



**REVENUE MEASURES PASSED
BY THE 79th
LEGISLATURE
2017 Session**

**RESEARCH REPORT #5-17
August 2017**

Legislative Revenue Office

900 Court St NE Rm 354

Salem, Oregon 97301

(503) 986-1266

<https://www.oregonlegislature.gov/lro>

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2017 REVENUE MEASURES PASSED OVERVIEW

Revenue Policy Environment

Oregon's economy expanded during the 2015-17 biennium and is expected to continue growing through the 2017-19 budget period. The expansion began following the end of the Great Recession in July of 2009. The length of the current expansion now exceeds the post-World War II average. The economy is expected to slow in the 2017-19 biennium but avoid an outright recession barring unforeseen shocks.

While the economy was projected to grow through the 2015-17 biennium, the estimates at the close of the 2015 session were exceeded by more than 2% thus triggering the 2 % surplus kicker credit. The bulk of this credit will be paid out in the 2017-19 biennium. The kicker credit along with a slowing economy is expected to reduce revenue growth to 4.1% compared to 15.0% in the 2015-17 biennium.

Despite the long economic expansion and the expectation of continued economic growth, the Legislature faced a projected \$1.4 billion General Fund/ Lottery deficit going into the 2017-19 biennium. Several key factors drove the projected budget gap. The first is funding for the Affordable Care Act (ACA). Implementation of the ACA lead to a sharp increase in the Medicaid population--and a sharp reduction in the uninsured. Additional state funding is needed to continue providing health insurance into the 2017-19 biennium and beyond. A second factor, is a long-term shortfall in state support for education at all levels. This shortfall is partially a legacy of the property tax initiatives of the 1990s (Measures 5 and 50), but also includes increased public expectations of what school district services should be, particularly with respect to special needs kids. The projected shortfall is also related to increased public employee retirement system (PERS) costs. These higher costs are the result of previous PERS Board decisions, supreme court rulings and low financial market earnings. A final factor influencing the revenue environment, though unrelated to the projected General Fund shortfall, is the growing need to repair and modernize the state's transportation system.

To address the revenue implications of these key factors the Legislature established three bipartisan work groups to address health care funding, transportation and overall revenue restructuring. The outcome of these three work groups will be discussed in the final section of this overview.

Perhaps the most positive result of the long economic expansion is the sharp reduction in the statewide unemployment rate. It now stands at 3.7% (June of 2017) --near historic lows. However, the low unemployment rate masks several underlying demographic and social issues that pose significant risks to long-term growth. These factors are driving down the labor force

participation rate. A declining labor force participation rate reduces the unemployment rate but it also reduces long-term economic growth by limiting the supply of labor.

The declining labor force participation rate, occurring in both Oregon and the U.S. can be attributed to four fundamental factors:

- An aging population. As the baby boom generation enters their 50s and 60s, labor force participation will naturally tend to drop as people approach the standard retirement age. This factor will continue to depress the labor force participation rate until the last of the baby boom generation reaches 65.
- Residual effects of the Great Recession. Although it is natural that labor force participation would decline as the population ages, many older workers were laid off during the Great Recession and remained unemployed for a considerable period. In many cases, the skills and work habits for these workers deteriorated, causing many to leave the labor force permanently. A surge in workers over 50 receiving Supplemental Security Disability Insurance (SSDI) is reflective of this phenomenon.
- Technological change. Technological change continues at a rapid pace. New technologies require new skills. Workers that don't possess the needed skills often leave the labor force permanently.
- Social factors related to mental health and drug abuse. The labor force participation rate is also declining for workers between 25 and 54--the prime-age population. Federal Reserve Chairman Janet Yellen has cited the surge in opioid use among adults as a significant factor in reducing the work force. Addiction to pain killers causes many of these potential workers to become unemployable and drop out of the labor force.

The declining labor force participation rate and its underlying causes affect both sides of the state budget. Slower labor force growth slows revenue growth over time while an increase in non-working adults increases the demand for state services.

Projected General Fund Revenue for the 2017-19 Biennium

The 2017-19 Legislatively Adopted Budget (LAB) is based on the May economic and revenue forecast adjusted for actions taken by the Legislature.

2017-19 Legislatively Adopted Budget Revenue Forecast

Revenue Sources	General Fund (millions)
Beginning Balance	\$723.9
Allocation to Rainy Day Fund	-\$180.1
Short-Term Interest Costs	-\$21.5
Projected General Fund Revenue	\$19,416.8
Shared Revenues	-\$33.0

Corporate Income Tax to Rainy Day Fund	-\$42.5
<i>Legislative Actions</i>	
OLCC Store Expansion (HB 5019)	\$9.2
Market Based Apportionment (SB 28)	\$5.5
DOR Financial Institutions Data Match (SB 254)	\$1.7
Lower Lottery Prize Withholding Threshold (SB 251)	\$2.4
Criminal Fines & Assessments (HB 2409)	\$8.3
Tax Credit Adjustments (HB 2066)	\$1.0
Fund Shifts and Other Adjustments	\$162.7
Total Resources	\$20,054.1
Projected Expenditures	\$19,858.8
Projected Ending Balance	\$195.3

Projected General Fund resources, including the beginning balance, are estimated at \$20,054.1 million for the 2017-19 biennium. This compares with an estimated \$18,792.9 million for the 2015-17 biennium. The estimates for 2017-19 include the impact of a projected \$407.9 million kicker credit.

Given the advanced age of the current 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 position entering the new biennium is critical. The balances in Oregon's two reserve funds (the Education Stability Fund and the Oregon Rainy Day Fund), established during the turbulent 2000-2010 period, are at historic highs entering the 2017-19 biennium.

The two reserve funds have a combined balance of \$772.5 million following the 2015-17 biennium. These balances are projected to grow to \$1.22 billion by the end of the 2017-19 biennium. When combined with the projected \$195.3 million General Fund ending balance, the state's reserves are 7.1% of LAB expenditures. This level is sufficient to cover revenue declines in a mild recession but not adequate to maintain services in the wake of a severe recession like the 2007-09 downturn.

For a detailed discussion of the 2017-19 Legislatively Adopted Budget see "2017-19 Budget Highlights" released by the Legislative Fiscal Office.

Major 2017 Revenue Legislation

This section summarizes five major revenue bills. The first three are the result of the legislative work groups mentioned earlier. HB 2017 is the comprehensive transportation funding bill, the second contains the revenue elements of the health care funding plan (HB 2391) and the third (HB 2830-4) is the final version of the tax restructure plan discussed by the Joint Tax Reform Committee. This version did not get out of committee but represents the most refined stage of the concepts developed by the revenue restructuring work group. The other two revenue bills (SB 28 and HB 2066), while not as far reaching as the work group products, represent significant changes to the state personal and corporate income tax laws.

HB 2017

HB 2017, referred to as the Transportation, Modernization and Preservation plan for 2017, is the product of the transportation work group. The plan contains increases in conventional revenue sources such as the fuel tax and the weight mile tax but it also incorporates new revenue sources such as a payroll tax, a privilege tax on vehicle dealers and a bicycle excise tax.

The core elements of the plan are a 10-cent gas tax increase (from the current 30-cent per gallon rate) over a 7-year period coupled with a 53% increase in the weight mile tax. Registration fees for both light and heavy vehicles are also gradually increased. Light vehicles are subject to a graduated title fee increase based on average miles per gallon. The measure also includes a 0.1% statewide payroll tax to fund transit, a 0.5% privilege tax on new vehicles for purposes of subsidizing electric vehicles and funding multi-modal transportation and a \$15 excise tax on new bicycle purchases above \$200 to fund bike and pedestrian programs.

Overall the revenue plan is expected to generate \$338.2 million in the 2017-19 biennium and \$3.8 billion over the next 5 biennia. This revenue will be allocated to the State Highway Fund with separate allocations going to counties and cities.

HB 2391

HB 2391 is the product of the health care funding work group. It establishes the Health System Fund and the Oregon Reinsurance Program. Through a combination of assessments and transfers, HB 2391 provides an estimated \$605 million for the Health System Fund in the 2017-19 biennium. This revenue is then available to match with federal dollars.

Hospital assessments are expected to generate \$249 million in 2017-19 with an additional \$105 million from OHSU based on an intergovernmental agreement. Additional assessment revenue from insurers (\$78 million), coordinated care organizations (\$104 million) and the Public Employee Benefit Board (\$12 million) is also allocated to the fund. The remaining revenue to the fund comes from transfers from the Health Exchange Insurance Fund (\$7 million) and the Oregon

Medical Insurance Pool (\$50 million). Federal matching revenue for the 2017-19 biennium is estimated at \$1.866 billion.

HB 2830-4

HB 2830-4 would have fundamentally changed the method Oregon uses to tax businesses and generated significant revenue for education. The two key elements of the bill are the establishment of a commercial activity tax and the elimination of the corporation income tax. Patterned after a similar tax established in Ohio in 2006, the commercial activity tax is a privilege tax based on business gross receipts. It would apply to all business entity types. Under HB 2830-4, the tax would apply to businesses with more than \$150,000 in Oregon receipts. A minimum flat tax of \$250 would apply to businesses with annual receipts less than \$3 million. A tax rate varying from 0.15% for agriculture to 0.75% for services, would be applied to receipts above \$3 million.

HB 2830-4 would also repeal the corporate income tax when the commercial activity tax is implemented. The net effect of this switch would be a significant broadening of the tax base and a considerably more stable revenue stream. The corporate income tax base has been declining in recent years and has always demonstrated large swings over the course of the business cycle.

Other elements of HB 2830-4 include a 25% credit against commercial activity tax liability for pass through entities such as S-Corporations and partnerships. This is designed to partially offset the impact of the commercial activity tax on these pass-through businesses because they do not currently pay a tax at the entity level. Finally, HB 2830-4 contains a personal income tax rate reduction. The current 5, 7 and 9% rates are reduced while the top 9.9% rate remains the same.

Under the bill, the commercial activity tax would be implemented on January 1, 2019, thereby giving the Department of Revenue time to prepare. Corporate income tax rates would have been increased from 6.6% and 7.6% to 8% and 9% for the 2017 and 2018 corporate years. For corporate tax years starting on January 1, 2019, the corporate income tax would be repealed.

The combination of tax changes built into HB 2830-4 would have generated net revenue of \$616 million for the 2017-19 biennium, \$914 million for the 2019-21 biennium and more than \$1 billion for biennia beyond that. The bill dedicated revenue from the commercial activity tax to education spending.

Although HB 2830-4 did not have sufficient support to meet the 3/5 majority constitutional voting requirements for bills that raise revenue, it represents the most detailed revenue reform plan developed by the Legislature since 1993 when Measure 1 was referred to voters and defeated.

SB 28

SB 28 changes the method used to apportion corporate income to Oregon from the sales of intangible property (primarily services). Currently, income from intangible property is apportioned

using the cost-of-performance method. This method is based on where the service is performed or produced. Under SB 28, income from intangibles will be apportioned based on market or where the customer is located. The change first applies to corporate tax years beginning January 1, 2018.

Starting in 1991, the Legislature began moving away from a three-factor apportionment formula based on property, payroll and sales for tangible property to one based exclusively on sales. The move to a single sales factor was completed in 2005. However, the Legislature retained the cost of performance method for intangible property. By moving to a market based apportionment formula for intangible property, SB 28 brings the method for apportioning intangible property into line with the treatment for tangible property.

SB 28 will reduce taxes for some corporations and increase them for others based on where their services are performed compared to their markets. Based on the experience of other states who have made this switch, net revenue is expected to increase. The revenue impact for SB 28 is estimated at +\$5.5 million for the 2017-19 biennium (essentially one year impact) and +\$11.1 million for the full 2019-21 biennium.

HB 2066

HB 2066 is the biennial tax credit bill. The measure extends and modifies existing credits and establishes new credits. Specifically, HB 2066 extends the affordable lenders' credit and increases the cap, extends and modifies the rural health provider credit, extends the fish screening and reservation enterprise zone credits and creates a new employer training credit for certain counties. The measure also modifies the wage requirements for rural enterprise zones and places an annual cap on the bio-mass manure credit. Finally, HB 2066 makes disallowance of credits against the corporate minimum tax permanent by removing a 2021 sunset.

The tax credit/sunset review process was established by the 2009 Legislature. Most existing credits have a six-year sunset. Roughly 1/3 of the credits are reviewed during long sessions. The process culminates in an omnibus tax credits extension/modification bill coming from the Joint Tax Credit Committee. HB 2066 is the 2017 session omnibus tax credit bill.

Normally, the tax credit omnibus bill has a negative net revenue impact because current law assumes that the credit sunsets. This means that a simple extension reduces revenue. Recognizing the budget shortfall going into the 2017-19 biennium, the joint committee allowed several credits to sunset (including the residential energy, research and development and e-commerce zone credits) while extending only credits with a minimal revenue impact. The net 2017-19 revenue impact for HB 2066 became slightly positive (+\$1 million) due to tighter eligibility requirements for the rural medical provider credit. However, in the out-biennia, HB 2066 does reduce revenue from current law by an estimated \$2.7 million in 2019-21 and \$9.2 million in 2021-23.

SUMMARY OF INDIVIDUAL REVENUE BILLS

PERSONAL AND CORPORATE INCOME TAX

HB 2066 (CH 610)

Extends and modifies existing credits and establishes new credits. The measure also modifies the wage requirements for rural enterprise zones. Finally, it makes disallowance of credits against the corporate minimum tax permanent by removing a sunset. Specific tax credit policy changes are as follows:

- Extends the reservation enterprise zone program 10 years, to 1-1-28
- Extends the affordable housing lender's tax credit six years (to 1-1-26) and increases the annual cap of outstanding tax credits to \$25 million
- Creates the bovine manure tax credit based on the current biomass tax credit, including an annual cap of \$5 million and shifts administration to the Department of Agriculture
- Extends the rural medical provider tax credit four years, creates an income cap, and creates a lifetime cap of ten tax credits per taxpayer
- Creates employer training credit for Klamath County
- Extends fish screening credit to 2024
- Removes the sunset date on the prohibition of using tax credits against the C-corporation minimum tax
- Makes changes to wage requirements within enterprise zones, for purposes of the property tax exemption

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
General Fund	\$0	\$1.0	\$1.0	-\$2.7	-\$9.2

The revenue impact is driven by changes to the affordable lenders' and rural medical providers' tax credits. The extension and cap increase to the affordable lender's credit eventually results in a \$6.8 million revenue loss in the 2021-23 biennium. The extension and modifications to the rural medical provider tax credit result in the \$1 million revenue gain in 2017-19 and then eventually turns into a revenue loss in 2021-23 of \$3.9 million. The change in policy regarding C-corporation tax credits has no impact in the first two biennia but does result in a \$1.7 million revenue gain in the 2021-23 biennium. The revenue impact of the training credit may reach -\$0.1 million per biennium while the other provisions have a minimal revenue impact.

Policy Purpose Statements

- The purpose of the reservation enterprise zone tax credit is to prevent a kind of double taxation between Oregon and Tribal governments
- The purpose of the affordable housing lender's tax credit is to increase the supply of low-income housing
- The purpose of the bovine manure tax credit is to ensure the viability and use of digester technology investment

- The purpose of the rural medical provider tax credit is to improve access to health care in rural Oregon
- The purpose of the employer training tax credit is to increase participation in qualified employee training programs

HB 2156 (CH 611)

Requires Department of Revenue to establish and maintain toll-free telephone number and other electronic means of communication to answer representatives from businesses that have questions about or wish to resolve issues concerning Oregon tax laws or application of Oregon tax laws. Requires Department to monitor and provide sufficient staffing or telephone number and electronic means of communication to permit department to answer questions or resolve issues in expedited manner. The Department of Revenue currently maintains a telephone line number and electronic mail box for taxpayer inquiries. This measure would require the Department to create a separate program to answer telephone and electronic mail inquiries from C corporations and S corporations.

Revenue Impact: No revenue impact

HB 2157 (CH 612)

Requires Department of Revenue to establish and maintain toll-free telephone number and other electronic means of communication to answer certified public accountants who have questions about or wish to resolve issues concerning Oregon tax laws or application of Oregon tax laws. The Department of Revenue currently maintains a toll-free number to address taxpayer questions. This measure would require a separate number and electronic access dedicated to customer service issues relating to personal income tax for tax practitioners who provide tax advice, prepare income taxes or act on an individual taxpayers' behalf. The program established by the amendment is similar to the Practitioner Priority Service offered by the Internal Revenue Service at the federal level.

Revenue Impact: No revenue impact

HB 2244 (CH 38)

Moves the sunset of the Greenlight Oregon Labor Rebate (GOLR) program from January 1, 2018 to January 1, 2024. Allows the Oregon Film and Video Office to deduct expenses for workforce development and educational efforts from the labor rebate amounts.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
General Fund	\$0	-\$4.6	-\$4.6	-\$9.7	-\$10.5
Greenlight Oregon Labor Rebate Fund	\$0	+\$4.6	+\$4.6	+\$9.7	+\$10.5
General Fund (Rebate deduction)	\$0	-\$0.4	-\$0.4	-\$0.8	-\$0.9

The estimated impact shows the redirection of withholding tax dollars from the General Fund to the Greenlight Oregon labor Rebate (GOLR) Fund. The rebate payments made to companies are

considered taxable under federal income tax laws. Oregon law includes a provision that allows the recipients to deduct these payments for Oregon income tax purposes.

Policy Purpose Statement

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

HB 2273 (CH 622)

Removes the functional test for determining apportioned income for corporations. Places certain administrative rules into statute to clarify that certain types of money received by corporations is not considered sales for purposes of apportionment. Applies to tax years beginning on or after January 1, 2018. Includes changes to address a conflict with HB 2275.

Revenue Impact: Minimal

The changes that effectively place certain Department of Revenue administrative rules into statute is expected to have no impact because there is no change to policy. The removal of the functional test for determining Oregon sales for apportionment purposes could have an impact in either direction depending on the specific circumstances of a corporation. That impact, however, is expected to be minimal and subsumed by the implementation of the market-based sourcing policy.

HB 2275 (CH 43)

Changes "business income" to "apportionable income" in accordance with recommendations from the Multistate Tax Commission (MTC). Applies to tax years beginning on or after January 1, 2018.

Revenue Impact: Minimal

HB 2283 (CH 24)

Provides that if taxpayer elects to apply overpayment of tax to subsequent year estimated tax installment, amount paid is credited as estimated tax on later of first estimated tax due date or date payment is made, if elected on timely filed return, or is credited as estimated tax on later of date return is filed or date payment is made, if elected on return filed late. Applies to payments made in tax years beginning on or after January 1, 2018.

ORS 316.583 essentially assumes that all tax payments occur by April 15th. This is not true. There are about 10,000 returns each year that have payments made after April 15th but before the return is filed. Once the return is filed and tax calculated, a refund must be issued. If the taxpayer elects to have their refund applied to the next year's estimated tax, the statute requires the Department of Revenue to back-date the refund and give credit to the taxpayer as of April 15th even though the payment wasn't actually made until sometime after April 15th.

Revenue Impact: The revenue impact is expected to be less than \$50,000 per biennium.

HB 2284 (CH 22)

Expands provisions for resolution of conflicting claims to taxpayer dependents to include conflicting claims to other items allowed under personal income tax laws. At times, the

Department of Revenue may receive information from two different parties relating to the same item of income, deduction, or credit. This measure allows the Department to make a ruling that pertains to both parties from documentation provided by one party.

Revenue Impact: The measure has no revenue impact.

HB 2285 (CH 23)

Provides that, if taxpayer files report or return but pays less than full amount of tax due, tax is assessed on later of original due date of report or return, without regard for extension of time for filing, or date filed. Currently, the difference between the tax owed and the tax paid is assessed from the later of the following: 1) the due date of the return with an extension or 2) the date that the return is filed.

Revenue Impact: This measure is expected to have less than \$50,000 in revenue impact per biennium.

SB 28 (CH 549)

For purposes of apportioning C-corporation income from intangibles and services, replaces the cost-of-performance approach with a market-based approach. Applies to corporations subject to the Uniform Division of Income for Tax Purposes Act (UDITPA); excludes utilities and financial institutions. Takes effect with the 2018 tax year.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
General Fund	\$0	\$5.5	\$5.5	\$11.1	\$11.7

The estimates are based on the published estimates of other states that have made the same policy change. Estimates from California, Connecticut, Massachusetts, North Carolina, and Tennessee indicated a positive impact that ranged from roughly 0.2 percent to 1.8 percent of corporation tax collections. The weighted average of these estimates is roughly one percent. The estimated impact above is the result of applying that percentage, adjusting for the size of Oregon’s economy, to the current law forecast for Oregon corporation tax collections.

SB 29 (CH 304)

Updates Oregon’s connection date to federal law regarding the tax treatment of debt forgiveness relating to bankruptcy. The connection date is updated from April 15, 1995 to December 31, 2016.

Revenue Impact: None

SB 30 (CH 181)

Allows the Department of Revenue to consider the role of foreign affiliates when deciding if multiple corporations comprise a unitary group.

Revenue Impact: Minimal

SB 32 (CH 182)

Provides for imposition of either penalty for failure to pay estate tax when due or penalty for initial failure to file estate tax return when due. For other tax programs such as personal income tax, withholding tax, and corporate tax the five percent penalty applies only once. There is a five percent failure-to-file penalty or a five percent failure-to-pay penalty, but not both. The ability of the inheritance program to assert two penalties is inconsistent with other tax programs.

Revenue Impact: This measure is expected to have less than \$50,000 in revenue impact per biennium.

SB 33 (CH 278)

In computation by Department of Revenue of interest due on tax deficiency owed to department or refunds of tax owed by department, replaces rate based on month or partial month with annual percentage rate computed daily. Applies to tax deficiencies or refunds owing as of January 1, 2018. Changes the date at which interest begins to accrue on excess payments for the transient lodging tax and 911 tax to a period 45 days after the later of the due date of the return or the date the excess was paid.

The Department of Revenue currently calculates rates on a monthly basis. This can result in small irregularities in the calculation. The measure brings the accounting practices of the Department into alignment with generally accepted accounting practices in other industries.

Revenue Impact: This measure is expected to have less than \$50,000 in revenue impact per biennium.

SB 153 (CH 316)

Clarifies the method of determining taxable income on corporation tax returns when an insurance company is a member of an affiliated group. Allows a 100 percent deduction for dividend payments made by the insurer to the parent company. Applies to open tax years and takes effect on the 91st day following sine die.

Revenue Impact: Minimal

SB 162 (CH 638)

Removes rulemaking authority from the Department of Revenue (DOR) to determine if C-corporation tax credits may be claimed by S-corporation shareholders. Adds to statute the tax credits that the DOR had extended to S-corporations. Clarifies that assessing a penalty does not need to be done specifically by the DOR director. Makes technical fixes and policy clarifications to the Working Family Dependent Care tax credit:

- requires taxpayers to have earned income to claim the tax credit
- limits qualifying expenses to the amount of income earned in Oregon
- disallows the credit for amounts of dependent care paid with pre-tax dollars;
- aligns with federal law the timing of the date for determining the age of qualifying dependents;
- extends the tax credit to non-married taxpayers seeking work or going to school;
- prohibits interest from being paid on the refundable portion of the tax credit

Applies to tax years beginning on or after January 1, 2018.

Revenue Impact: Minimal

SB 251 (CH 019)

Decreases the threshold above which a lottery prize is subject to withholding from \$5,000 to \$1,500. The measure is intended to improve compliance with tax regulations by winners of lottery prizes.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
General Fund	\$0.81	\$1.63	\$2.44	\$3.26	\$3.26

The measure would reduce the threshold at which 8 percent of lottery prizes are withheld from \$5,000 to \$1,500. Tax compliance rates on lottery winnings from \$1,500 to \$5,000 are approximately 40 percent. Automatic withholding would increase those compliance rates and increase revenue. In FY 2016, a total of \$50.9 million in lottery prizes was awarded between the amounts of \$1,500 and \$5,000. At 8 percent withholding, the measure would result in \$4.07 million withheld on those prizes. If 40 percent of this amount was previously unrecovered, the additional revenue from this measure is \$1.63 million per year. The measure takes effect for tax year 2018.

SB 333 (CH 561)

Directs Oregon Business Development Department (OBDD) to obtain employment and wage information for eligible employer at regionally significant industrial site and to determine annual amount of estimated incremental annual income tax revenues generated by eligible employer. Directs OBDD to request Oregon Department of Administrative Services (DAS) certify amounts of estimated incremental income tax revenue. Permits Oregon Employment Department to disclose information required by OBDD to administer Oregon Industrial Site Readiness Program (Program). Requires OBDD consult with Oregon Department of Revenue to establish and administer program.

Oregon lacks large sites available for industrial development. Such sites are considered an integral part of efforts to expand and improve the state's economy and to attract and retain large employers in the state. There has been consistent interest in potential development of industrial sites of 50 acres and up, even during the recession just a few years ago. The legislature sought to address the shortage of industrial land with the passage of Senate Bills 766 in 2011 and 246 in 2013, which provided an expedited permitting process and established the Oregon Industrial Site Readiness Program (Program), respectively enabling the Oregon Business Development Department to make loans and/or provide tax reimbursement for development of regionally significant industrial sites. The Program returns half of the income tax revenue, attributable to businesses that locate on certain industrial sites, back to local government sponsors. It can be up to the full cost of providing infrastructure or half of the cost of providing infrastructure if a loan is issued to the sponsor. Currently, income tax revenues are redistributed to the sponsor after five years of industry operation. Senate Bill 333 changes this waiting period to one year.

Revenue Impact:

The revenue impact of this measure is indeterminate for the following reasons: The measure changes the amount of income tax revenue payable from the state General Fund to the local government sponsor of an industrial site for the Industrial Site Readiness Program. Currently, the local government sponsor must wait for 5 years to receive half of the personal income tax revenue attributable to businesses located on the site that it prepares. The measure changes that waiting time to one year. It therefore increases the amount of funds that are transferred from the state General Fund to the local government sponsor. The amount of the transfer is negative yet indeterminate for the state General Fund and positive yet indeterminate for the local

government sponsor. The reduction of the time that is required to pass before the amounts are transferred makes the program more appealing to local government sponsors and may result in increased participation and siting of businesses in Oregon that would not otherwise be located in the state. The revenue impact of this is positive yet indeterminate. The scope of the impacts depends on the amount by which participation is increased and whether businesses that utilize the program would have located in state without the program.

	2017-19	2019-21	2021-23
General Fund	Negative but Indeterminate	Negative but Indeterminate	Negative but Indeterminate
Local Government	Positive but Indeterminate	Positive but Indeterminate	Positive but Indeterminate
Total	Positive but indeterminate	Positive but Indeterminate	Positive but Indeterminate

SB 378 (CH 487)

Adds Oregon Volunteer Firefighters Association to list of eligible entities that may receive contributions as part of the Oregon Charitable Checkoff Program. Specifies use of contributions. Applies to individual tax returns for years beginning on or after January 1, 2017.

Oregon maintains a roster of eligible entities that taxpayers, when filing their personal income tax returns, can choose from to donate a portion or all of their refunds to by checking a box on their tax form. This is called the Oregon Charitable Checkoff Program. In order for an entity to be listed as part of the Oregon Charitable Checkoff Program, it must gather 10,000 signatures to apply with the Charitable Checkoff Commission, provide evidence that it is tax exempt under section 501(c)(3) of the Internal Revenue Code, and show that it received at least \$1 million in gross income the year prior to its application or a fiscal period ending in that year. There are also exceptions to the minimum income requirement that permit additional entities to be listed. Senate Bill 378 adds the Oregon Volunteer Firefighters Association to the list as an entity that is not required to show \$1 million in gross income.

Revenue Impact: The measure has no revenue impact.

SB 701 (CH 527)

Updates connection to the Internal Revenue Code and to other provisions in federal tax law from December 31, 2015 to December 31, 2016. Updates references in the governing statutes of the Public Employees Retirement System (PERS) to federal law that establishes taxable income, affects annual benefits payable to members, specifies rules around minimum distribution requirements under certain circumstances, and relates to benefits and service credit for a period in the uniformed services. Updates connection to the federal code that defines shareholders in S corporations who may represent their companies in proceedings before the tax court magistrate or the Department of Revenue. Updates connection to the Internal Revenue Code to define which organizations may qualify for consideration for a charitable tax checkoff. Updates statutes governing the Oregon College Savings Plan, Individual Development Accounts, and unemployment insurance to connect to the latest version of the Internal Revenue Code as of December 31, 2016. Updates references to terms from the Internal Revenue Code for chapters 315, 316, and 317. Specifies that if a refund is due a taxpayer for a tax year beginning before January 1, 2017 due to any retroactive treatment from these federal tax law connection changes then the refund will be paid without interest and cancels the interest or penalties from any deficiencies caused by the reconnect.

Oregon has had a continuing connection ("rolling reconnect") to the definition of taxable income since tax year 2011. Other ties to federal tax law must be updated on a regular basis, with December 31st the usual connection date. Historically, the Legislature adopted the "rolling reconnect" for tax years 1997 to 2002 and then suspended the policy for tax years 2003 to 2005. The "rolling reconnect" was re-established for tax years 2006 to 2008 and then suspended for tax years 2009 and 2010 when the Legislature selectively disconnected from certain provisions.

Revenue Impact: The measure has no revenue impact.

PROPERTY TAX AND LOCAL GOVERNMENT FINANCE

HB 2066 (CH 610)

Measure made changes to several tax credits and tax incentive programs. What follows is a description of changes affecting property tax programs.

Expands location qualification criteria for determining locations where a business firm may qualify for a rural long term enterprise zone tax incentive to include qualified rural counties.

Reduces wage compensation minimum threshold requirements for workers hired by businesses benefiting from property tax standard or long term rural enterprise zone programs that are located in a qualified rural county. Annual compensation requirement reduced from 150% of county average annual wage, as determined at time of authorization, to 130%.

To qualify for additional one or two years of exemption under standard enterprise zone program, requires average wage received by the newly hired employees of the firm to equal or exceed 100 percent of the average wage in the county. To maintain qualification for long term rural enterprise zone property tax exemption, requires annual average wage at the facility to equal or exceed 100% of the average wage in the county.

Defines "qualified rural county" as county that is outside all metropolitan statistical areas as defined by most recent federal decennial census and in which, on most recently certified property assessment roll, the total property taxes imposed by all taxing districts within county are equal to or greater than 1.3% of the total assessed value of all taxable property located in county.

Revenue Impact: Indeterminate

Additional County Eligible Location Criteria

Changes to statute provided in measure as engrossed create additional criteria through which a county may become eligible as a location where a business firm may qualify for a long term rural enterprise zone (LTREZ) tax incentive. Twenty-three Oregon counties are outside of all MSAs, seventeen of which meet existing qualification requirements to be a LTREZ location. Four counties not meeting current law LTREZ requirements that are outside of all MSAs imposed property taxes in amounts less than 1.3% of total assessed value and, as such, do not become eligible locations. The remaining two counties, Wasco and Morrow, have been eligible LTREZ locations that, without statutory modification to location qualifications contained in measure, will become locations no longer eligible for LTREZ incentives. Near term impact of measure as engrossed is maintaining Morrow and Wasco counties as eligible LTREZ locations. Three other counties, Lincoln, Sherman and Union may potentially benefit as well as all three counties have

experienced improvements in their relative economic conditions which, if continued, may lead to those counties becoming ineligible locations for LTREZ tax incentives.

Use of LTREZ tax incentives is relatively infrequent. Referencing most recent LTREZ assessor reports, ten projects are benefitting with two companies accounting for about two-thirds of the overall computed tax benefit associated with LTREZ exemptions. Computed tax benefit associated with projects in Morrow and Wasco Counties represent about 50% of all benefits computed in FY 2015-16, or \$16.7 of the total \$33.9 million property tax benefit. Location eligibility does not change exemption qualification for existing projects. Because impact upon revenues is dependent upon such a small number of projects, measure's impact upon property tax revenues is indeterminate.

Standard Enterprise Zone Program

Measure as engrossed reduces annual compensation requirement for an eligible business firm seeking additional one or two-year enterprise zone exemption authorization from 150% of county average annual wage, as determined at the time of authorization, to 130% if firm is located in a qualified rural county. Requires average wage of all new employees hired by firm, regardless of whether firm is inside or outside a qualified rural county, to equal or exceed 100 percent of the average wage in the county.

Based upon analysis of past computed property tax benefit resulting from eligible businesses receiving additional one or two years of exemption in qualified rural counties, impact on property tax revenues by measure as engrossed is indeterminate. Historically, a small number of businesses in qualified rural counties have benefitted from additional year(s) of property tax exemption. As measure reduces wage requirement for eligible business in such counties, a potential increase in businesses qualifying for additional years of exemption may occur. Additional years of exemption are permissive to enterprise zone sponsor and zone sponsor may require additional reasonable requirements.

Adding 100% average wage requirement may limit firm qualification as existing law requirements are based upon firm's average employee compensation as compared to county average wage. As wage is a component of compensation, instances may occur where a business meets 150% or 130% compensation requirement but fails to meet 100% wage requirement. While 150% and 130% compensation requirements are measured against county average annual wage as determined at time of authorization, which is a fixed figure, the underlying county average wage that average wage of newly hired employees is measured against, will change each year (the 100% wage requirement). As enterprise zone extension is for a maximum of two years, this changing of the wage base against which newly hired employee average wage is measured, is expected to minimally impact businesses that are able to initially qualify for exemption extension.

Long Term Rural Enterprise Zone (LTREZ)

Use of LTREZ tax incentives is relatively infrequent. Referencing most recent LTREZ assessor reports, ten projects are benefitting with two companies accounting for about two-thirds of the overall computed tax benefit (\$34 million in TY 2015-16) associated with LTREZ exemptions. Reducing the required employee wage compensation requirement from 150% to 130% of average wage in the county will make LTREZ associated tax benefits available to more business firms and proposed facilities. Because impact upon revenues is dependent upon such a small number of projects, measure's estimated impact upon property tax revenues is indeterminate.

Adding ongoing 100% average wage requirement may limit firm qualification as existing law requirements are based upon firm's average employee compensation as compared to county average wage. As wage is a component of compensation, instances may occur where a business meets 150% or 130% compensation requirement but fails to meet 100% wage requirement. While 150% and 130% compensation requirements are measured against county average annual wage as determined when compensation requirement is initially met (a fixed figure), the underlying county average wage that average wage at the facility is measure against, will change each year (the 100% wage requirement). As duration of long term rural enterprise zone tax exemption can

last up to 15 years, requiring an ongoing average wage requirement of 100% that exceeds county average wage (a figure that will adjust annually) may limit initial participation in the program, cause participants that initially qualified to no longer qualify if wage-increases at facility do not generally keep pace with average wage-increases in county. As use of program is infrequent and LTREZ program is permissive to county/city governing bodies, impact upon revenue due to 100% wage requirement is indeterminate.

HB 2088 (CH 414)

Allows city, if the majority of the population of the city resides in a county with a population greater than 700,000, to specify through ordinance or resolution that area within city boundary is area to be used for purposes of computing maximum assessed value of specified property. Requires public hearing and approval by a three-fifths majority of members of governing body of the city for ordinance or resolution to be adopted. Allows city to adopt or repeal ordinance or resolution no more than once in a five-year period. Allows county assessor to withhold from city property tax distribution, amount equal to cost of software upgrades required due to city ordinance or resolution, up to \$60,000. Eliminates redundant statutory language. Changes to definition of area as adopted by city applicable to assessment years beginning on or after January 1, 2019, or with assessor consent, January 1, 2018. Takes effect on 91st day following adjournment sine die.

Revenue Impact: No direct revenue impact, however, positive impact upon property tax revenue is expected. Measure provides permissive option to cities within Multnomah County to specify that area within city boundary is area to be used for purposes of computing maximum assessed value of specified property. As option is permissive to cities, no direct revenue impact exists. Ultimate impact upon property tax revenues will depend upon the number of cities that adopt an ordinance or resolution, and value particulars of properties within that city. Impact on property tax revenues over time will be dependent upon growth patterns in property values and location of new property construction.

Depending upon circumstances of properties within city taxing boundaries, specifically whether a city computed changed property ratio is greater than the countywide ratio, cities may opt to define area within city for purposes of determining changed property ratio. Using a greater changed property ratio to determine maximum assessed value of property following an exception event (e.g. - new property improvements, property disqualification from exemption, property partitioned or subdivided) will result in a higher maximum assessed value being calculated for the property. Generally, this will result in a higher tax liability for the property leading to increased property tax revenues for all taxing districts imposing taxes on property located within city that has adopted citywide change property ratio computation.

Based upon analysis of potentially affected cities within Multnomah County, impacts upon revenue would initially be largely dependent upon high value commercial/industrial property development and impacts upon revenue will predominantly be located in City of Gresham. Over time, increased revenue resulting from higher initial maximum assessed value determinations will accrue leading to larger increases in revenue in years following ordinance or resolution adoption. A simplified realistic scenario for City of Gresham is a \$50,000 increase in year one, which would subsequently accrue to year two as a \$50,000 increase plus the increase in higher maximum assessed value determinations in year two. Because of the accruing of the revenue change, year two revenue increase, assuming \$50,000 initial year increase in year two, would be \$100,000 (sum of year one and year two).

Depending upon the number of cities that adopt ordinance or resolution, Multnomah County's countywide changed property ratio could be affected depending upon a multitude of factors including property value appreciation and location of new construction. Over time, this would be expected to slightly increase property tax revenues throughout Multnomah County.

HB 2278 (CH 26)

Allows budget of municipal corporation to include estimated requirements to pay debt service on bonds when bonds were approved at a May election. Allows municipal corporation, on or after July 1 and before September 15, to adopt ordinance or resolution imposing and categorizing tax levy necessary to pay estimated debt service of bonds. Requires assessor to accept municipal corporation's timely filed certification of estimated amount of ad valorem property taxes to be imposed. Allows governing body of a municipal corporation to make supplemental budget if original budget of the municipal corporation did not include estimated requirements to pay debt service of general obligation bonds approved at a May election per Section 2 of measure. Removes requirement of Historic Ghost Towns to comply with Local Budget Law statutes. Allows community college appropriations to be separated by organizational unit. Makes non-substantive modifications to Local Budget Law statutes.

Revenue Impact: No impact

HB 2377 (CH 624)

Authorizes city or county to adopt an ordinance or resolution granting property tax exemption to newly rehabilitated or constructed qualified multiunit rental housing. Allows property tax exemption for up to ten consecutive years. Requires city or county to establish a schedule in which the number of years for which exemption is provided increases directly with the percentage of units rented to households with an annual income at or below 120 percent of the area median income and at monthly rates that are affordable to such households.

For ordinance or resolution to take effect, requires the rates of taxation of the taxing districts whose governing bodies agree to grant the exemption, when combined with the rate of taxation of the city or county, to equal 51 percent or more of the total combined rate of taxation on the eligible rental property. Requires owner or lessee of eligible rental property to submit annual application to city/county.

Requires repayment of tax if county assessor determines that the eligible property does not meet the requirements of the ordinance or resolution. Sunsets initial year exemption qualification on January 2, 2027.

Revenue Impact: No direct impact on property tax revenue (see impact explanation)

Measure provides cities and counties, with agreement from, at minimum some local governments, the option of providing a property tax exemption to qualified multiunit rental housing. As measure is permissive to cities and counties, impact on property tax revenues will depend upon the number of cities/counties that adopt an ordinance or resolution allowing the exemption and the configuration of the adopted exemption.

Property taxes imposed on multiunit property can vary considerably depending upon the number of units and location of the property. To provide some sense of scale, the median property taxes imposed on property classed multifamily in property tax year 2015-16 was about \$7,000 with some higher value properties paying over \$100,000 to, in some instances, hundreds of thousands of dollars in property taxes.

The **policy purpose** of this measure is to provide county and city governing bodies the ability to implement a targeted property tax exemption that encourages development of multiunit rental property that is rented to households with annual income at or below 120 percent of the area median thereby increasing the development, rehabilitation and, ultimately, the supply of workforce and low income housing units.

HB 2407 (CH 541)

Eliminates deferred billing credit statutory language following effective date of act. Deferred billing credits issued prior to effective date of measure are unaffected by changes in measure as amended.

Allows county assessor to issue a potential refund credit in instances where deferred billing credits are allowed under current law. Requires taxpayer to pay amount of taxes included in potential refund credit. Upon issuance of potential refund credit, requires county treasurer to withhold amount of taxes included in potential refund credit and deposit withheld amounts in investment pool or any other investment account. Requires county treasurer to provide for proper accounting of any interest accruing on withheld amount. Upon final resolution of appeal to which potential refund credit relates, requires amount withheld and interest accrued to be refunded to taxpayer or deposited into unsegregated tax collections account depending upon outcome of appeal. Eliminates assessor quarterly reporting of deferred billing credits, requires assessor to annually report potential refund credits. Takes effect on 91st day following adjournment sine die.

Revenue Impact: Indeterminate, however, potential increase in property tax revenue.

Measure eliminates ability of assessors to issue deferred billing credit (DBC) while providing assessors the ability to issue potential refund credit (PRC) in same scenarios.

A DBC or PRC is designed to be issued in instances where a property tax assessment is being appealed and the dollar amount in dispute exceeds \$1 million and the county assessor chooses to issue the DBC or PRC. The amount of the DBC or PRC reflects the dollar amount necessary to address the risk presented by the dispute.

The mechanics of the PRC as compared to the DBC give rise to the potential positive impact upon property tax revenue. The DBC program essentially gives a payment credit to taxpayer without requiring taxpayer to pay the disputed tax amount. Upon final resolution of the appeal, and depending upon the outcome of the appeal, the taxpayer may be required to make payment, but payment reflects the amount of property tax owed without any application of interest (assuming timely payment). In contrast, the PRC program requires taxpayer to pay disputed amount. Disputed amount is then invested by County Treasurer. Upon final resolution of appeal, disputed amount plus accrued interest is then used to: fulfill tax obligation and paid to taxing districts, refunded to taxpayer, or combination of the two. In instances where final resolution of appeal results in payment of funds to taxing districts, taxing districts receive the amount of the tax determined to be due, plus accrued interest. The accrued interest amount is where the positive impact upon revenue may arise.

As PRCs are to be issued in instances where tax assessment is being appealed, estimating potential impact upon revenue becomes a speculation of the outcome of tax disputes and for this reason the revenue impact is indeterminate.

To give some sense of the magnitude, based upon tax amounts under appeal, expected interest rates, DBCs issued and depending upon the outcomes and remaining litigation time periods, measure could yield thousands to potentially millions of dollars in a coming biennium. It is important to note that one outstanding tax dispute, Comcast Corporation v. Department of Revenue represents the vast majority of the outstanding tax dollar amount where DBCs are issued and where PRCs are expected to be issued. For this reason, any increase in revenue will largely be dependent upon outcome of this tax dispute (and other related Comcast tax disputes) and any sizable impact upon revenue is better viewed as a potential one-time event.

HB 2573 (CH 420)

Eliminates annual filing requirement of business personal property owners receiving property tax cancellation relating to business personal property the total value of which is less than specified threshold. Allows county assessor to annually provide a notice to each taxpayer whose taxable business personal property is not subject to ad valorem property taxation for the current property

tax year due to being under specified threshold. To receive exemption, requires taxpayer to sign form attesting that the value of the taxable personal property has not changed since the prior assessment year. Clarifies language relating to certain personal property not subject to ad valorem property taxation.

For counties with population of more than 570,000 (Multnomah and Washington), increases threshold from \$12,500 to \$25,000 (dollar amounts are subsequently indexed to inflation) under which personal property manufactured structures of a taxpayer are not subject to ad valorem property taxation. Changes in the measure will increase specified amount for 2017-18 property tax year in Multnomah and Washington counties to \$33,500 (after indexing).

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
Local Governments	-\$0.4	-\$0.4	-\$0.8	-\$0.8	-\$0.7
Local Education Districts	-\$0.3	-\$0.3	-\$0.6	-\$0.5	-\$0.5
Total Revenue Change	-\$0.7	-\$0.7	-\$1.4	-\$1.3	-\$1.3

Estimate of revenue impact is based upon an analysis of manufactured structures in Multnomah and Washington counties that are currently subject to property taxation that, with changes to minimum threshold contained in engrossed version of measure, would no longer be subject to ad valorem property taxation. Estimated revenue impact also includes losses in non-ad valorem special assessments/fees totaling less than \$10 per property account reflective of delinquent tax cancellation threshold (ORS 311.795).

A minimal impact upon revenue relating to statutory changes to business personal property filing requirement is expected.

The ***policy purpose*** of this measure is to increase the existing law exemption threshold for personal property manufactured structures, in counties with populations greater than 570,000, reflective of changes in values of such structures and overall housing stocks in both Multnomah and Washington counties.

HB 2745 (CH 425)

Allows an intergovernmental entity created to operate, maintain, repair and modernize transportation facilities that qualifies as recipient of Federal Transit Administration funding, to issue general obligation bonds and assess, levy and collect ad valorem property taxes, including operating taxes and local option levies. Allows intergovernmental entity to provide nonrail public transportation and terminal facilities for public transportation. Provides intergovernmental entity ability to divide territory of entity into zones for the purpose of imposing and levying property taxes at different rates in each zone based upon qualitative differences in services provided. Specifies procedure to be followed in order for intergovernmental entity to undertake imposition of tax and dividing of territory. Allows, with voter and/or local governing body approval, intergovernmental entity to establish permanent rate limit for operating taxes, impose local option taxes or issue general obligation bonds. Before intergovernmental entity may impose ad valorem property taxes, requires entity to: establishment of one or more transit advisory councils representative of each zone in which ad valorem property taxes are to be imposed, maintain adequate levels of communication with affected local governments and perform an annual report and an annual audit. Takes effect on 91st day following adjournment sine die.

Revenue Impact: No direct impact upon revenue.

Measure provides authority to an intergovernmental entity created to operate, maintain, repair and modernize transportation facilities that qualifies as a designated recipient of funding for transit

operations from the Federal Transit Administration to impose property tax, but does require taxation to be extended. For property taxes to be levied, a combination of local government and voter approval is required. If authority to impose property tax is approved, an overall increase in property tax liability would result. Increased property tax revenue would be directed to the intergovernmental entity, with potential decreases in revenues for other general government taxing districts if intergovernmental entity imposes taxation using permanent or local option taxing authority. Potential reduction in revenue results if new imposed property taxes cause an increase in compression due to property tax limits contained in Article XI, Section 11b of Oregon Constitutional.

HB 2760 (CH 542)

Extends sunset of property tax exemption for alternative energy systems from tax years beginning after July 1, 2017 to tax years beginning after July 1, 2023.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
Local Governments	N/A	-\$0.7	-\$0.7	-\$1.7	-\$2.1
Local Education Districts	N/A	-\$0.6	-\$0.6	-\$1.4	-\$1.7
Total Revenue Change	N/A	-\$1.3	-\$1.3	-\$3.1	-\$3.9

Estimated impact upon property tax revenue is based upon annual reporting by county assessors. Projected growth in revenue loss is based upon recent trends in exemption reporting. Recent and prospective investments in alternative energy systems that offset onsite electricity use by data centers could increase estimated loss figures in later years. However, this alternative energy property is often exempt under other property tax exemption statutes and therefore is not included in statement’s impact projections.

The **policy purpose** of this measure is to extend the sunset of the property tax exemption related to alternative energy systems property with the underlying purpose of alleviating a potential disincentive of investing in an alternative energy system due to the levying of property taxes upon the alternative energy system.

HB 2833 (CH 83)

Makes technical corrections and clarifications in statutes governing exemption of property in enterprise zones. Clarifies that for business firms to continue qualifying for long term rural enterprise zone, average compensation at the qualified facility after initially meeting compensation threshold must equal or exceed 150 percent of the average wage in the county for the year in which the requirement was initially met.

Revenue Impact: Minimal

Most of the technical corrections and clarifications to statutes governing enterprise zone exemptions are expected to have no impact upon revenue, a few of the changes may minimally impact revenue. Clarification to wage requirement is expected to have no immediate impact on revenue as firms currently receiving long term rural exemption benefits are meeting requirements as clarified in measure.

HB 2964 (CH 294)

Modifies existing permissive property tax exemption to allow existing qualified dwelling units newly purchased or rehabilitated to qualify for property tax exemption for up to ten successive property

tax years. Modification applies to ordinances or resolutions adopted or amended by a city governing body after effective date of act.

Revenue Impact: No direct revenue impact

Measure provides cities with authority to adopt property tax exemption program providing exemption to newly purchased or rehabilitated qualified dwelling units with market values of no more than 120% of median sales price of dwelling units located within city. The structure of a qualified property (land is taxable) receiving exemption is exempt from city imposed property taxes, or from all district imposed property taxes if the rates of taxation of taxing units whose governing bodies agree to grant the tax exemption, when combined with the rate of taxation of the city, equal 51% or more of the total combined rate of taxation levied on the property. In specified instances, for full exemption to apply, the governing body of the county must also agree to exemption.

Statute governing exemption provides city adopting exemption program considerable latitude in determining exemption parameters applicable to exempt property. Statutory parameters limit exemption applicability to single-unit housing dwellings that are any of the following:

- Newly constructed
 - Purchased
 - Rehabilitated
- } market values ≤ 120% of city median sales price of dwelling

Statutory parameters as modified by measure provide the potential for a large number of properties to be exempt from property taxes for up to 10 successive years. This creates the potential for large reductions in property tax revenues. However, impact upon property tax revenues is ultimately dependent upon the number of cities that adopt such programs and the additional parameters cities enact as part of the exemption program. The existing exemption program is predominately used by the city of Portland and most recently estimated to reduce property tax revenues by about \$5.5 million per biennium.

Sunset's city's authority to approve an application for exemption on January 1, 2025. Allows qualified dwelling units granted exemption prior to January 1, 2025 sunset date to continue to receive the exemption for the period for which the exemption was granted.

The **policy purpose** of this measure is contained in ORS 307.654 as amended which reads:

307.654 Legislative findings. (1) The Legislative Assembly finds it to be in the public interest to encourage homeownership among low and moderate income families.

(2) The Legislative Assembly further finds and declares that the cities of this state should be able to establish and design programs to stimulate the purchase, rehabilitation and construction of single-unit housing for homeownership by low and moderate income families by means of a limited property tax exemption, as provided under ORS 307.651 to 307.687.

HB 3171 (CH 275)

Modifies instances when additional taxes are not imposed upon leased public property disqualified from special assessment when reason for disqualification is termination of lease under which the land was assessed. Modifies timing of disqualification from special assessment to be date on which the lease was terminated.

Revenue Impact: The impact to property tax revenues is expected to be minimal.

The impact to property tax revenues is expected to be minimal on an annual basis. However, there have been instances in the past where larger amounts of additional taxes were imposed due to disqualification from special assessment. For example, in 2014, property previously leased by Port of Morrow and specially assessed prior to lease termination in 2013, that was sold just days later, was assessed nearly \$250,000 in additional tax due to nonexclusive farm use special assessment disqualification. Instances and amounts such as these are rare, and are likely to be

rarer as local districts are more aware of potential additional tax being imposed following the decision in Magistrate Division of Oregon Tax Court in Boardman Acquisition LLC v. Morrow County Assessor (2013).

HB 3453 (CH 554)

Modifies two existing property tax exemptions: exempt lease from taxable owner (ORS 307.112) and exempt lease from exempt owner (ORS 307.166).

Exempt Lease from Taxable Owner - 307.112

To qualify for property tax exemption, requires the lease, sublease or lease-purchase agreement of property held under lease, sublease or lease purchase agreement by exempt entity and used in accordance with exemption requirements, to include terms stating that any tax savings resulting from the exemption shall inure solely to the benefit of the lessee. Requires documentary proof of tax savings in lease terms if assessor is not satisfied that tax savings inure solely to benefit exempt leasing institution or organization.

Exempt Lease from Exempt Owner - 307.166

To qualify for property tax exemption, requires any tax savings resulting from exemption to inure solely to the benefit of the lessee, sublessee or possessor of the property.

Revenue Impact: Minimal loss in revenue

The measure has the potential to reduce and/or streamline administrative requirements of qualifying for property tax exemption under ORS 307.112 and 307.166. As such, measure is expected to slightly increase the number of leased properties qualifying for exemption thus causing a minimal loss in property tax revenue.

The ***policy purpose*** of this measure is to make it easier for exempt institutions and organizations leasing or subleasing property to take advantage of the underlying tax benefit available under current law.

HB 3459 (CH 686)

Expands existing property tax exemption available under ORS 307.130 to include all real and personal property of a retail store owned by a nonprofit corporation if retail store deals exclusively in donated inventory, operates with substantial support from volunteers and all net proceeds of the retail store sales are donated to one or more of the following:

- A nonprofit corporation that provides animal rescue services
- A manufacturer or provider of goods or services in return for equivalent value of goods or services from the manufacturer or provider
- To an entity that provides spaying and neutering services for pets of individuals residing in households with an annual household income at or below 80 percent of the area median income
- For the purpose of aiding domesticated animals, regardless of whether the animals are in the custody of the county shelter, in furtherance of the purpose for which the nonprofit corporation was organized.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
Local Governments	-\$0.03	-\$0.03	-\$0.06	-\$0.06	-\$0.06
Local Education Districts	-\$0.02	-\$0.02	-\$0.04	-\$0.04	-\$0.04
Total Revenue Change	-\$0.05	-\$0.05	-\$0.11	-\$0.11	-\$0.11

Impact estimate is based upon an analysis of thrift store property tax accounts that would potentially be exempt from property taxation and the expected average reduction in tax revenue per account.

The ***policy purpose*** of this measure is to provide property tax relief to nonprofits that operate thrift stores, the net proceeds of which are used to support animal causes. Exemption is intended to provide property tax exemption parity between nonprofit thrift stores operated to benefit animals and nonprofit thrift stores operated to benefit people.

SB 149 (CH 445)

Modifies existing property tax exemption qualification statute to allow property of a limited liability company (LLC) to qualify for exemption from ad valorem property taxation or special assessment if:

- LLC is wholly owned by one or more nonprofit corporations or state, county or local governments
- Property would qualify for the exemption or special assessment if held directly by each of the LLC's nonprofit corporations, and
- Exemption or special assessment granted in least amount that would be granted if held directly by any of the LLC's nonprofit corporations.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
Local Governments	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.2
Local Education Districts	-\$0.0	-\$0.1	-\$0.1	-\$0.1	-\$0.1
Total Revenue Change	-\$0.1	-\$0.1	-\$0.2	-\$0.3	-\$0.3

Measure modifies existing statute to allow a limited liability company that is wholly owned by one or more nonprofit corporations or government entities, to qualify for exemption or special assessment available under other property tax laws of this state. Modification to statute is expected to increase the number of LLCs that may be able to qualify for existing property tax exemptions or special assessments. Measure requires exemption or special assessment to be determined to the least extent that would be received if any of the nonprofit owners of the LLC were the exclusive owner of the property.

Measure does not expand qualification standards for existing property tax exemptions or special assessments, rather, measure expands the membership structure of an LLC that may qualify for existing exemptions and special assessments.

ORS 307.022 is not a tax expenditure per se, rather, the statute clarifies that depending upon ownership structure of an LLC, LLC may qualify for an existing property tax exemption or special assessment.

SB 311 (CH 537)

Authorizes city or county to adopt ordinance or resolution providing exemption or partial exemption from ad valorem property taxation to eligible property that will be seismically retrofitted. Requires adopted ordinance or resolution to state the percentage of the exemption to be applied to the real market value of the eligible property. Allows exemption for up to fifteen years.

Exemption eligibility ends at earlier of specified period of years or the date on which the dollar amount of the exemption equals the eligible costs for the property. Defines eligible property as improvements built before January 1st 1993, that constitute a commercial, industrial or multifamily building that is not centrally assessed or state appraised industrial property. Defines eligible costs as costs that are directly related to the work necessary to seismically retrofit eligible property. Requires rates of taxation of the taxing districts located within the territory of the city or county and agreeing to exemption, when combined with city/county rate of taxation, to equal or exceed 75% of the total combined rate of taxation within the territory of the city or county for exemption to become effective. Requires taxing district governing bodies agreeing to the exemption or partial exemption to impose a limit on the total amount of exemptions and partial exemptions that may be approved. Allows city or county to further restrict eligible properties by property type and impose any other non-conflicting conditions.

Sunsets initial application for exemption on January 2, 2028 with eligible property granted exemption prior to sunset date allowed to qualify for exemption for duration of qualification period.

Revenue Impact: No direct revenue impact exists from enacting measure, however, losses in property tax revenues are expected to be several to possibly tens of millions of dollars per year. The potential revenue impact, depending upon adoption of exemption policy by counties or cities with sufficient approval from local taxing districts, is expected to total several millions of dollars per year with the possibility of revenue losses in the tens of millions depending upon adoption of exemptions by local governing bodies and circumstances under which exemption or partial exemption is made available. Peak exemption losses would be expected during the 2020-2030 period.

Property tax exemption made available by measure is a full or partial exemption for improvement value of qualified property. Property tax exemption is limited in duration to: a time period of 15 years or date on which property tax exemption benefits equal qualified retrofit costs. Measure provides broad authority to cities and counties in how program is designed.

Basis for revenue impact estimation is derived primarily from City of Portland documents related to the city's Unreinforced Masonry Seismic Retrofit Project. The project details the number of buildings in need, and estimated construction costs. City of Portland is also likely to require unreinforced masonry buildings to be seismically upgraded to various degrees. City of Portland estimates roughly 1,600 unreinforced masonry buildings with estimated construction costs of about \$800 million. A number of these properties are publicly owned, or are receiving an existing full or partial property tax exemption which limits to some extent the properties that will qualify, or extent of qualification, for exemption made available in measure.

Buildings in need of seismic retrofitting are located throughout Oregon, however, exemption does require local adoption of ordinance or resolution to become effective. Ultimately, extent of property tax revenue loss will depend upon conditions under which exemption is locally adopted.

The **policy purpose** of this measure is to provide authority to cities and counties to design and implement property tax exemption programs intended to partially or fully offset the costs related to seismically retrofitting commercial, industrial or multifamily buildings, thereby mitigating potential losses to life and property resulting from a Great Cascadia Subduction Zone earthquake.

SB 936 (CH 490)

Measure makes changes to the Strategic Investment Program (SIP). Measure increases taxable portion of property of an eligible project located in a rural area. Changes effect projects first determined to be eligible on or after the effective date of this act (changes detailed in table below). Increases maximum local government fee that may be imposed to support community services to \$2.5 million from \$2 million or \$500 million in non-rural and rural areas respectively. Changes to community services fee apply to agreements entered into, on, or after effective date of measure and with respect to projects first determined by the Oregon Business Development Commission to be eligible projects on or after effective date of measure. Increase in community service fee does not apply to projects located in Strategic Investment Zones.

	Existing Law	Proposed Changes in SB 936-A3
Initial Taxable Portion of Eligible Property's Real Market Value in Rural Area	\$25 million for all eligible projects in rural areas	\$25 million if total cost of project ≤ \$500 million \$50 million if: \$500M < total cost of project ≤ \$1 billion \$100 million if total cost of project > \$1 billion

Revenue Impact: Indeterminate

The revenue impact is indeterminate for multiple reasons. Only a few SIP projects exist with new projects occurring rather intermittingly. This limits ability to estimate future SIP projects and subsequent impacts upon revenue resulting from statutory changes to the SIP.

Secondly, in addition to property taxes imposed on the portion of property value that is taxable and the community service fee required under ORS 285C.609, locally negotiated required payments made by project owner also generally exist. Assuming counties (and Oregon Business Development Commission) negotiate the greatest local payments possible (or said another way, provide the minimum tax reduction required to incentivize a business to invest in project), an increase in statutory property tax or community service fees would be expected to be offset by decreases in locally negotiated payments. While increases in statutory revenues may be offset by declines in locally negotiated payments, distribution of revenues would be affected. As property tax revenues are dedicated to funding the education system and local governments, an increase in revenue to education districts would be expected (education districts do not receive any portion of statutory required community service fee). Depending upon recipients of locally negotiated payments, local governments may experience a net increase or decrease in revenue.

To give some sense of potential impact upon revenue distributions, superimposing changes contained in measure on existing projects receiving SIP exemption would yield an annual increase in property tax revenues of about \$1 million and potential additions in statutory community service fees of \$3.2 million. On average, about 40% of non-bond property tax revenue goes to fund education districts. Statutory community service fees are distributed based upon local agreement between county, city and special districts. Impact upon revenues will ultimately depend upon the number, size and location of new SIP projects.

SCHOOL FINANCE

HB 3029 (CH 379)

Allows children over the compulsory school age to not attend public full-time schools for only one year under specified circumstances. Takes effect on July 1, 2017.

Revenue Impact (in \$Millions): This bill does not affect the formula revenue available for distribution to school districts and education service districts.

Impact Explanation: If the specified exception reduces enrollment at public schools, the formula revenue per weighted Average Daily Membership (ADMw) will increase. However, it is not known how many children will take advantage of this exception. Consequently, the impact on formula revenue per ADMw is not known.

SB 5517 (CH 564)

Appropriates for the 2017-19 State School Fund, \$7,684.2 million from the General Fund, \$452.3 million from the Lottery revenues, \$63.1 million from marijuana taxes, and \$0.4 million from other sources.

Revenue Impact (in \$Millions):

	Biennium 2017-19
State School Fund	\$8,200.0
From General Fund	\$7,684.2
From Lottery Resources	\$452.3
From Marijuana Taxes	\$63.1
From Miscellaneous Receipts	\$0.4

Impact Explanation: This bill appropriates \$8,200.0 million for the 2017-19 State School Fund (SSF), with \$7,684.2 million allocated from the General Fund, \$452.3 million from the Lottery revenues, \$63.1 million from marijuana taxes, and \$0.4 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 2017-19 biennium.

SB 5529 (CH 598)

Allocates, transfers, and distributes available lottery resources to various funds and accounts as specified in the Constitution and statutes. Distributes marijuana tax revenues as specified in the statutes.

Revenue Impact (in \$Millions): The 2017-19 State School Fund remains unchanged at \$8.2 billion.

(1) Allocation of Lottery Revenue

SB 5529 Budget Report and Measure Summary by the Legislative Fiscal Office details the distribution based on the Oregon Constitution and statutes. It also tabulates legislative distribution of lottery revenue available for discretionary spending. A new constitutionally mandated dedication is the Veterans’ Services Fund (1.5% of net proceeds), and a new statutorily required distribution is the Outdoor School Education Fund (4% of net proceeds, but not more than \$5.5 million per quarter adjusted for inflation).

In particular, **SB 5529** allocates \$464.8 million of lottery revenue to the State School Fund. This amount is \$12.5 million more than what was assumed in the State School Fund bill **SB 5517**.

(2) Allocation of Oregon Marijuana Account

The table below shows distributions of marijuana tax revenues, assuming that HB 3470 becomes the law. **HB 3470** redirects the Common School Fund share to the State School Fund (SSF). \$81 million to the SSF is \$17.9 million more than the amount in the State School Fund bill **SB 5517**.

	Share	Biennium 2017-19
Total* (Oregon Marijuana Account)	100%	\$202.5
Cities	10%	\$20.3
Counties	10%	\$20.3
State School Fund	40%	\$81.0
Mental Health, Alcoholism and Drug Services	20%	\$40.5
Drug and Alcohol Abuse Prevention and Treatment	5%	\$10.0
State Police	15%	\$30.4

*includes 2015-17 carry forward.

Impact Explanation: This bill in conjunction with **HB 5006** leaves intact the 2017-19 State School Fund (SSF) at \$8.2 billion. Previously, **SB 5517** pegged the 2017-19 biennium SSF at \$8.2 billion. That bill assumed \$63.1 million of marijuana tax revenues and \$452.3 million from lottery revenue distributed to the fund.

The total SSF for the biennium stays at \$8.2 billion despite the seeming increase of marijuana tax and lottery revenue distributions to the SSF by \$30.4 million in this bill. Allocation adjustments in the General Fund, Lottery Revenue, and Oregon Marijuana Account in **HB 5006** make sure the SSF remains at \$8.2 billion. In **HB 5006**, the General Fund allocation to the SSF declines by \$30.4 million. On net, there is no change in the SSF for the 2017-19 biennium.

TIMBER TAXATION

HB 2270 (CH 621)

Extends privilege taxes on merchantable forest products harvested on forestlands for calendar years 2018 and 2019. Sets harvest taxes to be allocated to the Forest Research and Experiment Account, Oregon Forest Practices Act administration, Oregon Forest Land Protection Fund, and professional forestry education at Oregon State University. For calendar years 2016 and 2017, the tax was set at 90 cents per thousand board feet (mbf) for the Forest Research and Experiment Account, 110.37 cents/mbf to administer the Oregon Forest Practices Act, and 10 cents/mbf to support professional forestry education at Oregon State University. An amount of 62.5 cents/mbf is allocated to fire suppression but is unchanged by this measure.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2017-18	2018-19	2017-19	2019-21	2021-23
Forest Research and Experiment Account	\$0.75	\$3.56	\$4.32	\$2.81	\$0.00
Oregon Forest Practices Act Administration	\$1.31	\$6.20	\$7.51	\$4.90	\$0.00
Oregon State University College of Forestry Professional Education	\$0.08	\$0.40	\$0.48	\$0.31	\$0.00

The measure sets the Forest Products Harvest Tax Rates for calendar years 2018 and 2019. The projected 2018 and 2019 harvest is 3.958 million board feet (mbf) and 3.965 million board feet (mbf), respectively. The rate for the Forest Research and Experiment Account remains at 90 cents per mbf. The measure sets the rate for the Oregon Forest Practices Act Administration for 2018 and 2019 to \$1.5661 per mbf from the 2016 and 2017 value of \$1.1037 per mbf. The measure extends the 10 cent per mbf for professional forestry education at Oregon State University.

The measure modifies the cap for the charge on harvest that supports the Oregon Forest Resources Institute (OFRI) to 75 cents in 1991, adjusted annually for inflation. This change alone does not have a revenue impact. The first reason for this is that the Oregon Forest Resources Institute is not a governmental entity. The second is that the measure does not, by itself, set the rates of assessment to support OFRI.

TRANSPORTATION

HB 2017 (CH 750)

The measure is the Transportation Improvement, Modernization and Preservation package of the 2017 session. It changes many fees and taxes and creates others.

Background:

The Joint Committee on Transportation Preservation and Modernization started in May of 2016 to gather information regarding transportation needs and concerns in communities across Oregon. The Committee conducted more than a year of study and analysis, and attempted to

make some significant investments to address highway maintenance and preservation, bottlenecks, reduce gaps in transit service, boost support for bicycle and pedestrian facilities, solidify and increase multimodal transportation investment, improve seismic resilience, provide a process for jurisdictional transfer of transportation facilities, improve transportation innovation, and track impacts of carbon emissions. To that end, the Committee held meetings in communities throughout Oregon. The Committee also formed work groups in five areas (accountability, highway preservation and seismic upgrade, traffic congestion and freight mobility, public transportation and transportation safety, and multimodal freight) to research and develop policy initiatives, funding options and statutory changes. House Bill 2017-A is the product of these efforts.

Revenue Impact:

Revenue Raised		\$\$ Million	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium	Revenue Total Start to full implementation
Highway Fund			\$338.2	\$621.3	\$815.3	\$972.4	\$1,022.1	\$3,769.4
	Collection Costs		(\$4.0)	(\$8.0)	(\$8.3)	(\$8.5)	(\$8.7)	(\$37.4)
	Net		\$334.2	\$613.3	\$807.1	\$964.0	\$1,013.4	\$3,732.0
Notes for Bonding Revenue at the bottom of the page								
Privilege Tax			\$40.3	\$56.1	\$56.4	\$55.5	\$54.8	\$263.0
	Collection Costs		(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)	(\$5.6)
	Net		\$39.2	\$55.0	\$55.3	\$54.3	\$53.7	\$257.4
Payroll tax			\$115.8	\$250.1	\$275.0	\$302.6	\$334.2	\$1,277.7
	Collection Costs		(\$10.1)	(\$10.5)	(\$10.8)	(\$11.2)	(\$11.6)	(\$54.3)
	Net		\$105.7	\$239.7	\$264.2	\$291.3	\$322.5	\$1,223.4
Bike Excise			\$2.1	\$2.8	\$2.8	\$2.8	\$2.8	\$13.3
	Collection Costs		(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.6)
	Net		\$2.0	\$2.7	\$2.7	\$2.7	\$2.7	\$12.7
Total Gross Revenue			\$496.4	\$930.3	\$1,149.6	\$1,333.2	\$1,413.9	\$5,323.4
Total Collection Costs			(\$15.3)	(\$19.7)	(\$20.3)	(\$20.9)	(\$21.5)	(\$97.8)
Net Revenue			\$481.1	\$910.6	\$1,129.3	\$1,312.3	\$1,392.3	\$5,225.6
Revenue from Bonds is not Included Bill sets aside two revenue stream for bonding, each when let, to generate \$450 million, Section 71, and Rose Quarter, for total of \$900 mi								
Congestion Pricing Revenue is not Estimated Section 120 Section 120 a								
Other Revenue transfers coming to Connect Oregon Fund and governed by Section 78 to 80 not included								
Increases contingent on conditions on 2020, 2022, 2024 are assumed to be implemente: Section 45								

Impact Explanation:

The bill increases highway fund taxes and fees and constructs a long-term transportation program. The program will be financed through a gradual increase in the motor fuels tax and motor vehicles registration and titling fees. Registration fee and title fee surcharges effective January 1, 2018. institutes four tiers of vehicle registration fee and title fee increases, based on vehicle fuel efficiency rating (\$18 for 0-19 mpg, \$23 for 20-39 mpg, \$33 for 40+ mpg, and \$110 for plug-in electric vehicles not enrolled in OReGO program) beginning January 1, 2020, increasing to \$20/\$25/\$35/\$115 on January 1, 2022. Increases registration fees for other types and classifications of vehicles. Increases motor fuel tax by four cents effective January 1, 2018 and additional two-cent increases effective January 1, 2020, 2022 and 2024, provided that the Oregon Transportation Commission certifies that certain conditions have been met. Makes

commensurate increases Flat fees, variance permits and weight-mile tax schedules. The allocation of revenues from above taxes and fees by formula to ODOT, cities and counties and for specified projects, including allocation of \$10 million (\$15 million after 2022) for Safe Routes to Schools program and \$30 million for bonds to finance the I-5 Rose Quarter project after 2021 prior to the state-local split. In addition, \$10 million of state portion is designated for safety projects. Lists priority projects that must be funded from the state portion. January 2018 – four cents per gallon, January 2020 – two cents per gallon, January 2022 – two cents per gallon, January 2024 – two cents per gallon. The increases in 2020, 2022 and 2024 are conditional. They will go into effect only if the OTC certifies in a report to the JCT (joint Committee on Transportation) that the commission and the department have met certain milestones that justify the increase.

The total increase in revenue at full implementation is 46.5% of the current revenue stream.

	Current Rate	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Total increase	% increase
Motor Fuels Tax cents/Gallon	30	34	34	36	36	38	38	40	40	33.3%
Weight Mile Tax	100%	25%		105%		105%		106%	53.3%	53.3%
Total		125%		131%		145%		153%		
Registration Fees (Light)	\$43.0	\$13.0		\$5.0		\$2.0		\$0.0	\$20.0	\$0.5
Registration Fees (Heavy) MCTD	100%	0%		0%		0%		0%	0.0%	0.0%
Registration Fees (Heavy) DMV	100%	27%		8%		0%		0%	35.0%	35.0%
		127%		135%		135%		135%		
Titles (Light)	\$77.0	\$16.0		\$5.0		\$3.0		\$0.0	24.0	31.2%
Titles (Heavy)	\$90.0	\$0.0		\$0.0		\$0.0		\$0.0	0.0	0.0%

The weight/mile tax and other heavy vehicle fees are increased separately by 53% based on the cost responsibility model to ensure that those vehicles are paying a proportionate share of highway costs.

The measure also imposes payroll tax at the rate of 0.1% to fund transit around the state. It also imposes a privilege tax on vehicle dealers at the rate of 0.5% and uses the funds to subsidize electric vehicles for six years, and to fund the connect Oregon multimodal program. A bicycle excise tax is also started and directed to the multimodal program for Bike and Ped programs. Establishes collection procedures for privilege, use and excise taxes. Prohibits local governments from imposing privilege tax on sale of taxable motor vehicles unless authorized by statute or approved by governing body on or before measure's effective date. Asserts legislative intent that privilege tax revenues are not subject to provisions of Article IX, section 3a of the Oregon Constitution and provides process for expedited judicial review should assertion be subject to legal challenge. Provides that if measure or any part thereof is referred to voters and not approved, all specified sections are repealed.

The uses of the revenue in the bill are detailed more in the table below.

	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	Full Biennium 2025-27	Revenue Total Start to full implementation
Motor Fuels Tax cents/Gallon	\$ 110,428,698	\$ 203,181,293	\$ 275,745,856	\$ 346,989,714	\$ 358,989,135	\$ 1,295,334,695
Weight Mile Tax	\$ 109,669,121	\$ 186,004,228	\$ 262,244,404	\$ 334,466,475	\$ 363,387,373	\$ 1,255,771,600
Registration Fees (Light)	\$ 81,894,583	\$ 166,403,979	\$ 200,465,497	\$ 209,563,518	\$ 216,844,451	\$ 875,172,029
Registration Fees (Heavy) MCTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Registration Fees (Heavy) DMV	\$ 8,204,817	\$ 13,872,308	\$ 14,747,305	\$ 14,567,081	\$ 13,568,404	\$ 64,959,916
Titles (Light)	\$ 23,981,884	\$ 44,803,687	\$ 53,968,151	\$ 56,540,205	\$ 58,240,019	\$ 237,533,945
Titles (Heavy)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highway revenue subtotal	\$ 334,179,103	\$ 614,265,494	\$ 807,171,214	\$ 962,126,993	\$ 1,011,029,383	\$ 3,728,772,186
Other Revenue Use tax & other fees	\$ 1,952,325	\$ 3,953,458	\$ 4,002,876	\$ 4,052,912	\$ 4,103,574	\$ 18,065,145
Fuel to other Uses	\$ 2,079,000	\$ 3,118,500	\$ 4,158,000	\$ 6,237,000	\$ 6,930,000	\$ 22,522,500
Total Revenue Gross	\$ 338,210,428	\$ 621,337,452	\$ 815,332,090	\$ 972,416,905	\$ 1,022,062,956	\$ 3,769,359,831
Collection & program costs	(\$ 3,975,000)	(\$ 8,049,375)	(\$ 8,250,609)	(\$ 8,456,875)	(\$ 8,668,296)	(\$ 37,400,155)
Totals	\$ 334,235,428	\$ 613,288,077	\$ 807,081,481	\$ 963,960,030	\$ 1,013,394,660	\$ 3,731,959,676
Transfers to Other Agencies (Fuel)	(\$ 2,079,000)	(\$ 3,118,500)	(\$ 4,158,000)	(\$ 6,237,000)	(\$ 6,930,000)	(\$ 22,522,500)
Bonding for congestion			(\$ 45,000,000)	(\$ 60,000,000)	(\$ 60,000,000)	(\$ 165,000,000)
Safe Routs To Schools	(\$ 15,000,000)	(\$ 20,000,000)	(\$ 27,500,000)	(\$ 30,000,000)	(\$ 30,000,000)	(\$ 122,500,000)
Available for distributions	\$ 317,156,428	\$ 590,169,577	\$ 730,423,481	\$ 867,723,030	\$ 916,464,660	\$ 3,421,937,176
State	\$ 158,578,214	\$ 295,084,789	\$ 365,211,740	\$ 433,861,515	\$ 458,232,330	\$ 1,710,968,588
Counties	\$ 95,146,928	\$ 177,050,873	\$ 219,127,044	\$ 260,316,909	\$ 274,939,398	\$ 1,026,581,153
Cities	\$ 63,431,286	\$ 118,033,915	\$ 146,084,696	\$ 173,544,606	\$ 183,292,932	\$ 684,387,435
Special County	(\$ 7,500,000)	(\$ 10,000,000)	(\$ 10,000,000)	(\$ 10,000,000)	(\$ 10,000,000)	(\$ 47,500,000)
Small City	(\$ 6,000,000)	(\$ 8,000,000)	(\$ 8,000,000)	(\$ 8,000,000)	(\$ 8,000,000)	(\$ 38,000,000)
Net State	\$ 155,578,214	\$ 291,084,789	\$ 361,211,740	\$ 429,861,515	\$ 454,232,330	\$ 1,691,968,588
Net Counties for Distribution	\$ 87,646,928	\$ 167,050,873	\$ 209,127,044	\$ 250,316,909	\$ 264,939,398	\$ 979,081,153
Net Cities for Distribution	\$ 60,431,286	\$ 114,033,915	\$ 142,084,696	\$ 169,544,606	\$ 179,292,932	\$ 665,387,435
Total light	\$ 218,257,490	\$ 418,342,417	\$ 534,182,381	\$ 617,146,349	\$ 638,177,179	\$ 2,426,105,815
Total Heavy	\$ 117,873,938	\$ 199,876,536	\$ 276,991,709	\$ 349,033,556	\$ 376,955,777	\$ 1,320,731,516

Allocations to specified multimodal projects from moneys within the Connect Oregon Fund, subject to submission of plans to OTC. Increases from 30 percent to 50 percent required match for Class I Railroads for Connect Oregon funds. Directs OTC to divide Connect Oregon into two parts: Part One (55 percent) consists of air, marine, rail, bicycle and pedestrian projects; Part Two (45 percent) consists of projects of statewide significance in air, marine or rail modes. Outlines criteria to be considered when awarding Part Two grants. Directs Parks and Recreation Department to reimburse ODOT for up to \$4 million for bicycle and pedestrian grants from Connect Oregon. Funds maintenance dredging at Oregon ports and marinas through the Marine Navigation Improvement Fund and allocates two cents per gallon of fuel equivalent to Fund, to be appropriated to the Oregon Business Development Department for that purpose.

The table below shows the different uses and distributions that the new revenue goes towards.

Revenue Distributions		\$\$ Million	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium	Revenue Total Start to full implementation
Highway Fund								
Net revenue			\$334.2	\$613.3	\$807.1	\$964.0	\$1,013.4	\$3,732.0
Fuel Transfers to other agencies			(\$2.1)	(\$3.1)	(\$4.2)	(\$6.2)	(\$6.9)	(\$22.5)
Congestion fund Transerv (Rose quarter \$400 M Bonds)					(\$45.0)	(\$60.0)	(\$60.0)	(\$165.0)
Safe Routs to school			(\$15.0)	(\$20.0)	(\$27.5)	(\$30.0)	(\$30.0)	(\$122.5)
All Counties share @ 30%			(\$95.1)	(\$177.1)	(\$219.1)	(\$260.3)	(\$274.9)	(\$1,026.6)
Special County program			(\$7.5)	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)	(\$47.5)
All cities Share @ 20%			(\$63.4)	(\$118.0)	(\$146.1)	(\$173.5)	(\$183.3)	(\$684.4)
Small City program			(\$6.0)	(\$8.0)	(\$8.0)	(\$8.0)	(\$8.0)	(\$38.0)
OTIC Rest Areas section 125-128			(\$14.1)	(\$9.6)	(\$6.4)	(\$6.9)	(\$3.1)	(\$40.1)
Safety			(\$15.0)	(\$20.0)	(\$27.5)	(\$30.0)	(\$30.0)	(\$122.5)
Bonds (\$450 million 2022) and expenditures for Section 71 projects			(\$15.0)	(\$25.0)	(\$27.0)	(\$30.0)	(\$30.0)	(\$127.0)
Total Transfers and set asides			(\$233)	(\$391)	(\$521)	(\$615)	(\$636)	(\$2,396.1)
Balance of revenue to system preservation Programs			\$100.9	\$222.5	\$286.4	\$349.0	\$377.2	\$1,335.9
Bridges		40%	\$40.4	\$89.0	\$114.5	\$139.6	\$150.9	\$534.4
Seismic		30%	\$30.3	\$66.7	\$85.9	\$104.7	\$113.1	\$400.8
Maintenance and Culverts		24%	\$24.2	\$53.4	\$68.7	\$83.7	\$90.5	\$320.6
Maintenance pres. & safety		6%	\$6.1	\$13.3	\$17.2	\$20.9	\$22.6	\$80.2
Fuel Transfers to Other agencies		Off Highway Consumption						
Dredging Fund (new) Biz O		section 86	\$0.42	\$0.45	\$0.45	\$0.49	\$0.60	\$2.4
MARINE BOARD			\$0.42	\$0.79	\$1.21	\$2.10	\$2.79	\$7.3
HIGHWAY DIVISION (SNOWMOBILE)			\$0.14	\$0.21	\$0.27	\$0.41	\$0.46	\$1.5
AERONAUTIC S DIVISION			\$0.02	\$0.03	\$0.05	\$0.07	\$0.08	\$0.2
PARKS (ATV CLASS 1,2,3,4)			\$1.09	\$1.63	\$2.18	\$3.27	\$3.63	\$11.8
Total Fuel Transfers			\$2.08	\$3.12	\$4.16	\$6.24	\$6.93	\$11.5
Net Revenue From Dealer Privilege Tax			\$39.2	\$55.0	\$55.3	\$54.3	\$53.7	\$257.4
Zero-emission Incentive DE		sec 150	\$18.0	\$24.0	\$18.0	\$0.0	\$0.0	\$60.0
Connect Oregon Fund			\$21.2	\$31.0	\$37.3	\$54.3	\$53.7	\$197.4
Bicycles Excise Tax		Connect Oregon Fund	\$2.0	\$2.7	\$2.7	\$2.7	\$2.7	\$12.7
Total Connect Oregon Fund			\$23.1	\$33.6	\$40.0	\$57.0	\$56.4	\$210.2
Net Revenue From Payroll Tax			\$105.7	\$239.7	\$264.2	\$291.3	\$322.5	\$1,223.4
Formula		90%	\$95.13	\$215.71	\$237.79	\$262.19	\$290.27	\$1,101.08
Discretionary Service Enhancements		5%	\$4.76	\$10.79	\$11.89	\$13.11	\$14.51	\$55.05
Intercity		4%	\$0.19	\$0.43	\$0.48	\$0.52	\$0.58	\$2.20
Statewide Resource Center		1%	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.02

Money distributed for the state highway system will be used for highway safety (\$10 million), for specific projects, for bridges, for seismic improvements related to highways and bridges, to replace and maintain highway pavement and culverts, and for state highway maintenance, preservation, and safety improvements. The measure lists priority projects that ODOT must complete.

Directs Department of Administrative Services (DAS) to conduct feasibility study on performing highway cost allocation study within boundaries of Metro, Tri-Met or a county, regarding revenue raised within said boundaries subject to Article IX, section 3a of the Oregon Constitution. Directs DAS to submit report to JCT by September 15, 2018.

Expands list of roadside rest areas managed and maintained by the Travel Information Council (TIC) in
 Provides for several jurisdictional transfers from ODOT to Cities and counties and the other way around.

For more description of the bill please refer to the section by section and the Staff Measure Summary.

Creates, Extends, or Expands Tax Expenditure: Yes

HB 2017 establishes a tax credit/rebate program designed to encourage the use of electric vehicles. The credit is scheduled to sunset in six years.

HB 2022 (CH 539)

Excludes volumetric mixers from definition of "fixed load vehicle" which excludes that vehicle type from being subject to property tax.

Revenue Impact: Minimal loss in property tax revenue, see explanation

Impact Explanation: Current law defines fixed load vehicles as those vehicles that support or move a permanent load in the form of equipment constructed as part of or permanently attached to the body of the vehicle. ORS 803.585 specifies that vehicles are exempt from ad valorem taxation as they pay registration and transportation taxes, however, Fixed load vehicles are not exempt from that taxation, and are taxed under ORS 307.030. The fixed load vehicles statutes specifically exempt several vehicles such as transit mixer and others. Historically, a truck-mounted transit mixer (cement truck) has been exempt from the definition of fixed load vehicle. Other exemptions include travel trailers, self-propelled mobile cranes, and tow-vehicles. Volumetric mixers are a relatively new configuration that serves the same, or similar, function as a cement truck. Counties were not clear on their treatment of this type of equipment, County assessors need the clarity in law to be able to apply or exempt from property tax those kinds of providers. Thus, by excluding volumetric mixers from the definition of "fixed load vehicles", HB 2022 exempts volumetric mixers from ad valorem property taxation, but they will pay transportation (Weight Mile) taxes.

Creates, Extends, or Expands Tax Expenditure: Yes

to provide a property tax exemption applicable to volumetric mixers that is identical to the property tax exemption provided to truck-mounted transit mixers in recognition of the similarities between the two types of mixers.

HB 3338 (CH 437)

Directs Oregon Department of Agriculture (ODA) to adopt rules governing implementation and enforcement of requirement that gas station owner or operator post information on federal, state and local taxes per gallon of gasoline and links statute to other fueling station regulatory authority under Weights and Measures division of ODA.

Revenue Impact: No Impact

Impact Explanation:

Gas station owners and operators are currently required to post the amount of federal, state and local tax per gallon in a manner visible to customers. The Oregon Department of Transportation is required to furnish tax information to gas station owners and operators for this purpose. The Oregon Department of Agriculture currently adopts and enforces some rules for fueling stations, including rules for displaying declarations of blended fuels such as gasoline blended with ethanol or other substances. House Bill 3338 A directs the Oregon Department of Agriculture to adopt rules for implementation and enforcement of the posting of tax information at gas stations and links this statute to other fueling station regulatory authority under the division of Weights and

Measures. The final amendment to the bill allowed for the director of the Agriculture department to impose civil penalties that go from only a notice of noncompliance to \$100 in three stages.

MARIJUANA TAXES AND REVENUE

HB 2197 (CH 495)

Allows Department of Revenue (DOR) to enter into an agreement with a federally recognized Indian tribe for the purposes of making rebate payments on the tax imposed on marijuana items. Requires Department to provide tax rebates if usable marijuana or marijuana items sold at a recreational marijuana retailer were produced or processed on tribal trust land and licensed by the governing body of a federally recognized Indian tribe.

Revenue Impact: The amendment specifies a store that will sell tribal products and for the tax to be refunded. Currently there is only one tribe that qualifies for this arrangement. The tax revenue expected to be refunded is \$130,000 a year at the start to about \$185,000 by 2020. If more tribes join this arrangement, then it is fair to expect the about the same amounts to be refunded to each participating and producing tribe.

Impact Explanation: Under the language of this amendment, DOR would need an Inter-Governmental Agreement (IGA) with the “governing body of a federally recognized Indian tribe that has entered in to an agreement with the Governor. The amendment allows the tribe to get a rebate for tax payments on a retail store for all the products produced and/or processed on the tribal lands. The amendment leaves most of the specifics to an IGA. The last amendment of the bill allowed for rebate payments on marijuana retailers tax from products produced or processed on tribal land.

Creates, Extends, or Expands Tax Expenditure: Yes

This bill allows for a refund of tax payment for the producers and processor of marijuana products on federally recognized tribal lands. The intent of this expenditure is to conserve the independent taxation statuses of the tribal nations.

HB 2198 (CH 613)

Establishes the Oregon Cannabis Commission (OCC) within the Oregon Health Authority (OHA). Requires the OCC to submit a report by December 15, 2017 regarding the future of the Oregon Medical Marijuana Program (OMMP) and its governance framework. Allows a medical marijuana grow site with more than 12 plants to transfer up to 20 pounds of marijuana a year to a recreational marijuana processor or wholesaler if the grow site is registered with OHA when measure goes into effect. Allows the Oregon Liquor Control Commission (OLCC) to issue an order to limit the sale of medical marijuana into the recreational system if there is an excess of supply. Limits number of mature marijuana plants allowed at an address not registered as a grow site to six. Limits the number of immature marijuana plants that are at least 24 inches tall, to two for every one mature marijuana plant. Specifies powers of an OMMP caregiver. Prohibits both OHA and OLCC from requiring a marijuana grow site to use a security system. Directs OHA to register a medical marijuana grow site if provided specified information, including tax lot number, GPS coordinates, assessor’s map, or latitude/longitude coordinates. Allows a city or county that has enacted an ordinance prohibiting or allowing medical marijuana establishments to amend the ordinance without referendum to prohibit or allow OLCC’s exclusively medical

licensees. Allows marijuana retailers to locate up to 500 feet from a school if the OLCC determines there is a physical or geographic barrier preventing access. Allows transfer of marijuana between retailers substantially owned by the same persons. Provides OLCC with additional sanctioning authority if OCC makes specific findings against an applicant or licensee.

Revenue Impact: The impact of costs of this measure on the tax revenue is to lower the amount available for distributions to the various uses dedicated by law. The reduction in transfers seem to be \$1.2 million in 17-19 and \$2.2 million for 19-21. However, much of this revenue loss will be recovered by fees levied on the marijuana businesses being considered for inclusion in the system.

Impact Explanation: Implementing HB2198 will require the Oregon Liquor Control Commission to incorporate approximately 1,200 additional medical marijuana growers into the medical marijuana registration system established by SB 1057. Some of the work imposed by the bill will have the effect of increasing the participation of producers into the central cannabis control system. This will allow for the illicit supply to be less prevalent and the legal market to gain market share, however, it is not clear how these interactions will unfold. The number of plants and the limitation on security and monitoring might work on the other direction. The Oregon Liquor Control Commission is expected to conduct a study of legal useable marijuana transfers from medical marijuana grow sites to recreational marijuana processors and wholesalers. This is expected within Commission resources budgeted for the 2017-2019 biennium. The amendment by ways and means appropriates some general fund amounts (250,000) to OHA to support the Oregon Cannabis Commission.

HB 3470 (CH 725)

Permits Oregon Liquor Control Commission to make expenditures related to marijuana regulation from Oregon Liquor Control Commission Account.

BACKGROUND: The legalization ballot measure M-91 foresaw a 40% distribution to schools out of the tax revenue. However, the common school fund works as an endowment and not an immediate benefit to schools. The bill sends 40% to the State School Fund, it also dedicates 15% to state police, 10 % to mental health, and 5% to the health authority. The measure maintains 10 % to Counties and 10% to Cities to be distributed using a permanent formula. However, the first-year distribution uses a temporary formula based Solely on population. Revenue collected during first biennium (2015-17) will be distributed per the first-year formula after all the costs for the OLCC and DOR are paid. This is expected to occur after the end of the current biennium.

Changes the distributions to cities and Counties.

(A) Ten percent of the moneys in the account must be transferred to the cities of this state in the following shares: Seventy-five percent of the 10 percent must be transferred in shares that reflect the population of each city of this state that is not exempt compared to the population of all cities of this state that are not exempt from distribution due to opt out, and Twenty-five percent of the 10 percent must be transferred in shares that reflect the number of licenses held pursuant to ORS 475B.070, 475B.090, 475B.100 and 475B.110.

(B) Ten percent of the moneys in the account must be transferred to counties in the following shares: Fifty percent of the 10 percent must be transferred in shares that reflect the total commercially available area of all grow canopies associated with marijuana producer licenses held pursuant to 475B.070 on the last business day of the calendar quarter preceding the date of the transfer for all premises located in each county compared to the total commercially

available area of all grow canopies associated with marijuana producer licenses held pursuant to ORS 475B.070 on the last business day of that calendar quarter for all premises located in this state; and Fifty percent of the 10 percent must be transferred in shares that reflect the number of licenses held pursuant to ORS 475B.090, 475B.100 and 475B.110 on the last business day of the calendar quarter preceding the date of the transfer for premises located in each county compared to the number of licenses held pursuant to ORS 475B.090, 475B.100 and 475B.110 on the last business day of that calendar quarter for all premises in this state.

Revenue Impact: HB 3470A is a redirection of marijuana revenue from the Common School Fund to the State School Fund. This results in an additional \$81.0 million available for allocation to school districts through the state school formula. This revenue is part of the \$8.2 billion allocation to the State School Fund for the 2017-19 biennium.

Impact Explanation: The ballot measure of legalization M-91 foresaw a 40% distribution to schools out of the tax revenue. However, the common school fund works as an endowment and not an immediate benefit to schools. The amended version of the bill sends 30% to the State School Fund, and 10 % the Community College Support fund. It also dedicates 15% to state police, 10 % to mental health, and 5;5 to the health authority. The measure maintains 10 % to Counties and 10% to Cities to be distributed using a permanent formula. However, the first-year distribution uses a temporary formula based exclusively on population. Revenue collected during first biennium (2015-17) will be distributed per the first-year formula after all the costs for the OLCC and DOR are paid. This is expected to occur after the end of the current biennium. require a marijuana producer that also processes marijuana to segregate the parts of the premises dedicated to production and processing. Which means that licensees must declare their intention to process products and present that in their operations plan for licensing or renewal.

Defines rules for home delivery to be followed and recipient identity confirmed by deliverer. suspends the plant limits imposed on medical marijuana designated growers if those growers have applied for a recreational marijuana producer license. Allows retail marijuana stores with common ownership to transfer marijuana items between premises. All these regulations and enforcement measures contribute to maintaining a solid legal retail and taxation system.

SB 56 (CH 476)

Authorizes Oregon Liquor Control Commission to require cannabis-related licensees, certificate holders and applicants for licenses and certificates to submit information related to persons who hold financial interest in business operating or to be operated under license or certificate

Revenue Impact: SB 56 will assist the OLCC in its compliance efforts. The provisions of the bill will help ensure the currently projected revenue stream. It will allow the OLCC to maintain the pressure on the illicit products and push more of the demand to the regulated and legal market. Without the additional compliance authority contained in the bill there is a greater risk that revenue will fail to meet current projections.

Impact Explanation: Allows the Oregon Liquor Control Commission to immediately restrict, suspend or refuse to renew the license of a licensee if the commission has concluded that the licensee has trafficked in marijuana from an unlicensed source. The commission's ability to immediately sanction licensees for violations will improve public safety may reduce non-compliance. require the Oregon Liquor Control Commission to maintain a hotline for select

employees designated by certain state, county and city agencies to verify the license status of premises.

The measure also requires that the commission allow the processing of concentrates by small licensed marijuana producers using only mechanical or water-based extraction methods. The maximum canopy size permitted is 5,000 square feet for outdoor producers and 1,250 square feet for indoor producers.

require a marijuana producer that also processes marijuana to segregate the parts of the premises dedicated to production and processing. Which means that licensees must declare their intention to process products and present that in their operations plan for licensing or renewal.

Defines rules for home delivery to be followed and recipient identity confirmed by deliverer. suspends the plant limits imposed on medical marijuana designated growers if those growers have applied for a recreational marijuana producer license. Allows retail marijuana stores with common ownership to transfer marijuana items between premises.

All these regulations and enforcement measures contribute to maintaining a solid legal retail and taxation system.

SB 1057 (CH 183)

Provides Oregon Liquor Control Commission with additional power to enforce state marijuana laws. Provides that commission licensee may be designated by commission as exclusively medical licensee. Provides that licensee, under certain conditions, may transport marijuana items to and exhibit marijuana items at trade show, Oregon State Fair or similar event. Directs Oregon Health Authority to create database for sharing registry identification cardholder information with commission. Transfers duty to adopt labeling standards from authority to commission. Requires medical marijuana to be tracked by system developed and maintained by commission for tracking similar activities conducted by licensees of commission. Provides that State Department of Agriculture may possess, test and dispose of marijuana items.

Revenue Impact:

	2017-19	2019-21	2021-23
Reduction in marijuana tax revenue distributions	(\$9.3)	(\$10.0)	(\$10.0)

Revenue available for distribution is expected to be \$89 million in the average biennium. This measure will reduce these amounts by about \$10 per biennium. On the other hand, enforcement is expected to increase revenue by about \$1 to \$3 million a year. It is likely however, that the costs could turn out to be lower, and the benefits on revenue of this measure (\$3 million a year) could prove to be stronger.

Impact Explanation: The measure allocates \$1,800,000 from marijuana tax revenues to OLCC to cover startup costs of the medical marijuana tracking system. It also provides for an amount up to \$1,250,000 per quarter from marijuana tax revenues to OLCC for ongoing operating costs related to tracking medical marijuana growers, processors, and dispensaries. The 17-19 estimate is based on 18 months. The precise amount of this quarterly distribution will be determined in consultation with LFO based on agency need as dictated by the number of medical growers, processors, and dispensaries that enroll in the METRC Cannabis Tracking System.

The move from OHA to full OLCC licensure will result in a reduction in registration fee revenues for the Oregon Medical Marijuana Program. Assuming all medical growers with 3 or 4 patients as well as all processors dispensaries will elect to migrate to full OLCC licensure by July 1, 2018, OHA projects a loss of revenue totaling \$2,862,600 for the 2017-19 biennium, and \$5,725,200 for the 2019-21 biennium. However, the revenue generated by fees will be used mostly to fund the functions of registration and enlisting the different categories of providers and patients.

It is important to note that the increased centralization and enforcement of production points, while tightening the distribution channel will result in more pressure on the grey/black market and result in more supplies being sold through the legal channels. That gain in market share for the legal products, will likely increase revenue by a million a year in the first year and increase that return by about \$1/2 more million a year for the coming to six year. It is assumed that by the year 2022 this bill will increase marijuana revenue by about \$3 million a year.

BONDING AND DEBT

SB 5005 (CH 570)

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 (In 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 2017-19	Cost of issuance	Debt Service 2017-19	Net Revenue 2017-19	Debt Service 2019-21	Debt Service 201-23
GENERAL OBLIGATION BONDS						
General Fund Obligations						
Higher Education Coordinating Comm. - PU	\$ 101,385,000		\$ -	\$ 101,385,000	(11,770,197)	(11,772,551)
Higher Education Coordinating Comm. - CC	103,185,000		-	\$ 103,185,000	(11,253,827)	(11,256,078)
Dept of Environmental Quality	10,300,000		(521,250)	\$ 9,778,750	(1,400,000)	(1,400,280)
Oregon Business Development Dept.	101,180,000		(2,023,084)	\$ 99,156,916	(15,035,854)	(15,038,861)
Oregon Business Development Dept.	20,430,000		(813,901)	\$ 19,616,099	(3,189,005)	(3,189,643)
Oregon Department of Education	100,985,000		0	\$ 100,985,000	(15,050,257)	(15,050,257)
Department of Administrative Services	563,839,225		(21,775,821)	\$ 542,063,404	(109,386,838)	(109,386,838)
Subtotal General Fund Supported GO Bonds	1,001,304,225	(14,443,703)	(25,134,056)	961,726,466	(167,085,978)	(167,094,508)
	100,985,000	(985,000)		\$ 100,000,000	(17,125,313)	(17,125,313)
Total General Fund Supported Debt	1,102,289,225	(15,428,703)	(25,134,056)	1,061,726,466	(184,211,291)	(184,219,821)
Dedicated Fund Obligations						
Department of Veterans' Affairs	120,000,000		(24,000,005)		(48,000,010)	(48,000,010)
Higher Education Coordinating Comm. - PU	86,570,000		(3,899,525)		(11,875,275)	(11,877,650)
Dept of Environmental Quality	10,000,000		(10,020,000)		(20,040,000)	(20,044,008)
Housing and Community Services Dept	25,000,000		(5,000,005)		(10,000,010)	(10,000,010)
Department of Administrative Services	14,435,775		(1,168,809)		(2,124,973)	(2,124,973)
Subtotal Other Fund Supported GO Bonds	256,005,775	(1,531,850)	(44,088,344)	210,385,581	(92,040,268)	(92,046,651)
Total All General Obligation Bonds	\$ 1,358,295,000	\$ (16,960,553)	\$ (69,222,400)	\$ 1,272,112,047	\$ (276,251,559)	\$ (276,266,472)
REVENUE BONDS						
Direct Revenue Bonds						
Housing and Community Services Department	\$ 300,000,000		\$(60,000,005)		\$(120,000,010)	(120,000,010)
Oregon Business Development Department	30,000,000		(6,000,005)		(12,000,010)	(12,000,010)
DAS Lottery Revenue Bonds	199,860,000		-		(32,381,254)	(32,381,254)
Total Direct Revenue Bonds	\$ 529,860,000	\$ (3,476,349)	\$(66,000,010)	460,383,641	\$ (164,381,274)	\$(164,381,274)

Impact Explanation: The measure limits the amounts of bonds state agencies may issue. The amount of revenue and proceeds from the issuance of bonds are included as revenues in agency budgets. This bill also allocates the federal tax-exempt private activity bond volume cap allowed under the Internal Revenue Code of 1986, to certain state agencies and the Private Activity Bond Committee established in ORS 286A.615. The third-party financing agreements is not included in this statement.

For more Details on the projects, please refer to the budget report on SB 5505 issued by LFO: <https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureAnalysisDocument/39906>

SB 5530 (CH 748)

Increases amount of lottery bonds authorized to be issued by Oregon Business Development Department and other departments.

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

Total Lottery Bond Revenue	Issuance Costs	Debt Service		Net Revenue	Debt Service	Debt Service
	2017-19	2017-19		2017-19	2019-21	2021-23
\$199.86	(\$3.48)	-		\$196.38	(\$32.38)	(\$32.43)

Impact Explanation:

Senate Bill 5530 authorizes the issuance of lottery revenue bonds for specified projects. All lottery revenue bonds authorized for the 2017-19 biennium come up to \$165 million, except for one project authorized in House Bill 2278 (2015).

Authority to spend bond proceeds for project costs and pay for the cost of issuing bonds is included in the budget reconciliation bill (HB 5006). Lottery revenue bonds will be issued in the spring of 2019 and debt service payments will begin in the 2019-21 biennium.

Most of the bond proceeds are to be spent on 31 projects funded in the following state agencies:

- Department of Administrative Services - \$27,470,000
- Department of State Lands - \$3,000,000
- Department of Transportation - \$37,000,000
- Oregon Business Development Department - \$45,440,000
- Housing and Community Services Department - \$25,000,000
- Parks and Recreation Department - \$5,000,000
- Water Resources Department - \$22,200,000

A more detailed list can be found in the budget report issued by the Legislative Fiscal Office.

<https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureAnalysisDocument/40073>

COURT FEES

HB 2795 (CH 663)

Increases certain filing fees, motion fees, settlement conference fees, trial fees, fees for writs of garnishment , marriage solemnization fees and prevailing party fees

Revenue Impact:

Increases in Fees. A percentage of the revenue from these fees is transferred to the State Court Technology Fund. The bill increases this percentage from 4.75% to 8.85%. the increase in the percentage allows s for most of the new revenue to go to the SCTF without impacting the General Fund.

	207-19	2019-21	2021-23
New revenue due to increase in fees	\$3.458	\$3.952	\$3.989

The measure provides an additional \$2.94 million to the State Court Technology Fund to use for technology services.

Impact Explanation: Increases filing, motion, trial, settlement conference, writ of garnishment and marriage solemnization fees. Fee increase apply on or after October 1, 2017. Allows for transfer of funds to State Court Technology Fund. Declares emergency, effective on passage. This is the major fee increase bill for the courts. More than 20 categories are increased. The increases range from \$1 for the document handling fee to \$53 for civil filling. The most revenue (\$540,000) is generated form a \$14 increase in domestic Relations (ORS21.155, ORS 109.124, ORS 109.230, ORS 108.110, and ORS 109.103). changes the percentage of court fee revenues that the Judicial Department retains for deposit into the State Court Technology Fund, from 4.75% to 8.85%

During the 2017-19 current law revenue to GF \$69,822,985. New fee, revenue to GF \$69,969,622. Additional revenue to GF is \$146,636, and the rest goes to SCTF. In 2019-21 current law revenue to SCTF is \$3,481,986, the new fee generates additional revenue to SCTF \$3,355,275 to a total SCTF \$ 6,837,261. Under current law revenue to GF \$69,822,985. Additional revenue to GF with the new fee \$596,942. For total general fund revenue of \$70,419,927.

HB 2409 (CH 288)

Authorizes city to operate camera and other technology, mounted on street light or other appropriate place, to record drivers who speed in excess of 11 miles per hour over limit. Requires city to notify community and drivers of use of technology. Requires police officer to review photograph and data before issuing citation. Prohibits issuance of both speeding ticket and ticket for running red light, unless driver exceeds speed limit by more than 21 miles per hour. Provides registered owner of vehicle to whom citation is issued with ability to submit certificate of innocence or certificate of nonliability.

Background: As a rule, a violation citation may be issued by a police officer only if the underlying conduct is witnessed by a police officer. ORS 153.042; 810.410. Several exceptions to this rule exist. For example, current law authorizes all cities to operate red light cameras (ORS 810.434 to 813.436), and certain cities to operate photographic radar systems (ORS 810.438 to 810.442), and issue corresponding citations. House Bill 2409-A similarly allows police officers to issue speeding citations based on photographic evidence and other technology, while providing registered owners of the offending vehicle the opportunity to submit a certificate of innocence or certificate of nonliability in appropriate circumstances. Ordinarily, speeding in excess of 11 miles per hour over limit, but less than 20 miles per hour over limit, is a Class C violation, punishable by a presumptive fine of \$160. The penalty for speeding in excess of 21 miles per hour over limit, but less than 30 miles per hour over limit, and the penalty for running a red light, is ordinarily a Class B violation, punishable by a presumptive fine of \$260. ORS 153.633 distributes \$60 of any fine to the state for any citation or criminal action in a circuit court in which a fine is imposed. It also distributes \$45 when any citation or criminal action in a justice or municipal court in which a fine is imposed. The amounts go to the Department of Revenue for deposit in the Criminal Fine Account. Moreover, if the citation is in a circuit court, ORS 153.640 sends one-half of the amount of any payment to the state Criminal Fine Account. The number of cities that will utilize the photo-radar is not yet known.

Revenue Impact (in millions):

	2017-19	2019-21	2021-23
Revenue to the Criminal Fine Account (CFA)	\$8.26	\$10.40	\$12.15

Impact Explanation:

Current law authorizes all cities to operate red light cameras (ORS 810.434 to 813.436). It authorizes certain cities to operate photographic radar systems (ORS 810.438 to 810.442), and issue corresponding citations. House Bill 2409-A similarly allows police officers to issue speeding citations based on photographic evidence and other technology. Ordinarily, speeding more than 11 miles per hour over limit, but less than 20 miles per hour over limit, is a Class C violation punishable by a presumptive fine of \$160. The penalty for speeding more than 21 miles per hour over limit, but less than 30 miles per hour over limit, and the penalty for running a red light, is ordinarily a Class B violation, punishable by a presumptive fine of \$260.

ORS 153.633 distributes \$60 of any fine to the state for any citation or criminal action in a circuit court in which a fine is imposed. It also distributes \$45 when any citation or criminal action in a justice or municipal court in which a fine is imposed. The amounts go to the Department of Revenue for deposit in the Criminal Fine Account. Moreover, if the citation is in a circuit court, as the case in Portland, ORS 153.640 sends one-half of the amount of any payment to the state Criminal Fine Account. The number of cities that will utilize the photo-radar is expected to start with the current ones that already have the technology. The city of Beaverton is expected to go first and be ready to collect on about 30,000 citations in FY 2018. The city of Portland, Sherwood, and Medford are expected to go next, followed by Tualatin and Fairview. The assumptions of 3.8 speeding for each red-light violation was utilized (with data from the city reports) to come up with the estimates for the new program in the cities. Moreover, only 3 months of the first year will see the start of implementation after Beaverton. Bend and Grants pass are assumed to come towards the second half of 2019.

OLCC (ALCOHOL, BEER & WINE)

HB 2150 (CH 382)

Beginning on January 1, 2018, this measure requires the Oregon Liquor Control Commission to allow manufacturers or distributors of wine, ciders, or malt beverages to file by electronic means: (1) a statement of the quantity of wine, cider, or malt beverages produced, purchased, or received; and (2) payment of privilege taxes on such activities.

Background: Under current Oregon law, each manufacturer or distributor (that imports) wine, cider, and malt beverages must file with the Oregon Liquor Control Commission a statement indicating how much of their product they have produced, purchased, or received during the previous calendar month, and pay applicable privilege taxes. Currently, this filing and payment system is done on paper. This measure would allow manufacturers or distributors of wine, cider, and malt beverages to file product statements and pay their privilege taxes electronically starting January 1, 2018.

Revenue Impact: Has a minimal Revenue impact

Impact Explanation: The electronic filing will improve efficiency, speed and accuracy of tax payments by the businesses that use this newly allowed method. The result of that will be an improvement in the process and a slight level of savings and accuracy of

payments. This will become beneficial as less effort is expended in the future to deal with the paper format of payments.

HB 2159 (CH 202)

Changes definition of "cider" by increasing allowable alcohol by volume limit from seven percent to 8.5 percent. Exempts licensee producing only cider from specified winery licensee requirements.

Background: The federal agency, the Alcohol and Tobacco Tax and Trade Bureau, recently changed the uppermost alcohol content limit ciders could have and still be considered ciders from seven percent alcohol by volume (ABV) to 8.5 percent ABV. Ciders under federal law with more than 8.5 percent ABV are considered a natural wine, a special natural wine, or as other than standard wine. This classification has regulatory and tax ramifications. This measure would change Oregon's uppermost ABV limit of cider to 8.5 percent ABV to match the federal designation, allowing Oregon cider producers to make one set of calculations when completing tax filings for both federal and Oregon taxes.

Revenue Impact: No Revenue Impact

FINANCIAL AND TAX ADMINISTRATION

HB 2277 (CH 27)

Requires county governing body to credit property tax refunds first to the total tax liability account of the person to which the refund is owed. Requires refund amounts remaining after crediting total tax liability of account, to be refunded as specified in current law. Allows county governing body to authorize, upon request of owner(s) and with approval of tax collector, refunds payable under specified circumstances to be credited to total tax liability of account of requester and, in instances where refund credit remains, allows remaining refund to be credited to total tax liability of any other account. Applies to refunds payable on or after 91st day following adjournment sine die.

Revenue Impact: Minimal

Measure makes no change to underlying property tax liability. Rather, measure may cause a slight increase in collection of outstanding property tax liability. This increase in collection is expected as measure requires refunds to first be credited to outstanding property tax liability of a property owner, prior to a refund being credited to the property owner. An increase in collection only occurs in instances where property owner, to who refund is due, would otherwise not pay outstanding property tax liability.

HB 2279 (CH 44)

Consolidates Property Appraiser I, II and III classifications into single Property Appraiser classification. Eliminates appraiser certification and conduction of examination responsibilities for Oregon Department of Administrative Services. Requires Department of Revenue to register appraisers and to prepare, conduct and grade appraiser examinations. Requires Department of Revenue to set education and experience requirements to sit for appraiser examination.

Eliminates requirement to first pass a general knowledge examination for persons who lack education and experience requirements for becoming registered appraiser.

Revenue Impact: No impact

HB 2280 (CH 28)

Repeals ORS 308.325, effective on the 91st day following adjournment sine die.

Revenue Impact: No impact

HB 2281 (CH 25)

Modifies timing of disqualification for designated western or eastern forestland discovered by county assessor as no longer being forestland. Disqualification is deemed to occur as of the January 1 assessment date of the assessment year in which the discovery by the county assessor occurs. Disqualification only occurs if notice of disqualification is mailed by county assessor prior to August 15 of the tax year. Changes apply to land disqualified as forestland on or after January 1, 2018.

Revenue Impact: No impact

HB 2779 (CH 500)

Sets conditions under which person or agent collecting moneys for state agency may take more than one business day to transmit moneys to State Treasurer. Modifies reporting requirements for custodians and depositories of public funds relating to pledges and releases of securities, minimum collateral and security requirements and uninsured public funds.

Directs State Treasurer to convene work group to study and develop report on provisions of state law relating to depositories of public funds. Directs chairperson of Oregon Investment Council to prescribe continuing education requirements for members of council.

Background: The measure adjusts some of the financial administration statutes as it relates to money transfers to the state treasury. The bill allows for a longer period of settlement if the state agencies comply with the specified conditions. The measure also changes some reporting requirements by depository institutions and allows the State Treasurer to require the reports and specify their shape and requirements. The measure also allows the State Treasurer to consult on some alerts and requirements by institution, with the director of DCBS, and removes the requirement that the notices need to go to both agencies heads. As amended in the house the measure excludes moneys collected or received by a county pursuant to an agreement with a state agency. The timing will be covered by the terms of the agreement. The amendment also created a workgroup appointed by the state treasurer relating to depositories and public funds. The work group is to report to the revenue committee by the 2019 session.

Finally, the chairperson of the Oregon Investment Council, after consultation with the State Treasurer, shall prescribe continuing education requirements for members of the council. Such continuing education requirements must relate to fiduciary duties, best practices or both.

Revenue Impact: No Impact

SB 310 (CH 326)

Measure eliminates oversight and administrative roles of Housing and Community Services Department (HCSD) related to Vertical Housing Development Zone (VHDZ). Eliminates requirement of city or county (or combination thereof) to apply to HCSD for zone designation,

allows city or county to designate VHDZs. Allows city or county to certify a vertical housing development project if specified requirements are met. Defines “displacement” and requires city or county to consider the potential for displacement of households within a proposed vertical housing development zone before designating the zone.

Revenue Impact: No direct revenue impact

Reduction in property tax revenues due to partial property tax exemption available under Vertical Housing Development Zone program is dependent upon local governments authorizing the exemption. Measure provides authority to counties and cities to designate VHDZs and certify vertical housing development projects that meet specified parameters. Component of existing law that remains unchanged allows special districts not to participate in VHDZ program, allowing special districts to continue levying property tax upon property otherwise certified to receive partial property tax exemption. Because VHDZ is a property tax exemption program permissive to local governments, no direct revenue impact exists.

Parameters for zone designation and project certification remain largely unchanged. However, under current law, HCSD has rule making authority allowing the Department to determine suitability of the county or city proposed zone for accomplishing the purposes of the VHDZ program. Elimination of HCSD oversight responsibility will eliminate a required step for city or county to have a VHDZ designated, which could be viewed as an expansion to the program (to date, HCSD has not denied any applicants for VHDZ program).

STATE FINANCE

SB 254 (CH 644)

SB 254 requires financial institutions to participate in a data match system established by the Department of Revenue. The data match system is designed to help identify assets held at financial institutions by delinquent debtors.

Under the data match program, financial institutions are given a list of delinquent taxpayers by the Department of Revenue. The financial institution then compares the list with its account holders and notifies the Department of Revenue if there is a match. Once the match is found, the delinquent taxpayer becomes subject to garnishment.

The new data match capability is expected to increase the success rate for garnishments. Under SB 254, the successful garnishment rate is expected to rise from 23.6% in 2014 to 26.5% by 2020. Applying the higher projected garnishment success rate from the data match to the projected number of accounts subject to bank garnishments and the average projected garnishment produces the revenue estimates below. Based on past collection activity, 85% of the additional revenue is expected to be General Fund.

Revenue Impact (in millions):

Biennium	General Fund	Other Fund	Total
2017-19	\$1.7	\$0.3	\$2.0
2019-21	\$7.0	\$1.2	\$8.3
2021-23	\$8.6	\$1.5	\$10.2

MEDICAL PROVIDER TAXES

HB 2391 (CH 538)

Establishes the Health System Fund (HSF). Creates assessments on health insurers, the Public Employers' Benefit Board (PEBB), and managed care organizations (MCO). Dedicates these assessments to the HSF. Transfers certain moneys to the HSF. Increases assessment on certain hospitals. Creates an assessment on specified rural hospitals. Provides a mechanism for an intergovernmental transfer from the Oregon Health and Science University (OHSU) to the Oregon Health Authority. Creates the Oregon Reinsurance Program. Specifies sunset dates for assessments and programs.

Revenue Impact (in \$Millions):

(1) Oregon Health Plan

	Biennium	
	2017-19	2019-21
(A) Revenue to the Health System Fund	\$251.0	\$197.7
Transfer from Health Exchange Insurance Fund	\$7.0	
Transfer from Oregon Medical Insurance Pool	\$50.0	
Assessment on Insurers	\$78.0	\$116.7
Assessment on PEBB	\$12.0	\$4.0
Assessment on MCO	\$104.0	\$77.0
(B) Hospital Assessment	\$249.0	\$182.0
Additional Assessment on Specified Hospitals	\$126.0	
Assessment on Type A and Type B Rural Hospitals	\$123.0	\$182.0
(C) OHSU Intergovernmental Transfer	\$105.0	\$140.0
Total Revenue (A + B + C)	\$605.0	\$519.7

Source: Oregon Health Authority, Oregon Department of Consumer and Business Services

Impact Explanation: This analysis focuses on new and additional revenues as well as specified transfers. Federal matches and shifts of funds from one purpose to another are addressed in the fiscal impact statement by the Legislative Fiscal Office.

(2) General Fund

	Biennium	
	2017-19	2019-21
General Fund	-\$2.0	-\$6.0

Impact Explanation: As a result of an insurance premium tax on health plans delivered or issued for delivery in Oregon, non-Oregon domiciled insurers are subject to less retaliatory insurance tax that flows into the general fund. Oregon Department of Consumer and Business Services estimates that the retaliatory tax will decline by \$4 million per calendar year.

HB 3398 (CH 477)

Extends the operative date for the abolishment of the Oregon Medical Insurance Pool (OMIP) Account from July 1, 2017 to November 1, 2017. Continuously appropriates the remaining moneys in the account to the Oregon Department of Consumer and Business Services (DCBS).

Revenue Impact (in \$Millions): No Revenue Impact

Impact Explanation: In conjunction with the HB 2391, the estimated \$50 million in the OMIP account will be transferred to the Health System Fund created under that bill. This money will be part of the operating funds to run the Oregon Reinsurance Program established under the same bill.

TRANSIENT LODGING TAX

HB 2400 (CH 74)

Authorizes any state agency or department to enter into agreements with any political subdivision for collection, enforcement, administration and distribution of local transient lodging taxes.

Background:

HB 4146 of the 2016 session directed the Legislative Revenue Office to lead an interim work group to study a series of specific travel industry issues. HB 4146 marked the first major change in Oregon's statewide transient lodging tax law since it was created in 2003 with the passage of HB 2267. HB 4146 directed the Legislative Revenue Office to lead a work group to examine a series of issues that arose during the 2016 Legislative session. These specific issues are identified in the final report along with specific responses to each specified item based on work group deliberations.

For a full copy of the report go to:

<https://www.oregonlegislature.gov/lro/Documents/HB%204146%20Work%20Group%20Report.pdf>

One of the workgroups major findings was: The work group recognized that structural changes within the lodging industry, such as the involvement of intermediaries and vacation/home rentals, can complicate the ability of state and local governments to ensure compliance with the transient lodging tax laws. To improve the information available to both state and local governments, the work group recommends that the Department of Revenue be granted statutory authority to enter into information sharing agreements with local governments concerning transient lodging taxpayers. Additionally, DOR to be able to collect for local governments under intergovernmental agreements.

Revenue Impact: has an Indeterminate Revenue impact

Impact Explanation:

The measure will improve and streamline collections and compliance with current law.

If the new enforcement increases compliance, the revenue to local governments that impose local tax may increase. However, the new measures might not find new loopholes to tighten, thus it can't generate higher revenue. Improved compliance has the potential to generate additional local government revenue. However, the timing and magnitude of this impact is uncertain.

HB 3180 (CH 89)

Authorizes Department of Revenue and units of local government to disclose to each other information related to administration of transient lodging tax laws. Provides process for ensuring confidentiality of state transient lodging tax information.

Background:

HB 4146 of the 2016 session directed the Legislative Revenue Office to lead an interim work group to study a series of specific travel industry issues. More importantly, HB 4146 marked the first major change in Oregon's statewide transient lodging tax law since it was created in 2003 with the passage of HB 2267. HB 4146 directed the Legislative Revenue Office to lead a work group to examine a series of issues that arose during the 2016 Legislative session work with that bill. These specific issues are identified in the workgroup final report along with specific responses to each item based on work group deliberations. For a full copy of the report go to : <https://www.oregonlegislature.gov/lro/Documents/HB%204146%20Work%20Group%20Report.pdf>

One of the workgroup major findings was: The work group recognized that structural changes within the lodging industry, such as the involvement of intermediaries and vacation/home rentals, can complicate the ability of state and local governments to ensure compliance with the transient lodging tax laws. To improve the information available to both state and local governments, the work group recommended that the Department of Revenue be granted statutory authority to enter into information sharing agreements with local governments concerning transient lodging taxpayers. It also recommended that DOR and local governments share information while maintaining consequentiality of information.

The specific law citation: ORS 314.835: Divulging particulars of returns and reports prohibited.

(1) Except as otherwise specifically provided in rules adopted under ORS 305.193 or in other law, it shall be unlawful for the Department of Revenue or any officer or employee of the department to divulge or make known in any manner the amount of income, expense, deduction, exclusion or credit or any particulars set forth or disclosed in any report or return required in the administration of any local tax pursuant to ORS 305.620 or required under a law imposing a tax upon or measured by net income. It shall be unlawful for any person or entity to whom information is disclosed or given by the department pursuant to ORS 314.840 (2) or any other provision of state law to divulge or use such information for any purpose other than that specified in the provisions of law authorizing the use or disclosure. No subpoena or judicial order shall be issued compelling the department or any of its officers or employees, or any person who has acquired information pursuant to ORS 314.840 (2) or any other provision of state law to divulge or make known the amount of income, expense, deduction, exclusion or credit or any particulars set forth or disclosed in any report or return except where the taxpayer's liability for income tax is to be adjudicated by the court from which such process issues.

(2) As used in this section:

(a) "Officer," "employee" or "person" includes an authorized representative of the officer, employee or person, or any former officer, employee or person, or an authorized representative of such former officer, employee or person.

(b) "Particulars" includes, but is not limited to, a taxpayer's name, address, telephone number, Social Security number, employer identification number or other taxpayer identification number and the amount of refund claimed by or granted to a taxpayer.

Revenue Impact: has an Indeterminate Revenue impact

Impact Explanation: The measure will improve collaboration and information sharing between the state (DOR) and local governments. This collaboration is likely to improve collection and enforcement of tax collection for transient lodging taxes. This collaboration might provide higher level of revenue; However, the new information might not result in any significant new sources of revenue.

This information has the potential to generate additional revenue, however, the timing and magnitude of this impact is highly uncertain.

MISCELLANEOUS

SB 76 (CH 235)

Expands the regulation of boxing and mixed martial arts to cover unarmed combat sports.

Revenue Impact: Indeterminate

Impact Explanation: Currently, there is six percent tax on the gross receipts from ticket sales or admission fees in unarmed combat sports events. SB 76 limits the total tax from these receipts to \$50,000 per event.

The lack of cap on gross receipts tax has been considered a potential obstacle to holding large promotions in Oregon. This cap will provide an incentive for more frequent and large unarmed combat sports events in the state.

Changes in expected revenue from this cap are not easily quantifiable. However, when this cap leads to more and larger promotions in Oregon as expected, it is likely that more gross receipts tax can be raised than without the cap.