fund balance will continue to grow in the following years to reach over \$8 billion at the end of 2027-29 biennium. The detailed analysis is provided below.

During the 2021-23 biennium, the rate reduction is expected to result in \$194.4 million less in UI tax contributions. The loss from UI tax deferment and forgiveness is estimated to be \$83.9 million and it occurs in the fiscal year 2021-22. The loss of interest earnings is expected to be \$12.6 million. In total, the net inflow to the UI Trust Fund will decline by \$290.9 million.

In the 2023-25 biennium, UI tax contributions are expected to decline by \$609.9 million due to lower UI tax rates, with an expected interest loss of \$39.6 million. Total impact in the 2023-25 biennium is \$649.5 million less in the net inflow to the fund.

In the 2025-2027 biennium, UI tax contributions to the UI Trust Fund are estimated to be lower by \$785.9 million, and the reduction in interest earnings is estimated to be \$51.0 million. As a result, the net inflow to the UI Trust Fund is forecasted to be lower by \$836.9 million.

SB 172 (CH 388)

Limits the recovery period of non-fraudulent claimant-caused unemployment insurance (UI) benefit overpayments to five years following the week in which the decision establishing the overpayments becomes final. Allows a waiver of all or part of non-fraudulent UI benefit overpayments if the recovery of the overpayments is against equity and good conscience. Applies to the benefits determined to have been overpaid before, on or after the effective date of this 2021 Act. Takes effect on passage.

Revenue Impact (\$Millions): Indeterminate

The revenue impact addresses two parts - limiting recovery period of certain UI benefit overpayments and full or partial forgiveness of overpayments under specified circumstances. First, with the change in the overpayment recovery period, the estimated overpayments that cannot be recovered beyond 5-year window are \$89 million in the 2025-27 biennium. Together with the associated interest earnings loss of \$2.2 million, the total net inflow to the UI Trust Fund will decline by \$91.2 million in the biennium.

Second, when the waiver provisions are applied to the outstanding debts already established before the effective date, there will be a lower collection of debts, which is expected to reduce the inflow to the UI Trust Fund by \$1.7 million in the 2021-23 biennium. However, applying waiver provisions to yet-to-be determined, non-fraudulent UI benefit overpayments is not amenable to quantitative analysis because the circumstances, that is equity and good conscience, need to be handled on a case by case basis and the waiver amount itself is not stated definitively.

While the first part of the revenue impact establishes a quantifiable result, the second part does not. Consequently, the total revenue impact for this bill is indeterminate.

MISCELLANEOUS

HB 2607 (CH 361)

Exempts from construction taxes, residential housing being constructed to replace residential housing on the lot or parcel of land that was destroyed or damaged by wildfire or another specified emergency event or circumstance. Applies to residential housing damaged or destroyed on or after January 1, 2020. Takes effect on the 91st day following adjournment sine die.

Revenue Impact: Indeterminate

According to the Oregon Department of Education, 64 school districts imposed a total of \$26 million construction taxes in the school year 2018-19. School districts may use construction tax proceeds only for capital improvements.

If not for wildfire or another specified events, there would not be new residential rebuilding activity on the lot or parcel of land that was destroyed or damaged. It is not known how many units would be rebuilt, if at all, which leads to indeterminate revenue impact.

The policy purpose of this measure is to alleviate financial burden in rebuilding residential housing on the lot or parcel of land that was destroyed or damaged by wildfire or another specified emergency event or circumstance.

HB 3011 (CH 678)

This measure implements statutory changes necessary to support the 2021-23 legislatively adopted budget and to clarify the application of statutes.

Revenue Impact: The measure has no revenue impact. Section 9 of the bill repeals an expense limitation related to Lottery moneys transferred from the Education Stability Fund (included in SB 5514) that never transpired. In fact, the Governor vetoed that provision. Consequently, the repeal has no impact. Section 11 of the bill reduces facility grants from the State School Fund while simultaneously increasing, by the same amount, the amount allowed for expenses incurred by the Office of School Facilities.

HB 3398 (CH 639)

Delays the implementation of the paid family and medical leave insurance program. Takes effect on the 91st day following the adjournment sine die.

Revenue Impact (\$Millions):

	Biennium		
	2021-23	2023-25	2025-27
Total Contribution to Family and Medical Leave Insurance Fund	- \$1,041.1	\$0	\$0
By Employers (40%; Excludes Exempt Employers)	- \$359.2	\$0	\$0
By Employees (60%)	- \$681.9	\$0	\$0

The paid family and medical leave (PFML) insurance program was established in 2019 and was set to collect first contributions on January 1, 2022. This bill delays the start of contribution collections by a year. The analysis for the bill draws on the revenue impact issued for the HB 2005A that established the PFML insurance program in 2019.

The impact analysis for the HB 2005A (2019) assumed a one percent contribution rate throughout the analysis horizon, the maximum rate allowed within the measure. However, the measure allowed the Oregon Employment Department (OED) to set contribution rates below one percent, reflecting the specified fund balance needs. The measure required the fund balance to be enough to pay at least six months of benefits. On top of the contributions to the fund as inflow, the outflow of funds in the form of benefit payments and other costs would also come into play in deciding the adequacy of the fund balance.

Under HB 3398, contributions to the fund will begin on January 1, 2023. As a result, the revenues for the second half of the fiscal year (FY) 2021-22 and the first half of the FY 2022-23 will not be collected. Those revenues were assumed to be collected in the HB 2005A (2019) when the contributions were set to start on January 1, 2022. The revenue impact addresses the revenues that will not be collected due to the delay in the start of contributions

HB 5006 (CH 678)

Appropriates moneys from General Fund and establishes expenditure limitations.

Revenue Impact: The measure has no revenue impact. This bill adjusts appropriations to the State School Fund to align with the total amount in SB 5514 as enrolled. The section within SB 5514 related to a \$200 million from the Education Stability Fund did not take effect. Instead, this bill increases the expenditure limitations from the Lottery (\$219 million) and the Fund for Student Success (\$8.8 million) and reduces the appropriation from the General Fund (\$27.8 million). The net impact of these changes is to maintain the State School Fund allocation of \$9.3 billion provided in SB 5514.

SB 25 (CH 472)

Directs Secretary of State to deposit to General Fund proceeds of fees, charges, interest, fines, penalties and miscellaneous revenues collected in performance of Secretary of State's business

registry functions, after deducting and depositing to Operating Account expenses of carrying out Secretary of State's business registry duties and amount necessary to maintain reasonable reserve fund.

Revenue Impact (\$Millions):

	Biennium		
	2021-23	2023-25	2025-27
General Fund Transfers	\$1.54	-\$0.58	-\$6.28

Under current law, the Secretary of State is given the authority to charge fees for business registry and keep \$20 of that fee to fund its operation. The rest of the revenue from the fees are transferred to the General Fund. The fees are specified in ORS 56.140 and range from \$50 for Assumed Business Name and nonprofits to \$100 for most Oregon for-profit registrations and renewals. All filing fees for foreign for-profit businesses are \$275 annually. In an average biennium there are about 200,000 nonprofit transactions, 550,000 Oregon for-profit filings, and 91,000 foreign for-profit filing transactions. The gross revenue from the business registry comes to about \$88 million in a two-year period. The average amount allowed for the SOS to keep (out of the \$20 retention) is about \$15 million leaving \$73 million to be transferred to the General Fund.

This measure allows for the new funding model to cover expected future costs based on budget allocations and without having to continue raising the \$20 retention limit. The new funding model proposed by this measure is based on deducting budget costs (approved by Ways and Means) and a reasonable reserve (2 to 3 months) before the transfer to the general fund occurs. For future biennia, the costs are expected to grow by the same rate as the budget increase percentages, while revenue growth for business registry is assumed at 2%. According to LFO and the Agency Request Budget, the 21-23 costs (with 2 months reserve) are expected at \$14.6 million. However, the costs incurred by the SOS are expected to be covered in 2021-23 but fall short from the \$20 (per transaction retention) limit in the 2023-25 biennium and beyond.

SB 165 (CH 573)

Changes the distribution of revenue raised in pari-mutuel betting conducted on historical horse racing, from percentage allocations to fixed payouts to Oregon horse organizations, including the Oregon Racing Commission. Starts such change in distribution in 2022. Imposes certain restrictions on pari-mutuel betting of historical animal racing.

Revenue Impact: None

SB 165 as amended specifies that revenue distributions from wagers made on historical horse racing be fixed payouts, with an annual escalating clause, to various entities in horse racing community, including the Oregon Racing Commission (ORC). Current law distributes such revenue by percentage allocations. Revenue distributions from wagering at live horse racing events in the state remain the same.

The bill also places various restrictions on mutuel wagers on historical animal racing, a prohibition of a wager using a personal electronic device among them. Because of these restrictions, the ORC anticipates a loss of distributable revenue in the order of \$180,000 per fiscal year.

None of the money that the Oregon Racing Commission receives from wagers on historical horse racing flows into the General Fund.

SB 727 (CH 589)

Creates a new entity-level income tax on qualified pass-through entities with an offsetting personal income tax credit. The first \$250,000 is taxed at a 9 percent rate while income above \$250,000 is taxed at 9.9 percent. Payment of the tax is elective and, if paid, the business owners are allowed an offsetting income tax credit claimed on their Oregon personal income tax returns. Each owner would be allowed a tax credit for their pro rata share of the entity tax. The new tax and credit would be effective for tax years 2022 and 2023. The new tax and credit are repealed if Congress repeals the limitation on the deduction for State and Local Taxes (SALT).

Revenue Impact: The program is designed such that the net impact is revenue neutral. The income tax credits are designed to offset the tax paid by the business entity. Participation in the program is voluntary and should be driven by the extent to which business owners have state tax liabilities large enough to exceed the limit on the federal deduction for state and local taxes. For some context regarding potential use, in tax year 2019 roughly 51,000 personal income tax filers claimed roughly \$9 billion of income on their federal Schedule E tax form and owed at least \$10,000 in Oregon income tax. Depending on participation and taxpayer responses, there could be a temporal shift of funds across fiscal years or biennia if there is a difference in timing between paying the entity tax and when the tax credit affects payments within the personal income tax system.

SB 846 (CH 10)

This measure is the program change bill to implement statutory changes for budgetary purposes. Repeals language that would have otherwise caused transfers from certain funds (the Insurance Fund and the Department of Justice Operating Account) to the General Fund.

Revenue Impact (\$Millions):

	Biennium
	2019-21
General Fund	-\$15.1

These transfers were originally enacted as part of either House Bill 2377 from the 2019 Session or House Bill 4304 from the 2020 Second Special Session. As of the March 2021 Revenue forecast, a personal kicker is projected to occur for the 2019-21 biennium. If that occurs, this bill would have the effect of reducing the total kicker amount. Recent federal legislative and administrative changes are also expected to have an impact on collections for the remainder of this biennium. It will not be known for certain if there is a kicker until after the conclusion of the 2019-21 biennium.

2020 Session

HB 4061 (CH 1 - 2020 Laws): Effective date January 1, 2021

Increases surcharge for cultural registration plate.

The Cultural Trust vehicle registration plate was first issued in 2003 and was instituted to raise money for the Oregon Cultural Trust, which was itself created by the Legislative Assembly in 2001 to fund arts and culture throughout the state.

Revenue Impact:

Fee Increase from \$30 to \$50 (2 plates), effective: Jan 2021

Biennium	2019-21	2021-23	2023-25
New Revenue to Cultural Trust	\$55,498	\$216,890	\$219,007

The Cultural Trust plate program brings in approximately \$33,000 each month from the surcharge of \$30 per pair of plates. There are many choices for plates in Oregon, and the increase in one plate fee equalizes the range of choices for any one customer, thus an increasing fee usually reduces the count or volume demanded of any one type of plate. In this case the \$20 increase represent a 67% increase in price and might result in 24% reduction of cultural plate demand. The resulting revenue from a higher fee will still produce higher amounts for the program.

HB 4106 (CH 2 - 2020 Laws): Effective date Feb. 27, 2020

Provides that city in Clackamas County annexed into county parks and recreation service district between January 1, 2005, and December 31, 2006, by vote of city electors is deemed withdrawn from and no longer part of county service district as of June 30, 2020.

Revenue Impact (\$Millions):

	Property Tax Year		Biennium		
	2019-20	2020-21	2019-21	2021-23	2023-25
Revenue Change	N/A	-\$1.7	-\$1.7	-\$3.6	-\$4.0

The City of Happy Valley would be affected by the passage of this bill, and the properties within the city boundaries would therefore no longer be subject to the taxing authority of the Clackamas County Parks District. The city of Happy Valley itself would also be removed from the Clackamas County Parks District and would no longer receive services from the district.

2020 Special Session I

HB 4202 (CH 2 - 2020 Laws): Effective date Sept. 25, 2020

Makes changes to the Corporate Activity Tax (CAT). Contains technical clarifications that have no revenue impact and policy clarifications that are expected to have some revenue impact. Clarifies that manufactured dwelling park nonprofit cooperatives are not subject to the tax. Clarifies how the 35 percent subtraction is calculated. Excludes crop insurance payments and certain dairy sales of milk. Provides for an alternative definition of 'cost inputs' for certain farm businesses. Extends the 80 percent threshold for quarterly payments for an additional year. Allows farmers to either (1) receive a certificate detailing the portion of their product that is exported, or (2) apply an industry average to estimate exports of their product. Generally applies to tax years beginning on or after January 1, 2020.

Revenue Impact (\$Millions):

	Biennium		
	2019-21	2021-23	2023-25
Fund for Student Success	-\$0.9	-\$1	-\$1

The estimated revenue impacts are driven by the crop insurance, dairy, and 'cost inputs' changes. The estimated impact from crop insurance payments is based on average historical data reported by the USDA. The estimated impact for dairy farms is based on recent tax year information provided by the industry. The change in the definition of 'cost inputs' is expected to have some revenue impact. Similarly, the changes pertaining to farmer exports may have some impact, given the potential use of industry averages, but the changes are consistent with the original policy intent.

HB 4210 (CH 10 - 2020 Laws): Effective date June 30, 2020

Repeals driving privilege suspension and eliminates imposition of driving privilege restrictions for failure to pay fine. Becomes operative October 1, 2020. Authorizes Department of Transportation to take certain actions before operative date of Act. Declares emergency, effective on passage.

Revenue Impact (\$Millions):

		Biennium	2019-21	2021-23	2023-25
	State Courts Fee reduction		(\$0.33)	(\$0.91)	(\$0.94)
	State Courts Fines reduction		(\$0.77)	(\$0.85)	(\$0.59)
	Subtotal Reduction for State Courts		(\$1.10)	(\$1.77)	(\$1.54)
	Local Courts Fee reduction		(\$0.27)	(\$0.75)	(\$0.77)
	Local Courts Fines reduction		(\$1.26)	(\$1.40)	(\$0.97)
	Subtotal Reduction for Local Courts		(\$1.53)	(\$2.14)	(\$1.74)
Total	ALL Courts Reductions		(\$2.64)	(\$3.91)	(\$3.28)
	Hwy Fund Revenue Reduction		(\$0.55)	(\$1.52)	(\$1.57)
Total	Revenue reductions all Funds		(\$3.19)	(\$5.43)	(\$4.85)

This measure (similar to HB 4065 of the 2020 session) would affect revenue to the state courts and to local courts. On average, 20% of traffic violation cases have one or more license suspensions for failure to pay. In 2019, circuit courts suspended approximately 28,000 driver licenses for failure to pay. However, for the purpose of drawing an analysis picture, we start with the failure to comply that is a larger set of violations. That set was 98,669 suspensions enacted by the courts for Failure to Comply (FTC) in 2019. Out of that number, 51,539 were either rescinded or reinstated for the whole state (all courts). Thus, for the suspensions total (98,669) a subset of 23,182 were rescinded and another 28,357 were reinstated. The exact figure for reinstatements performed by DMV (which collects a \$75 fee) for 2019 was 9,985. That shows the limited number of individuals that pay the fee and reinstate their licenses out of the total suspensions. The courts, on the other hand, will collect their \$15 fee on the higher number which includes both rescinded and reinstated.

DOR and private collection firms collect approximately \$8.5 million per biennium through a license reinstatement program in cases where the license was suspended for either failure to pay a fine or failure to appear. DOR/PCF collections would continue to use this program to collect on all cases where the license was suspended for failure to appear (approx. 30% of payment plans) and failure to pay (approx. 70% of payment plans) under current law. The program will continue, and the revenue is expected to be realized although the timing might change and could take more effort to be collected (e.g., by wage garnishment). The change in suspension is likely to postpone the collections in the first 3 years of the program before it stabilizes to a predictable average. DWS/R (Driving while Suspended or Revoked) violation cases cited into circuit and local courts are expected to go down, keeping in mind, that the collection rate in the circuit courts on those violations are 9%. The local courts reported a much

SB 1603 (CH 17 - 2020 Laws): Effective date, Sept. 25, 2020

Modifies definitions applicable for purposes of universal service surcharge. Subjects sale of all retail telecommunications services, retail commercial mobile radio services and retail interconnected voice over Internet protocol services to universal service surcharge. Reduces rate cap to six percent of sale of services subject to surcharge. Establishes Broadband Fund. Caps the OUSF at \$28 million annually. Directs the Public Utility Commission to transfer annually, lesser of excess USF revenue or \$5 million to Broadband Fund. Continually appropriates monies to Oregon Business Development Department for the provision of grants and loans under program for assisting qualified entities with projects for development of broadband service infrastructure. Specifies order of priority for appropriation of Broadband funds. Directs department to adopt program for providing grants and loans by rule. Directs department to report annually to interim committee of Legislative Assembly related to telecommunications on status of Broadband Fund. Sunsets Broadband Fund, transfer of moneys from universal service fund to Broadband Fund and grant program January 2, 2030. Becomes operative January 1, 2021. Takes effect on 91st day following adjournment sine die.

Revenue Impact (\$Millions):

	Tax Year		Biennium		
	2019-20	2020-21	2019-21	2021-23	2023-25
Revenue Change	N/A	\$2.5	\$2.5	\$3.1	-\$4.6

This bill broadens the taxable base of telecom providers by including wireless and VOIP service providers, and also lowers the assessment rate from 8.5% to 6%. Wireless customer base has been growing, but the assessable portion of the bill has been shrinking. Therefore, in the first two biennium, the positive revenue impact of a broadened base swamps the effect of the lower rate and declining bill portion, and there is a net revenue gain. In the latter years, however, it is estimated that lowered assessable bill portion and lower assessment rate have a stronger effect than the broadened base, and the net revenue impact is negative.

SB 1607 (CH 21 - 2020 Laws): Effective date July 7, 2020

Moves the sunset to June 30, 2021, for small school district grants and school district funding for foreign exchange students. Takes effect on passage.

Revenue Impact: This bill does not change the total formula revenue (the sum of the State School Fund and local revenues) available for distribution to school districts and education service districts.

Small school district grants of \$2.5 million per school year are designed to provide some additional operating revenues to districts with statutorily defined small high schools. Currently there are around 80 school districts in over 30 counties that qualify for these grants.

Some school districts that house foreign exchange students in dormitories are eligible for receiving formula revenue. Currently five school districts are receiving such revenue for about 40 students. There is a statutory cap of 47 students for which school districts can receive formula revenues.

Governing laws on small school district grants and school district funding for foreign exchange students are scheduled to sunset on June 30, 2020. This bill extends the sunsets to June 30, 2021.

2020 Special Session 2

HB 4303 (CH 7 - 2020 Laws): Effective date Sept. 20, 2020

Transfers \$400 million from the Education Stability Fund to the State School Fund (SSF) for the school years 2019-21.

Revenue Impact: No change in the formula revenue available for distribution to school districts and education service districts

This increase in the SSF is offset by the reduction in SSF allocation specified in SB 5723. SB 5723 reduces allocations to the State School Fund for the 2019-21 school years, by \$150 million from the General Fund and by \$200 million from lottery resources. It also reduces transfer to the SSF from the Fund for Student Success by \$50 million for the 2019-21 school years.

Actions in HB 4303 and SB 5723 maintain the \$9.0 billion State School Fund for 2019-21.