REVENUE MEASURES PASSED BY THE 2001 LEGISLATURE

RESEARCH REPORT # 4-01

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INDEX BY SUBJECT AREA

INDEX BY SUBJECT AREA

INDEX BY SUBJECT AREA

INDEX BY BILL NUMBER

2001 SESSION OVERVIEW

Revenue policy is often driven by the overall budget environment. Revenue decisions of the 2001 Legislature were strongly influenced by the fact that expenditures necessary to maintain current service levels exceeded anticipated current law revenue. As a result General Fund revenue decisions had a modest net positive impact for the 2001-03 budget. A number of measures with significant long-term policy implications were approved by the 2001 Legislature. Overall, the net revenue impact of these measures is negative. However, the revenue impact of these decisions will generally not be felt until the 2003-05 biennium because of delayed implementation dates.

A series of factors contributed to a lower projected General Fund revenue growth rate:

- A weaker state and national economy. Overall personal income in the state is projected (May 2001 forecast) to grow 10.3% over the 2001-02 two year period. Personal income grew 13.4% in the previous two years.

- Measure 88. Measure 88, passed as Senate Bill 535 by the 1999 Legislature, was referred to voters for the 2000 general election. The measure passed thereby increasing the amount of federal taxes that can be subtracted for Oregon income tax purposes from $3,000 to $5,000 beginning with the 2002 tax year. It is expected to reduce General Fund revenue by $160 million in 2001-03.

- Refunds to federal retirees. Resulting from a 1996 state supreme court decision, the final installment of refund checks was sent to taxpayers who paid state taxes on federal pension income for certain tax years. Based on 1999 legislation these refunds were sent out in July of 2001. These refunds are expected to total $111 million.

The May current law revenue forecast called for General Fund revenue growth of 5.4% in the 2001-03 biennium. This contrasts with average growth of 13% throughout the 1990's. Slower revenue growth, along with budget roll-ups from the 1999-2001 biennium, played a key role shaping the revenue policy decisions of the 2001 Legislature.

Revenue policy decisions are also influenced by a number of long-term factors. It was in the context of these factors that longer-term revenue policy decisions were made.

- Dependence on the personal income tax. Oregon's state tax system is more dependent on the personal income tax than any other state is on any single tax source. This dependence puts pressure on policy makers to seek means of diversifying the state revenue system.

- Distribution of the tax burden. The Oregon Tax Incidence Model indicates that Oregon's tax system is roughly proportional through most income ranges. However, those in the lowest and the highest income groups pay the highest effective tax rates. This gives the state-local tax burden a "bowl shaped" distribution.

- Regional disparities in economic growth. Despite strong overall economic growth in the 1990's, some parts of Oregon experienced significant decline. Current economic forces suggest this trend is likely to continue. Revenue policy is a potential tool to shift growth into depressed areas.

- Oregon's economy is open to movement of capital and labor to and from other states and increasingly other countries. This means the state's ability to compete is dependent on its ability to attract and retain capital and labor. Tax policy influences the net return and therefore the location of these productive factors.

- Land use/environmental policy. Measure 7, passed by voters in the 2000 general election, requires state and local governments to reimburse property owners when regulatory decisions reduce the value of their property. This is likely to require a new revenue source. Tax policy also is a major tool influencing use of land, particularly through the property tax system. In addition income taxes and excise taxes are used to encourage and discourage activities with environmental consequences.

Revenue policy decisions of the 2001 Legislature should be viewed within the context of these broad forces.

MAJOR REVENUE MEASURES ENACTED

Summaries of eight bills with major tax, revenue policy or school finance implications that were passed by the 71st Legislature and enacted are shown below.

SB 764

This bill extends and makes major changes to the pollution control tax credit:

Extends the period for construction of facilities eligible for pollution control tax credits through December 31, 2007 (This provision sunsets December 31, 2001). Extends period for submitting applications for certification of pollution control facilities through December 31, 2008 (This provision sunsets December 31, 2003). Shortens period between project completion and submission of application for certification from two years to one year.

Projects commenced before January 1, 2001 and completed before January 1, 2004 (or certified by December 31, 2001) receive "safe-harbor" treatment (credit is 50% of certified costs).

Projects not eligible for safe-harbor treatment may be eligible for reduced credits if they fall in one of two groups. The following types of projects ("upper tier") are eligible for 35% of certified costs: International Organization for Standardization (ISO) 14001 certified, hold DEQ green permit, non-point source or a confined animal feeding operation (CAFO), material recovery or recycling, agricultural or forest products energy recovery, "small" projects (<$200,000 certified costs), controls not required by federal, state or regional law, and/or certified Environmental Management Systems.

Phases out credit for projects not meeting these criteria. These "lower tier" projects commenced 1/1/01-12/31/03 eligible for 25% of certified costs; projects commenced 1/1/04-12/31/05 eligible for 15% of certified costs; no credit for lower tier projects certified after 12/31/2005. Disqualifies facility from upper tier tax credit if green permit is revoked.

Disallows credit for five years if taxpayer is convicted of environmental offences (related to the facility qualifying for the credit) under ORS 468.922 – 468.956. Creates interim pollution control tax credit improvement and review task force.

Allows additional three year carryforward for unused pollution control tax credits provided credits haven't expired as of the 2001 tax year and the facility remains in operation during the additional carryforward period.

Under prior law, a credit against corporation or personal income taxes is available equal to 50% of the cost of certified pollution control facilities. The taxpayer must have the investment certified by the Department of Environmental Quality, and construction must be completed by 12/31/2001.

Facilities are certified for the credit under one of the following categories: air pollution control, water pollution control, noise pollution control, material recovery of solid waste, hazardous waste or used oil control, hazardous waste pollution control, and non-point source pollution control.

The amount of credit is 50% of the certified cost of the facility multiplied by the certified percentage allocable to pollution control. This amount is divided by and claimed over the number of years of the facility's useful life (where the maximum useful life is ten years). The credit is non-refundable. Any credit unclaimed in a particular year because of insufficient tax liability may be used in later years, for up to three years. To qualify, the principal purpose of the facility must be to meet government pollution control standards, or to prevent, control or reduce a significant amount of pollution.

Facilities can include structures, land, machinery, or reconstruction and improvements to land or existing structures. Certain items are specifically excluded by statute, including asbestos abatement, septic tanks and human waste facilities, office buildings, parking lots, landscaping and automobiles.

The 1999 legislature expanded eligibility to include either lessee, lessor, or contract purchaser of a pulp, paper or paperboard facility. Prior to this change, only recycling and material recovery facilities could transfer credits to a non-owner operator. The credit is available to either the owner or lessee of the facility, but not to both. In addition, the 1999 legislature added non-point source pollution control facilities to the list of qualifying projects.

REVENUE IMPACT:

The changes in the bill will reduce General Fund (Corporate income and excise tax) revenues by $ 0.83 million in 2001-03, $ 4.92 million in 2003-05 and $ 7.72 million in 2005-07. Note: The general fund revenue reductions due to the changes to the pollution control credit in SB 764 are less than would have resulted if the existing sunset had simply been extended.

SB 963

This measure established the Medicare Upper Limit Account (MUPL), separate from the General Fund. SB 963 directs federal payments received by the Department of Human Services through the Proportionate Share Incentive Adjustment Plan amendment to the state Medicaid Plan to a new account. This change applies to both previous and future payments. Moneys flowing into the new account are continuously appropriated to the Department of Administrative Services.

In effect SB 963 shifts this revenue source from the General Fund to a new Other Fund account. This means that the measure has no long-term revenue impact. However, it has short-term revenue implications because of its interaction with Oregon's 2% surplus kicker law (ORS 291.349).

Transferring revenue from the General Fund to the new MUPL account reduced General Fund revenue for the 1999-2001 biennium. This lowered the projected General Fund beginning balance for the 2001-03 biennium. However lower total General Fund revenue in 1999-2001 means reduced 2% surplus kicker refunds in 2001-03. This increases the forecast for personal income tax net collections (payments minus refunds) in 2001-03.

REVENUE IMPACT:

SB 963 reduced the 2% surplus kicker refund estimate in the May revenue forecast from $355.1 million to $248.7 million, a reduction of $106.4 million. This increased revenue available for the 2001-03 biennium by $106.4 million.

The accounting changes caused by SB 963 are shown in the table below:

1999-01 Biennium	**Impact ($ million)**
General Fund	– $106.4
Other Fund	+ $106.4
Net Impact	$0.0
2001-03 Biennium	
General Fund	
Kicker Refunds	+ $106.4
MUPL Payments	– $ 70.0
Net General Fund	+ $ 36.4
Other Fund	+ $ 70.0
TOTAL 2001-03 BUDGETARY IMPACT	+ $106.4

At the time of the May revenue forecast, MUPL revenue was projected to be $106.4 mil. in the 1999-2001 biennium and $70 mil. in the 2001-03 biennium. Shifting $106.4 mil. from the General Fund to the new MUPL account had no impact on 1999-2001 net revenue. However the resulting $106.4 mil. reduction in 2% surplus kicker refunds increased net overall revenue available for the 2001-03 biennium by $106.4 mil.

HB 2281

All states that tax corporate income use an apportionment formula to determine how much of a multi-state corporation's income is subject to tax in that state. Oregon uses the proportion of a taxpayer's payroll, property and sales in the state to allocate income for tax purposes. HB 2281 changes the weights used for each of the factors when calculating taxable income. Specifically, HB 2281 increases the weight given to sales from 0.5 to 0.8 and reduces the weight for both property and payroll from 0.25 to 0.1 each. The new weights apply to corporate tax years beginning on or after May 1, 2003.

States have long wrestled with the issue of allocating multi-state corporate income. The "traditional" method, formally adopted by the Uniform Division of Income for Tax Purposes Act (UDITPA) in 1957, weighs the three factors equally. The vast majority of states used this approach until the late 1980's. At that time a number of states, including Oregon, began to increase the weight assigned to the sales factor. Oregon adopted a double weighted sales formula in 1991. In 1980, 37 states used the equal weight three-factor formula. By 1999, only 11 states were still using equal weights.

The primary reason for the shift to a heavier weight placed on the sales factor is to encourage capital investment within the state. Firms that produce products within the state's boundaries and then export them to outside markets will tend to benefit from reducing the weights on property and payroll and increasing the sales factor. The property and payroll factors have the effect of penalizing corporations that increase the amount of property and payroll located in the taxing state. The sales factor increases the tax liability of corporations that market their product in the state regardless of where it is produced. However federal law (P.L. 86-272) prevents states from taxing corporations whose only connection with the state is “solicitation of orders for sales of tangible personal property". Increasing the sales factor does not increase revenue from firms that are not currently subject to the state corporate income tax.

Interstate competition for business investment has pushed a number of states to move beyond a double weighted sales formula to a single sales formula with no weight given to the property and payroll factors. As of January 2001, seven states had moved to some form of a single sales approach (Connecticut, Illinois, Iowa, Massachusetts, Missouri, Nebraska and Texas), while three others (Minnesota, Ohio and Pennsylvania) assigned a weight of greater than 50% to the sales factor. Maryland moved to a single sales approach during its 2001 Legislative session. Iowa first adopted a single sales approach way back in 1937. HB 2281 moves Oregon into the group of states with a sales factor between 0.5 and 1.

Changing Oregon’s apportionment formula will increase the tax liability for some corporations and reduce it for others. The primary beneficiaries are corporations that manufacture products in Oregon and sell them to markets beyond the state’s borders. Based on 1998 corporate income tax returns, 6,291 corporations have a higher tax liability with an increased weight on the sales factor while 3,706 will experience a reduction. However, the overall corporate sector will have a tax saving because the dollar value of the tax reductions exceeds the value of tax increases. This means that net revenue collections are reduced.

HB 2281 allows taxpayers classified as public utilities under ORS 314.650 to select between going to the new 0.8 sales factor or remaining at the 0.5 sales factor. However, the language for this provision in HB 2281 did not give adequate direction to the Department of Revenue for administering the new apportionment formula. As a result, the Legislature passed HB 2730 to clarify the exception granted to utilities. HB 2730 allows utilities and telecommunications companies to choose between using the new formula or the prior law formula. Utilities and telecommunications companies are defined based on the North American Industrial Classification System (NAICS).

HB 2281 represents a major change in the way Oregon taxes corporations and potentially the net private returns to investing in the state. For this reason the Oregon Tax Incidence Model (OTIM) was used to simulate the effects of shifting from a 0.5 sales factor to a 0.8 sales factor. OTIM showed two effects from the increased sales factor. First, a shift in the tax burden from the manufacturing to the service-producing sectors. This has the effect of increasing the amount of capital in the economy and pushing up wages. It also reduces overall employment because the service-producing sectors are labor intensive. The second effect is to reduce the cost of new investment across. This effect is similar to an investment tax credit. Based on the OTIM simulation, this effect offsets the employment losses caused by the tax shift and produces a small net job gain. It also reinforces the positive income and wage effects. In summary, OTIM indicates that HB 2281 will increase wages and income in Oregon but have only a small net job impact.

The use of OTIM allows for the incorporation of economic feedback effects when calculating the revenue impact of HB 2281. OTIM estimates that after all market adjustments have taken place; the General Fund revenue loss will be 11.3% smaller than it would have been if there were no feedback effects. The overall revenue loss, including local revenue, is reduced by an estimated 18.1% due to the positive economic feedback effects. The markets are assumed to fully adjust after a 5-year period. For revenue estimating purposes the feedback effects are proportioned out over the 5-year period after the measure takes effect.

REVENUE IMPACT:

HB 2281 reduces General Fund revenue by an estimated $62.4 million in the 2003-05 biennium and $65.7 million in the 2005-07 biennium. These estimates incorporate the positive economic feedback effects from the OTIM simulation. There is no revenue impact in the 2001-03 biennium because of the delayed implementation date.

HB 2716

This bill changes the Working Family Child Care Tax Credit (ORS 315.262) to a refundable credit beginning January 1, 2003, and continuously appropriates amounts necessary to make those refunds to the Department of Revenue Suspense Account.

HB 2716 also adjusts the minimum earnings threshold so that the threshold doesn't exceed an amount equal to the statutory minimum wage times 1,040 hours worked (i.e. the average number of hours worked by a half-time employee).

Language in the bill prevents these changes from becoming operative unless HB 2281 (increased sales factor weighting in business income apportionment formula) takes effect. Note: HB 2281 did pass, will take effect January 1, 2002 and be implemented beginning May 1, 2003.

The working family child care credit tax credit was initiated along with the earned income tax credit by the 1997 Legislature. Under the original law, a personal income tax credit was allowed for child care expenses for families who have at least $6,000 of earned income but total income no more than 250% of federal poverty level for the year. The $6,000 earned income threshold was indexed for inflation. The credit amount was calculated as a declining percentage of qualified child care expenses, and is nonrefundable. No carryover is allowed for amounts that exceed tax liability.

Prior to 2001, taxpayers with total income below 150 percent of the federal poverty level were allowed the maximum credit, equal to 40 percent of childcare expenses. The credit phased with increasing income out and was not available to taxpayers over 200 percent of the federal poverty level.

The 1999 legislature increased credit eligibility beginning in the 2001 tax year. Beginning January 1, 2001, taxpayers up to 200 percent of the federal poverty level are allowed a credit equal to 40 percent of childcare expenses. The credit phases out and is not available for taxpayers over 250 percent of the federal poverty level.

REVENUE IMPACT:

The measure will reduce General Fund revenues (personal income tax) as shown below.

Biennium	General Fund Revenue Impact ($ million)
2001-03 *	0
2003-05	– $ 15.2
2005-07	– $ 16.5
* HB 2716B is effective beginning 2003 tax year.	

SB 260

The bill phases in the equalization of Education Service District (ESD) revenue within 5 years (2005-06). It addresses the per student imbalance in ESD State School Fund and local revenue among ESDs. ESD equalization has been delayed since the passage of Ballot Measure 5 in 1990 until after the equalization of school district revenue. The method is to set an annual revenue target per student in the ESD. The target increases over the 5 years. The revenue of ESDs starting with low funding per student gradually increases toward the target. The revenue of ESDs starting with high funding per student gradually decreases toward the target. Final equalization in 2005-06 is having all ESDs at the targeted revenue per student.

The target is set by first allocating a percent of State School Fund and local revenue of both K-12 school districts and ESDs to school districts using the K-12 equalization formula. This K-12 share decreases from about 95.4% to 95% during phase-in and the ESD share increases from 4.6% to 5%. The equalization target for each ESD is a percent of their component district's calculated K-12 allocation. This percent increases from about 4.9% to 5.26% (5.26% of 95% is 5%) during phase-in.

For each ESD, base revenue is the higher of prior year revenue per student times current number of students or prior year total dollars. For declining districts prior year total dollars is higher. The revenue gap is the difference between the target and base.

For high funded ESDs, base revenue is above the target during the phase-in. Allocated revenue is the base reduced by a percentage of the revenue gap. This percent increases each year during the phase-in and is equivalent to a 20% decline per year in the initial gap. The bill limits the reduction to 5% of the base if ADMw is more than 2500 in 2001-03. The reduction is limited to 4% of the base or same per ADMw revenue as in the prior year if ADMw is less than 2500 in 2001-03.

For low funded ESDs, base revenue is below the target. Allocated revenue is the base increased by a percentage of the revenue gap during the phase-in. The percent is calculated to use the remaining revenue so that allocations balance to revenue available. The estimate is about 30% for 2001-02.

The ESD general services grant is its adjusted base revenue. The bill sets a minimum district general services grant at $700,000 in 2001-02. This phases up to $1 million in 2005-06. The general services grant is prorated to accommodate the minimum within available revenue. The ESD State School Fund grant is the prorated ESD general services grant less ESD local revenue. If local revenue for an ESD is higher than its prorated general services grant, there is no State School Fund grant and the ESD must distribute any local revenue above its grant level to component districts.

The bill also included a few other provisions. Component districts are required to approve 90% of expenditures from the ESD general services grant by resolution beginning in 2002-03. The Department of Education must do a study of ESD services and identify deficiencies. Grant and Wallowa ESDs revenue sharing with component districts (local ESD equalization) is repealed beginning in 2003-04. The bill adds definitions and makes technical changes. The bill takes effect July 1, 2001 with final equalization provisions becoming operative July 1, 2005.

REVENUE IMPACT:

Education Service Districts: Allocates about \$161.3 million among ESDs in 2001-02 and \$168.4 million in 2002-03 (including Grant and Wallowa shared revenue). Phases up ESD share of K-12 and ESD formula revenue from about 4.6% to 5% in 2005-06. See ESD simulation 13-1 and 13-2 for estimates by district.

School Districts: Phases down school district share of K-12 and ESD formula revenue from about 95.4% to 95% in 2005-06.

HB 2142

Authorizes ODOT to issue revenue bonds, outside the biennial bond limitation, to finance highway preservation and modernization projects. Limits net proceeds of bonds to $400 million. Requires Oregon Transportation Commission to select projects to be funded by February 2002. Specifies types of projects that are eligible. Specifies criteria for selection.

Dedicates $71.2 million in Highway Fund revenue, before distribution, to payment of debt service and distributes any unused amounts to the state (50%), to counties (30%), and to cities (20%). Gives bondholders a prior claim on Highway Fund revenue over any other required expenditure. Clarifies which Highway Fund revenues are pledged to debt service.

HB 2139 and HB 3068 increase fees for services provided by the Department of Transportation, that may not be paid from the Highway Fund. The title fee increases in HB 2139 were repealed when this bill became law. These fee increases allow the otherwise required highway funds to be dedicated to debt service. These funds plus the revenue from the title fee increases in this bill provide the $71.2 million dedicated to the debt service authorized by this bill.

Increases vehicle title fees to $17 for salvage titles; $90 for truck tractors, motor vehicles over 26,000 pounds, and trailers over 8,000 pounds; and to $30 for all other vehicles. Defines terms and makes technical corrections. Takes effect October 6, 2001.

REVENUE IMPACT: Increased Revenue from Title Fees

	2001-03	2003-05	2005-07
DMV Cost Recovery			
Light Vehicles	$13,810,000	$17,023,000	$17,556,000
Heavy Vehicles	821,000	1,012,000	1,044,000
Total	$14,632,000	$18,035,000	$18,600,000
Highway Fund			
Light Vehicles	$24,697,000	$30,441,000	$31,394,000
Heavy Vehicles	8,563,000	10,554,000	10,885,000
Total	$33,259,000	$40,996,000	$42,279,000
Total Revenue	$47,891,000	$59,031,000	$60,878,000

Comment: As used here, light vehicles are motor vehicles under 26,000 pounds and trailers under 8,000 pounds. For these classes, the heavy vehicle cost responsibility share (2001 HCAS) is 32.7%. Heavy vehicles provide 25.7% of the new revenue from increased title fees. The number of titles issued is based on the June 2001 Transportation Economic and Revenue forecast. Salvage titles and heavy vehicle titles are estimated as percents of total based on available data. The 2001-03 estimates reflect the October 6, 2001 beginning date for fee increases.

HB 2162 and HB 3537

These bills affect the amount of property tax on forestland and privilege taxes on the value of timber harvests.

The 1999 Legislature implemented the Oregon Forest Land Program (OFLP) in HB 3575, which phased in between January 1, 2000 and July 1, 2003. When fully implemented, this program exempts harvests from privilege tax and assesses forestland for property tax at 100% of the lesser of its specially assessed value or its maximum assessed value under Measure 50. All forestland in large ownerships (5,000 or more acres) is taxed under this new program and the program was optional for Owners of forestland in smaller ownerships. The legislation required interim studies to determine the specially assessed value of forestland, to design a system of class appeals of forestland value, and to develop an alternative method of taxing small ownerships that would collect most of the tax at the time of harvest (See RR 6-00, June 22, 2000 for details of the 1999 legislation).

When the interim study group charged with developing an alternative method of taxing forestland in small ownerships was not able to arrive at a consensus recommendation, the 2001 Legislature passed HB 2162. HB 2162 taxes all forestland under OFLP beginning with the 2003-04 tax year and eliminates the privilege taxes as of January 1, 2003. This includes land under the Small Tract Option. This bill also provides for an interim study to take another look at alternative methods of taxing forestland in small ownerships. Thus, as of July 1, 2003, one tax structure (OFLP) applies to all forestland in Oregon with only minor differences between eastern and western Oregon. Until OFLP is fully implemented, forestland in small ownerships will continue to be taxed under the 1997 tax structure unless the owners elect taxation under OFLP.

HB 3537 modifies maximum assessed value, the method of determining specially assessed value, and the appeal process for forestland under OFLP. These changes take effect for the 2003-04 tax year. The Department of Revenue is required to develop a model for estimating the specially assessed value of highest and best use forestland and to certify per acre values by site class in western Oregon and for eastern Oregon by June 1st of each assessment year. For 2003-04, the assessed per acre value of forestland is the lesser of the specially assessed values to be determined by the Department or the values set out in Section 4 of HB 3537. Thereafter maximum assessed value is determined as it is for all other property and assessed value is the lesser of the Department’s specially assessed values, the properties maximum assessed value or its real market value.

Since the maximum assessed values will be less than the specially assessed values, the table below shows the per acre impact of HB 3537 on 2003-04 assessed value of forestland.

2003-04 Maximum Assessed Value of Forestland		
Site Class	**HB 3575 (1999)**	**HB 3537 (2001)**
Western Oregon		
FA	840	450
FB	723	357
FC	462	299
FD	349	254
FE	200	169
FF	49	122
FG	8	51
FX	1	6
Eastern Oregon	56	51

For forestland in OFLP or under the Western Oregon Small Tract Option, the changes in assessed value are the only changes affecting tax liability. In eastern Oregon the assessed value of all forestland is reduced by about 9%. In western Oregon the assessed value is reduced for high productivity forestlands (site class FE and above) by as much as 50% and increased for the lower productivity forestlands (site classes FF and below). For forestland in small ownerships remaining outside OFLP (other than those under the Small Tract Option), assessed value increases from 20% of the HB 3575 values to 100% of the HB 3537 values. These increases are more than offset, on average, by exemption from the privilege taxes, which as a percent of harvest value are 3.2% in western Oregon and 1.8% in eastern Oregon.

REVENUE IMPACT:

The revenue impact of each bill is shown separately in the section on Timber and Transportation Taxes. Attribution of the impact between HB 3575 (1999) and these bills is sensitive to the number of small owners assumed to elect taxation under OFLP. The table below shows the impact by ownership class assuming no small owners elect taxation under OFLP. To the extent that elections are made, the impact is attributable to HB 3575 (1999).

Impact of HB 2162 and HB 3537 by Ownership Class

Tax Liability in Millions of Dollars

	5,000+ Acre Ownerships			Ownership Under 5,000 Acres		
Fiscal Year	Property Tax	Privilege Tax	Total	Property Tax	Privilege Tax	Total
1999 Tax Structure						
2001-02	13.16	11.84	25.00	1.49	7.40	8.90
2002-03	13.59	6.38	19.97	1.54	7.45	8.99
2003-04	18.66	0.00	18.66	1.59	7.56	9.14
2004-05	19.22	0.00	19.22	1.63	7.66	9.29
2001 Tax Structure						
2001-02	13.16	11.84	25.00	1.49	7.40	8.90
2002-03	13.59	6.38	19.97	1.54	5.44	6.98
2003-04	11.86	0.00	11.86	3.86	0.00	3.86
2004-05	12.21	0.00	12.21	3.97	0.00	3.97
Change in Tax Liability						
2001-02	0.00	0.00	0.00	0.00	0.00	0.00
2002-03	0.00	0.00	0.00	0.00	-2.01	-2.01
2003-04	-6.80	0.00	-6.80	2.27	-7.56	-5.29
2004-05	-7.01	0.00	-7.01	2.34	-7.66	-5.32

ALL REVENUE MEASURES ENACTED

SB 63 (CH 633)

Authorizes Economic and Community Development Department to use Special Public Works Fund to provide up to $2.5 million a biennium in loans and grants to municipalities to provide local matching funds for infrastructure projects for which available federal disaster relief assistance is committed. Takes effect January 1, 2002.

REVENUE IMPACT: None

SB 177 (CH 246)

Establishes tax zones for school districts for the purpose of imposing property taxes at different tax rates on assessed value. Outlines requirements school districts must meet for establishing tax zones. Requires a public hearing to be held and adoption of a resolution by each school board to establish the zones, boundaries and each property tax rate for each zone. Limits each school's operating tax rate to the permanent property tax rate for each school district. Takes effect tax year 2001-02.

REVENUE IMPACT:

Local: This measure will have minimal revenue impact but it could reduce taxes for taxpayers in Klamath County.

SB 229 (CH 957)

Allows sponsors of existing enterprise zones to request designation for electronic commerce and designates the city of North Plains for electronic commerce. Allows Economic and Community Development Department (ECDD) to approve up to four zones for electronic commerce designation while striving for regional balance. Makes firms engaged in electronic commerce eligible for property tax exemption on qualified new investment in enterprise zones approved for electronic commerce or in the city of North Plains.

Grants nonrefundable income tax credits equal to 25% of new investment related to electronic commerce sales, customer service, order fulfillment, or broadband infrastructure, if the taxpayer is a qualified business firm engaged in electronic commerce in an enterprise zone approved for electronic commerce or the city of North Plains. Limits the credit claimed by a taxpayer to $2 million in any tax year. Allows a 5-year carry-forward of unused tax credit. Limits credit to tax years where at the beginning of the year the firm’s qualified property is eligible for property tax exemption. Defines electronic commerce.

Establishes a tax credit for advanced telecommunications facilities, equal to 20 percent of the certified cost of the facilities. Requires taxpayer to obtain certification from the

ECDD in order to claim the tax credit. Allows certifications to be issued between January 1, 2002 and December 31, 2005. Limits the total amount of facility costs certified in a year to $10 million.

Directs the Oregon Economic and Community Development Commission to report to the Seventy-third Legislative Assembly on the efficacy of the advanced telecommunications facilities tax credit. Prohibits the Public Utility Commission from requiring a telecommunications utility rate reduction due to allowance of tax credit. Applies to property tax years beginning on or after July 1, 2001 and income tax years beginning on or after January 1, 2002.

REVENUE IMPACT: Reduced revenue for state and local governments.

	2001-03	2003-05	2005-07
State General Fund			
Zone Tax Credit	– $ 600,000	– $ 5,300,000	– $ 6,100,000
Telecom. Tax Credit	– $ 1,000,000	– $ 4,000,000	– $ 3,000,000
Local Government			
Property Taxes	– $ 200,000	– $ 426,000	– $ 460,000

Comments: Estimates assume that electronic commerce designations will be requested by the city of North Plains and requested and approved for four Enterprise Zones. This bill includes the tax credit for advanced telecommunications facilities from SB 479A. If a particular investment qualifies for both tax credits, this estimate assumes the taxpayer claims both tax credits.

SB 253 (CH 36)

Shifts Department of Education billing for certain special education students from the County School Fund to the State School Fund. Applies to existing state education programs in institutions like hospitals and long term care facilities.

First applies to 2001-02.

REVENUE IMPACT:

School Districts: No impact. County School Fund dollars available for distribution to school districts increase about $6 million per year. State School Fund dollars available for distribution to school districts decrease about $6 million per year. The school equalization formula will reduce the distribution of State School Fund dollars to affected districts by an amount equal to their increased County School Fund payment.

SB 259 (CH 518)

Allows Education Service District (ESD) merger (1) by approval of ESD boards involved or (2) by resolution to ESD boards by two-thirds of the component school districts with a majority of students in each ESD involved. Deletes voter approval of mergers.

Defines ESD as district created to provide regional educational services to component school districts. Modifies the mission statement of ESDs. Requires each county in an ESD, if a majority of its land area is within the ESD, to have at least one board member if possible. Deletes having 2 nonvoting advisory board members. Requires resolution process (approval of two-thirds of the component districts with a majority of students) to approve providing several services. Allows ESDs to provide funds to component districts in lieu of services. Takes effect July 1, 2001.

REVENUE IMPACT:

Educational Service Districts: No direct impact. Voluntary mergers will likely change revenue per student for merged districts. This in turn may shift State School Fund dollars among ESDs. The amount will depend on the districts involved and year of merger during the phase-in of ESD equalization.

School Districts: No direct impact. Voluntarily merged ESDs may provide different revenue support for their component districts.

SB 260 (CH 695)

Phases in equalization of Education Service District (ESD) revenue within 5 years (2005-06). To calculate ESD distribution, allocates percent of State School Fund and local revenue of both K-12 school districts and ESDs to school districts using the K-12 equalization formula. Decreases this percent from about 95.4% to 95% during phase-in. Makes equalization target for each ESD a percent of their component district's calculated K-12 equalization formula allocation. Increases this percent from about 4.9% to 5.26% (5.26% of 95% is 5%) during phase-in.

Defines base revenue as higher of prior year revenue per student times current students or prior year total dollars. If base revenue is above the target during the phase-in, reduces the base by an increasing percentage of the revenue gap each phase-in year. Limits reduction to 5% of base if ADMw more than 2500. Limits reduction to 4% of base or same per ADMw amount if less than 2500. If base revenue is below the target, increases the base by increasing percentages of the revenue gap during the phase-in. Sets percent at level where allocations balance to revenue available. Phases in minimum district funding from $700,000 to $1 million in 2005-06. Makes ESD general services grant equal to adjusted base. Sets State School Fund grant equal to ESD general services grant less ESD local revenue. Prorates district general services grant as needed.

Requires component districts to approve 90% of expenditures from ESD general services grant by resolution beginning in 2002-03. Requires Department of Education to study ESD services and identify deficiencies. Repeals Grant and Wallowa ESDs revenue sharing with component districts (local ESD equalization) beginning in 2003-04. Distributes any local revenue above allocation to component districts.

Adds definitions. Makes technical changes. Takes effect July 1, 2001 with permanent equalization provisions becoming operative July 1, 2005.

REVENUE IMPACT:

Education Service Districts: Allocates about $161.3 million among ESDs in 2001-02 and $168.4 million in 2002-03 (including Grant and Wallowa shared revenue). Phases up ESD share of K-12 and ESD formula revenue from about 4.6% to 5% in 2005-06. See ESD simulation 13-1 and 13-2 for estimates by district.

School Districts: Phases down school district share of K-12 and ESD formula revenue from about 95.4% to 95% in 2005-06.

SB 278 (CH 83)

Affects groups of lottery games that use video devices or allow a player to manually reveal covered play symbols (currently includes Scratch-it and Breakopen games).

Changes requirement that rules specifying the number and value of prizes be adopted for each lottery game to allow the Lottery Commission to either adopt rules for these qualified groups of lottery games or to make this information available at each location where tickets are sold.

Changes requirement that rules specifying the ticket price be adopted for each lottery game to allow the Lottery Commission to adopt rules for these qualified groups of lottery games. Takes effect January 1, 2002.

REVENUE IMPACT: None

Comment: This bill allows Lottery to continue current practice. They have been advised that a strict reading of current statutes may require rules for each individual lottery game. If this bill had failed, lottery intended to comply with the strict interpretation. This would have disrupted their ability to offer timely Scratch-it and Breakopen games with a resulting revenue loss of between $600,000 and $800,000 annually. The lottery forecast is based on an extension of current practice and therefore will not be increased by this bill.

SB 292 (CH 883)

Removes revenue bond limit for certain bonds financing municipal infrastructure projects. Authorizes Economic and Community Development Department to contract directly with Oregon Downtown Development Association and Rural Development Initiatives for delivery of certain support services to municipalities. Exempts contracts from certain public contract requirements. Changes urban/rural financing split for infrastructure and water projects. Eliminates requirement for quarterly valuation of Special Public Works Fund and Water Fund. Modifies limit on expenditures for grants and loans from Special Public Works Fund. Repeals requirement for biennial report to Legislative Assembly by Port of Portland.

Qualifies investments by an eligible firm in an enterprise zone, that are otherwise unqualified investments under ORS 285B.713, if certain requirements are met. Requires that certain improvements equal or exceed $3 million and that the value of the property exceeds its assessed value in the prior year by at least $25 million. Exempts such investments from the provisions disqualifying property that was assessed in the zone area prior to the designation of the zone or a zone boundary change and property not in use in the year immediately following completion of construction or modification of the property. Exempts such investments from the requirement that employment at least 110% of the firm's employment in the prior year. Requires that application be made prior to April 1, 2004. Takes effect October 6, 2001.

REVENUE IMPACT: Local Property Tax Reductions:

	2001-03	2003-05
District Revenue Reductions		
School	$319,234	$159,617
Non-school	308,454	154,227
Total	$627,688	$313,844
Tax Shifts		
School	$ 61,788	$ 30,894
Non-school	92,243	46,122
Total	$154,031	$ 77,016

Comment: This estimate assumes that one property valued at $28.5 million will qualify and that the exemption will begin with the 2001-02 property tax year.

SB 299 (CH 520)

Extends authority of weighmaster and motor carrier enforcement officers to make arrests or issue citations for certain violations with the same authority as a police officer. Violations apply to commercial motor vehicles and include operating without a license or permit, operating with an expired license or permit, operation a vehicle without required traction devices, and operating a vehicle for which the appropriate registration fees have not been paid. Takes effect January 1, 2002.

REVENUE IMPACT:

	2001-03	2003-05
State Funds:	$57,750	$77,000

Comment: Estimate assumes 500 citations per year, that courts do not reduce fines, and that citations are for Circuit Court. In this case all of the revenue flows into the Criminal Fine and Assessment Account and is distributed to the state General Fund and various state agency accounts. If local courts were involved, half of the revenue would go to the appropriate local governmental unit.

SB 329 (CH 67)

Eliminates the sunset date, July 1, 2002, on the tax exemption for higher education parking facilities. Allows a property tax exemption for parking facilities that are used by visitors. Extends the sunset date from July 1, 2002 to July 1, 2012 on the property tax exemption for recreational facilities and summer homes located on federal land.

REVENUE IMPACT:

Local: If both sunset dates were not eliminated or extended, it is estimated that local taxing districts would receive $1.9 million in additional property taxes from the higher education parking facilities and $1.3 million each year from the value of the recreational facilities and summer homes on federal land beginning tax year 2002-03.

SB 336 (CH 28)

Increases authorized annual carryover amount in the Multistate Tax Commission (MTC) reserve fund from $100,000 to $150,000. Allows Oregon to enter into agreements with the federal government for collection of debts owed to the state by offsetting a portion of debtors' federal tax refunds.

REVENUE IMPACT: None

SB 397 (CH 885)

Reduces tax rates required to maintain the desired balance in the Unemployment Compensation Trust Fund for tax rate schedules III IV, and V. Reduced rates take effect on January 1, 2002.

REVENUE IMPACT:

Reduced tax assessments and interest earnings for Unemployment Compensation Trust Fund.

	2001-03	2003-05
Taxes	-$10,421,000	-$82,542,500
Interest	0	- 4,526,200

SB 422 (CH 76)

Allows Department of Revenue to give notice of deficiency in payment of Tobacco Products Tax when the deficiency is 25% or more. Notice may be given any time up to 5 years following the date the report is filed. Applies to reports filed on or after January 1, 2001.

Makes information relating to Cigarette Tax reporting and administration subject to public disclosure. Applies provisions of current law relating to cancellation of tax, penalty or interest to cigarette taxes. These changes take effect October 6, 2001.

REVENUE IMPACT: Minimal

Comment: The current 3-year Statute of Limitations applies to deficiency assessments. Extending this to 5 years for the Tobacco Products Tax may result in additional revenue to the General Fund, the Health Plan and the Tobacco Use Reduction Account.

SB 423 (CH 696)

Modifies criminal and civil penalties for violation of cigarette tax laws. Allows a civil penalty, not to exceed $1,000, for violation of any cigarette tax provision. Increases penalty from a misdemeanor to a Class C Felony where intent is to defeat or evade requirements for 1) distributions without a valid license, 2) false distributor reports, 3) false transporter reports (or intent to aid distributors to evade), and 4) false refund claims. The Class C Felonies for 1) distributing without a valid license and 3) false transporter reports do not apply when less than 60,000 cigarettes are involved. Makes any other violation of cigarette tax provisions with intent to defeat or evade a Class A misdemeanor. Defines unlawful cigarette distributions and makes such distributions subject to forfeiture. Applies to violations after October 6, 2001.

REVENUE IMPACT: Indeterminate

Comment: Available data indicate non-compliance maybe substantial. Enforcement under these new provisions may increase revenue either through penalties or increased compliance and increased tax revenue.

SB 424 (CH 5)

Changes definition of cigarettes subject to cigarette tax to conform to the definition in ORS 293.555(4)(a) under the Tobacco Master Settlement Agreement, to federal definition, and to the definition that applies in neighboring states. Adds definitions for “cigarette activity in this state,” “exporting” and “importing” to identify non-distributors with cigarette activity and to facilitate new reporting requirements.

Requires non-distributors with cigarette activity in Oregon to report quarterly. Allows Department to make a determination that activity is taxable based on these reports. Applies to reporting periods beginning January 1, 2002.

REVENUE IMPACT: Indeterminate

Comment: Conforming “cigarette” to the federal definition will make certain small cigars currently taxed as cigarettes subject to the Other Tobacco Products tax. The change from 58¢ per pack to 65% of wholesale price is estimated to reduce revenue by less than $10,000. To the extent that the new reporting requirements allow the Department to identify taxable activities that would otherwise escape taxation, revenue will increase by 58¢ per pack under current law.

SB 426 (CH 77)

Exempts from Oregon income tax compensation earned by non-residents while serving as crew or pilots on vessels operating in interstate navigable waters. Extends the current exemption from Oregon income tax for federal Columbia River hydroelectric workers to include contractors. This provision applies to tax years beginning on or after January 1, 1997.

Increases Oregon income threshold for non-residents required to file Oregon income tax returns. The new threshold is equal to the Oregon standard deduction ($1,800 single, $3,000 joint, $1,500 married filing separately, $2,640 head of household) effective January 1, 2002.

REVENUE IMPACT:

State: The measure will reduce General Fund (Personal Income Tax) revenues as shown in the table.

Biennium	General Fund Revenue Impact ($ million)
2001-03	-0.2
2003-05	-0.4

Note: Estimate includes average 5,000 non-resident filers with $40 average annual Oregon tax liability per return who are no longer required to file Oregon tax returns because Oregon gross income falls below the filing threshold.

SB 428 (CH 3)

Increases access of the State Economist (Department of Administrative Services, Office of Economic Analysis) to taxpayer information stored by the Department of Revenue, for the purpose of preparing revenue forecasts and impact estimates.

REVENUE IMPACT: None

SB 463 (CH 495)

Sets a $1 million target for fund to clean up contamination from dry cleaning facilities. Adds compliance with waste minimization requirements as prima facie evidence of exercising due care. Excludes from protection against clean-up liability operators or owners who violate contamination laws, and owners who commit gross negligence, conceal a prohibited release, hinder remedial actions, fail to pay fees, or who have been inactive since April 1, 1995. Changes requirement for waste minimization. Adds dry cleaner owners to DEQ advisory group. Changes method for computing the deductible amount to be borne by owner or operator for clean-up actions. Requires DEQ to create a list of inactive dry cleaners eligible to receiving funding from the Dry Cleaner Environmental Response Account. Sets criteria for listing.

Changes privilege fee schedules for operating dry stores and dry cleaning facilities. Imposes a fee of $250 to list an inactive dry cleaning facility and a $250 annual fee to remain on list. Limits inactive sites eligible for funding to those listed. Reduces the per gallon tax on dry cleaning solvents. Increases certain fees by 25% beginning January 1, 2003, if combination of fees and deductible amounts in the prior calendar year are less than $1 million. Takes effect January 1, 2002. Sunsets program January 1, 2006.

REVENUE IMPACT:

	2001-03	2003-05
Other Funds	-$ 122,000	-$ 180,000

Comment: This estimate assumes that the 25% fee increases will be triggered in 2003 and 2004.

SB 483 (CH 927)

Allows refunds of Use Fuel Tax for fuel used to propel motor vehicles operated by state agencies and by special districts. Deletes requirement that county vehicles be used exclusively for road construction to be eligible for Use Fuel Tax refunds.

Applies to fuel taxes paid on or after January 1, 2002 and to the 12-month period immediately preceding.

REVENUE IMPACT:

	2001-03	2003-05
Highway Fund		
State	$ -807,673	$-1,076,096
County	-327,911	-436,890
City	-209,416	-279,014
Total	$-1,345,500	$-1,792,000

SB 486 (CH 958)

Requires federal funds received under the Secure Rural Schools and Community Self-Determination Act of 2000 to be distributed among counties based on their proportional share of federal forest receipts during the eligible years. Requires 25% of these funds to be deposited in the County School Fund and distributed to school districts based on proportionate share of students (ADMr).

Takes effect July 1, 2001. Repeals provisions July 1, 2007.

REVENUE IMPACT:

School Districts: No revenue impact assuming this clarifies the application of existing statutes as described by a Legislative Counsel legal opinion.

SB 519 (CH 670)

Creates a Small School District Supplement Fund. Transfers $4.5 million per year from the State School Fund to the Supplement Fund in 2001-03. Defines small school district as districts under 8,500 weighted students and with high schools having less than 350 students for 4 grades and 267 for three grades. Requires the State Board of Education to adopt rules.

Grants each small school district $200 per high school ADM (average daily membership) each year of the biennium. Uses the balance of the Supplement Fund for need grants. Requires application for need grants. Specifies need grant criteria to include district size, declining enrollment, staffing ratios, ending balance and ESD resources. Uses any residual after need grants to increase the $200 per ADM.

Requires the Department of Education to study the relationship between small school size, cost and program needs. Allocates $150,000 of State School Fund money to the Department of Education for a study of special education funding and services. Requires reports to the appropriate interim committee for both studies.

Sunsets these provisions June 30, 2003.

Makes technical correction for the use of the 2000 Census data for students in poverty families.

REVENUE IMPACT:

School Districts: Grants an estimated $3 million per year in 2001-03 to 94 school districts with 99 small high schools for supplemental grants of $200 per high school ADM. Allocates an additional $1.5 million per year to these small districts that apply for need grants.

Reduces State School Fund dollars available for equalization formula allocation by $4.6 million in 2001-02 and $4.55 million in 2002-03 for a reduction of about $7 per ADMw extended. See School Finance Simulation 26 for district estimates.

Department of Education: Provides $150,000 of State School Fund money for a review of special education funding.

SB 520 (CH 584)

Extends June 30, 2002 sunset on Alternative Energy System Property Tax Exemption for 10 years out through June 30, 2012. Includes fuel cells among devices eligible for alternative energy property tax exemption.

Eliminates December 31, 2001 sunset on the Energy Conservation Lender’s Income Tax Credit (State Home Oil Weatherization loan program).

Eliminates December 31, 2001 sunset on the Residential Energy Income Tax Credit. Allows any business (currently limited to investor-owned utilities only) to claim Residential Energy Income Tax Credit in return for passing the present value of the tax credit on to the purchasers of qualifying energy systems.

Removes requirement that qualified alternative energy devices must supply at least 10% of total dwelling energy requirement. Expands type of collateral accepted under the Small Scale Energy Loan Program.

REVENUE IMPACT:

State: The income tax credit provisions will reduce General Fund tax revenues as shown in the table.

Biennium	General Fund Revenue Impact ($ million)
2001-03	-$ 2.42
2003-05	-$ 3.97
2005-07	-$ 4.24

Local: The property tax exemption provisions have indeterminate but minimal impact on local government revenues, since most alternative energy system installations would be excluded from assessed value as "minor construction" under (1997) Ballot Measure 50 (ORS 308.149(6)).

SB 521 (CH 583)

Modifies Business Energy Tax Credit program: Allows utilities to claim the business energy tax credit. Allows customers of consumer-owned and other public utilities to take advantage of the credit. Expands eligibility for credits for employee transit pass contracts to include credits for facilities providing transit passes to students and patrons of medical facilities. Provides that, as an incentive to customers, any entity can provide the net present value of the tax credit for any eligible project. Allows Business Energy Tax Credit to be claimed in one year (instead of 5 years) for projects with eligible cost under $20,000. Allows car-share expenses and sustainable building practices to be eligible for the tax credit. Changes apply to certifications issued on or after January 1, 2001.

REVENUE IMPACT:

State: The measure will reduce General Fund (CORP) tax revenues as shown below.

Biennium	General Fund Revenue Impact ($ million)
2001-03	-$ 1.103
2003-05	-$ 2.820
2005-07	-$ 4.978

SB 684 (CH 642)

Exempts from taxation real and personal property of a rural health care facility under the following conditions: only the new construction or new personal or real machinery of the facility can be exempt from taxation, the exemption must first be approved by the county governing body and then authorized by the other local taxing districts in the county, the health care facility is located in a remote rural health service area and used exclusively for medical care. The property tax exemption is for 3 years and begins after a facility or equipment is in service, on or after July 1, 2002.

REVENUE IMPACT:

Local: The revenue impact depends on the number of owners of rural health care facilities requesting a property tax exemption, the value of the new construction and new property of the facility as well as the number of local taxing districts granting the property tax exemption.

SB 685 (CH 500)

Allows a port district to levy a local option property tax for the purpose of providing tax revenue for law enforcement to a city or county in which the port is located.

REVENUE IMPACT:

Local: Property taxes could be increased if local voters approve a port district's local option levy for law enforcement services.

SB 740 (CH 698)

Requires Department of Transportation to establish, by rule, an annual fee for motor carriers registered under International Fuel Tax Agreements (IFTA). Requires fees be designed to recover the full direct and indirect costs of participating in IFTA. Limits fee to $650. Declares emergency and takes effect July 2, 2001.

REVENUE IMPACT: None

Comment: fees cover cost of service provided and are not intended to raise revenue for general governmental purposes.

SB 763 (CH 888)

Allows Economic and Community Development Department to create vertical housing zones if a city or county requests it and the zone meets the specified criteria. Provides a 10-year property tax exemption for qualified vertical housing in an established zone. Allows special districts to elect not to provide the property exemption for housing in the vertical housing development zone.

REVENUE IMPACT:

Local: Assuming four cities are approved by the Economic and Community Development Department to have a vertical housing development zone, 10 development projects are approved and special district taxes are not part of the tax exemption, the local revenue reduction is estimated at $142,750 beginning tax year 2002-03.

SB 764 (CH 928)

Significantly modifies pollution control tax credit program. Extends period for construction of facilities eligible for pollution control tax credits through December 31, 2007 (Under prior law this provision sunsets December 31, 2001). Extends period for submitting applications for certification of pollution control facilities through December 31, 2008 (Under prior law this provision sunsets December 31, 2003). Shortens period between project completion and submission of application for certification from two years to one year.

Projects commenced before January 1, 2001 and completed before January 1, 2004 (or certified by December 31, 2001) receive “safe-harbor” treatment (credit is 50% of certified costs).

Projects not initiated before January 1, 2001 or certified by December 31, 2001 may be eligible for reduced credits if in one of two groups. Following types of projects (“upper tier”) are eligible for 35% of certified costs: International Organization for Standardization (ISO) 14001 certified, hold DEQ green permit, non-point source or a confined animal feeding operation (CAFO), material recovery or recycling, agricultural or forest products energy recovery, “small” projects (<$200,000 certified costs), controls not required by federal, state or regional law, and/or certified Environmental Management Systems.

Phases out credit for projects not meeting these criteria. “Lower tier” projects commenced 1/1/01-12/31/03 eligible for 25% of certified costs; projects commenced 1/1/04-12/31/05 eligible for 15% of certified costs; no credit for lower tier projects certified after 12/31/2005. Disqualifies facility from upper tier tax credit if green permit is revoked.

Disallows credit for five years if taxpayer is convicted of environmental offences (related to the facility qualifying for the credit) under ORS 468.922 – 468.956. Creates interim pollution control tax credit improvement and review task force.

Allows additional three year carryforward for unused pollution control tax credits provided credits haven’t expired as of the 2001 tax year and the facility remains in operation during the additional carryforward period.

REVENUE IMPACT:

State: The changes to the pollution control tax credit reduce General Fund (Corporate income and excise tax) revenues by $ 0.83 million in 2001-03, $ 4.92 million in 2003-05 and $ 7.72 million in 2005-07.

SB 843 (CH 134)

Allows Public Utility Commission to provide for arbitration of certain issues related to direct access by retail electricity customers to electrical suppliers. Raises capacity threshold for geothermal, solar and wind facilities requiring site certificates. Temporarily exempts temporary energy generating and standby facilities from requirement to obtain site certificates under specified conditions. Sunsets exemption on January 2, 2006. Specifies that expedited review by Energy Facility Siting Council is allowed for facilities generating less than 100 megawatts average electric generating capacity. Modifies definition of economic and uneconomic utility investments as applied to regulation of direct access. Exempts certain electric companies that collect and spend public service charges from requirement to provide a commercial energy conservation services program. Excludes wind, solar, and geothermal energy facilities and small generating plants in commercial operation as of December 31, 2001, from consideration by Energy Facility Siting Council in determining cumulative effects within energy generation area and in determining whether proposed facilities are a part of a larger energy facility that requires site certification. Makes public purpose charge for low-income electric bill payment assistance $10 million per year. Takes effect May 14, 2001.

REVENUE IMPACT: Increased Other Fund revenue

	2001-03	2003-05
Housing and Community Services Department	$7,500,000	$20,000,000

Comment: SB 1149 (1999) required electric companies to collect a total of $10 million for low-income electric bill payment assistance once direct access was offered. This bill requires $10 million per year. The lower impact for 2001-03 reflects the October starting date and treats the first $10 million as current law.

SB 948 (CH 468)

Directs Department of Environmental Quality to establish community emission reduction credit banks at the request of local government sponsors. Takes effect January 1, 2002.

REVENUE IMPACT: None

SB 963 (CH 405)

This measure established the Medicare Upper Limit Account (MUPL), separate from the General Fund. SB 963 directs federal payments received by the Department of Human Services through the Proportionate Share Incentive Adjustment Plan amendment to the state Medicaid Plan to a new account. This change applies to both previous and future payments. Moneys flowing into the account are continuously appropriated to the Department of Administrative Services.

In effect SB 963 shifts this revenue source from the General Fund to a new Other Fund account. This means that the measure has no long-term revenue impact. However, it has short-term revenue implications because of its interaction with Oregon's 2% surplus kicker law (ORS 291.349).

Transferring revenue from the General Fund to the new MUPL account reduced General Fund revenue for the 1999-2001 biennium. This lowered the projected General Fund beginning balance for the 2001-03 biennium. However, lower total General Fund revenue in 1999-2001 means lower 2% surplus kicker refunds in 2001-03. This increases the forecast for personal income tax net collections (payments minus refunds) in 2001-03.

REVENUE IMPACT:

SB 963 reduced the 2% surplus kicker refund estimate in the May revenue forecast from $355.1 million to $248.7 million, a reduction of $106.4 million. This increased revenue available for the 2001-03 biennium by $106.4 million. The accounting changes caused by SB 963 are shown in the table below:

1999-01 Biennium	**Impact ($ million)**
General Fund	– $106.4
Other Fund	+ $106.4
Net Impact	$0.0
2001-03 Biennium	
General Fund	
Kicker Refunds	+ $106.4
MUPL Payments	– $ 70.0
Net General Fund	+ $ 36.4
Other Fund	+ $ 70.0
TOTAL 2001-03 BUDGETARY IMPACT	+ $106.4

At the time of the May revenue forecast, MUPL revenue was projected to be $106.4 million in the 1999-2001 biennium and $70 million in the 2001-03 biennium. Shifting $106.4 from the General Fund to the new MUPL account had no impact on 1999-2001 net revenue. However, the resulting $106.4 million reduction in 2% surplus kicker refunds increases net overall revenue available for the 2001-03 biennium by $106.4 million.

SB 5513 (CH 889)

Appropriates $220 million for the 2001-03 biennium from the General Fund to the Department of Education for the School Improvement Fund. Provides grants to school districts, the Youth Corrections Education Program and the Juvenile Detention Education Program. Directs grants be used for student achievement activities as described in HB 2298.

Takes effect July 1, 2001.

REVENUE IMPACT: None (See HB 2298)

SB 5514 (CH 890)

Makes biennial General Fund appropriation of $4,971.6 million to the State School Fund from the General Fund, lottery proceeds, Medicaid funds and private timber revenue. Of this total, appropriates $2,429.1 million for 2001-02 with $2,329.7 for school districts and $94.4 million for ESDs. Appropriates $2,542.5 million for 2002-03 with $2,439.7 million for school districts and $97.8 million for ESDs. Allocates $400,000 per year from the State School Fund to the Out-of-State Disabilities Placement Education Fund. Makes allowance for State School Funds allocated by other legislation.

Sets upper limits for K-12 school districts and Education Service Districts (ESDs) for State School Fund (SSF) and formula local revenue. If local revenue exceeds estimates by more than 2%, reduces State School Fund dollars by the amount above 2%. Allows use of any State School Fund dollars not distributed in 2001-02 to make up for any local revenue shortfall below the estimated amount in 2002-03. Designates a portion of the State School Fund for each year of the biennium as replacement revenue for Measure 50 reductions.

Appropriates $10,325,000 from the General Fund to the Department of Education for data integrity assurance. Increases the 1999-01 Department of Education expenditure limit for timber taxes by $1.4 million.

Takes effect July 1, 2001.

REVENUE IMPACT:

School Districts and ESDs: Makes $4,971.6 million in State School Fund dollars available primarily for distribution to K-12 school districts and ESDs in 2001-03. Use of funds is as follows:

State School Fund		**2001-02**	**2002-03**	**2001-03**
Revenue ($ Million)				**Biennium**
K-12	Equalization Formula	2,322.6	2,432.2	4,754.8
	SB 253 Special Ed	7.1	7.5	14.6
	SB 519 Small HS & study	4.6	4.6	9.2
	Out-of-State Disability	0.4	0.4	0.8
ESD	Equalization Formula	94.4	97.8	192.2
	State School Fund Total	2,429.1	2,542.5	4,971.6

SJR 21

Amends the Oregon Constitution to allow state to issue general obligation bonds to finance seismic rehabilitation of public education buildings. Specifies that the amount of the indebtedness incurred under SJR 21 may not exceed one-fifth of one percent of the true cash value of all taxable property in state. Specifies that any debt incurred under this article shall be repaid from state general funds, proceeds from the state lottery, and amounts allocated from the Education Endowment Fund. Refers proposed amendment to voters at next general election.

REVENUE IMPACT: None

The ultimate effect of SJR 21 will depend on the decision of voters at the next general election. If voters approve the proposed bond measure it will be up to future Legislatures to decide how funds for seismic rehabilitation will be spent. This measure is tied to SB 14 (CH 797) that requires the state to conduct surveys to identify and prioritize needed seismic rehabilitation.

SJR 22

Amends the Oregon Constitution to allow state to issue general obligation bonds to finance seismic rehabilitation of emergency services buildings. Specifies that the amount of the indebtedness incurred under SJR 22 may not exceed one-fifth of one percent of the true cash value of all taxable property in state. Specifies source of moneys for payment of indebtedness. Refers proposed amendment for vote at next general election.

REVENUE IMPACT: None

The ultimate effect of SJR 22 will depend on the decision of voters at the next general election. If voters approve the proposed bond measure it will be up to future Legislatures to decide how funds for seismic rehabilitation will be spent. This measure is tied to SB 15 (CH 798) that requires the state to conduct surveys to identify and prioritize needed seismic rehabilitation.

HB 2033 (CH 725)

Establishes a personal or corporate income tax credit for the machinery and equipment and personal property used in farm processing. Requires machinery and equipment to be located on land that is specially assessed for farm use or contiguous to land that is specially assessed for farm use and owned and controlled by the farm operator. The farming operation must meet certain processing conditions relating to the volume of farm crop grown or livestock raised on the farm to receive the tax credit. The amount of the tax credit is computed as the lesser of the effective property tax rate, (the total property taxes imposed divided by the assessed value) times the adjusted basis of the qualified machinery and equipment or $30,000. This tax credit can be carried forward for four years. Applies to tax years beginning on or after Jan. 1, 2002 and before Jan. 1, 2008.

REVENUE IMPACT:

State: The measure will reduce General Fund revenue (CORP) by $509,775 in the 2001-03 biennium and by $1.48 million in the 2003-05 biennium.

HB 2103 (CH 292)

Rewrites the enterprise zone statutes pertaining to the rural property tax exemption and corporate tax credit. Extends the sunset date on which business firms may be certified for rural property tax exemption and tax credit to December 31, 2004. Reduces the amount of the required initial investment (by the end of the first year) from $50 million to $25 million.

REVENUE IMPACT:

Local: One forest products plant currently completing construction in Douglas County will utilize this property tax exemption. The projected loss in local revenue, once the facility construction is completed, is $350,000 per year beginning 2002-03 and $742,560 in the 2003-05 biennium. Reducing the initial investment threshold from $50 to $25 million changes the threshold for six long-term enterprise zones in Douglas and Josephine counties. Currently plans are underway for a new gas fired power plant. The lower investment threshold increases the probability that the power plant will be built in an Oregon enterprise zone. If a gas fired power plant is sited in an enterprise zone in Douglas or Josephine counties, then the loss in local revenue is estimated at $660,960 beginning 2003-05 biennium.

State: Assuming the Governor approves the income tax credits, the state general fund revenue impact is estimated to be –$300,000 in 2001-03 and –$700,000 in 2003-05.

Note: Total state general fund liability could be as much as –$2.6 mil. per year if all the currently anticipated businesses apply, are approved for their maximum rural enterprise zone income tax credits and have sufficient tax liability.

HB 2111 (CH 479)

Increases the assessed value amount for personal property that is exempt from property taxes from $10,000 to $12,500, beginning tax year 2002-03. Links the maximum amount of the assessed value that is exempt from property taxation to annual changes in the U.S. City Average CPI beginning tax year 2003-04.

REVENUE IMPACT:

Local: Increasing the assessed value threshold to $12,500 for an exemption of business personal property tax will result in a reduction of local property taxes of $779,687 in 2002-03 and $1.67 million in the 2003-05 biennium for all taxing districts. Local school districts will have a reduction of $310,238 in 2002-03 and $667,451 in 2003-05 biennium.

HB 2124 (CH 12)

Makes technical corrections to the Oregon Qualified Tuition Savings Program to more closely follow federal treatment under IRC 529: Allows account owner and designated beneficiary in the Oregon Qualified Tuition Savings Program to be the same person. Allows corporations or other legal entities to establish accounts for individual beneficiaries. Specifies that contributions and earnings are held in trust solely for the purposes of the program and the participants. Allows participation in the Oregon Qualified Tuition Savings Program by nonresidents. Protects moneys in the plan from garnishment, attachment, bankruptcy, or insolvency actions. Allows payment from the account directly to the beneficiary under certain circumstances. Specifies that personal information regarding the account is confidential. Applies to accounts established on or after January 1, 2001.

REVENUE IMPACT:

State: The measure has negligible impact on Personal Income Tax revenues.

HB 2125 (CH 13)

Clarifies that state income taxes are assessed on non-qualified withdrawals from the Qualified Tuition Savings Program. Requires add-back of a portion of a non-qualified withdrawal previously subtracted from Oregon taxable income. Non-qualified withdrawals include money removed from an account and not used for educational purposes. Applies to tax years beginning on or after January 1, 2001.

REVENUE IMPACT:

State: The measure has negligible impact on Personal Income Tax revenues.

HB 2132 (CH 293)

Increases registration period from two to four years for newly plated, private noncommercial automobiles, mopeds, motorcycles and certain electric vehicles. Converts biennial registration fees to per year fees for these vehicles. Defines four year registration period. Converts surcharge for group specialty plates and salmon plates from biennial to a per year fee.

Affects registration periods beginning on or after January 1, 2004 for vehicles required to be equipped with pollution control systems. Effects registration periods beginning on or after January 1, 2002 for all other affected vehicles.

REVENUE IMPACT:

	2001-03	2003-05	2005-07
Highway Fund	$5,300,000	$5,000,000	$6,600,000

Comment: This estimate assumes 15,000 newly plated vehicles per month growing at 1.5% per year, that 42.3% are required to be equipped with pollution control systems, that the number of vehicles renewing registration declines over time, and that this Act becomes effective November 1, 2001. Revenues accruing to the Highway Fund are distributed: 60.05% to the state, 24.38% to counties and 15.57% to cities.

No estimate is made for the impact on funds supported by group specialty plates and salmon plates. They should experience a similar speed up in the revenue stream, but this will be offset or partially offset by the higher price of choosing these plates. For example at initial purchase salmon plates now cost an additional $30 (and $30 when renewed). This increases to an initial cost of $60 (and $60 when renewed). The per year cost is the same but the out-of-pocket cost increases at decision time.

HB 2142 (CH 669)

Authorizes ODOT to issue revenue bonds outside the biennial bond limitation to finance highway preservation and modernization projects. Limits net proceeds of bonds to $400 million. Requires Oregon Transportation Commission to select projects to be funded by

February 2002. Specifies types of projects that are eligible. Specifies criteria for selection.

Dedicates $71.2 million in Highway Fund revenue, before distribution, to payment of debt service and distributes any unused amounts to the state (50%), to counties (30%) and to cities (20%). Gives bondholders a prior claim on Highway Fund revenue over any other required expenditure. Clarifies which Highway Fund revenues are pledged to debt service.

Increases vehicle title fees to $17 for salvage titles; $90 for truck tractors, motor vehicles over 26,000 pounds, and trailers over 8,000 pounds; and to $30 for all other vehicles. Defines terms and makes technical corrections. Takes effect October 6, 2001.

REVENUE IMPACT: Increased Revenue from Title Fees

	2001-03	2003-05	2005-07
DMV Cost Recovery			
Light Vehicles	$13,810,000	$17,023,000	$17,556,000
Heavy Vehicles	821,000	1,012,000	1,044,000
Total	$14,632,000	$18,035,000	$18,600,000
Highway Fund			
Light Vehicles	$24,697,000	$30,441,000	$31,394,000
Heavy Vehicles	8,563,000	10,554,000	10,885,000
Total	$33,259,000	$40,996,000	$42,279,000
Total Revenue	$47,891,000	$59,031,000	$60,878,000

Comment: Increase in title fees to $17 is required to cover DMV administrative costs for issuing titles (see HB 2139B). The increase to $30 for certain light vehicle titles and the increase to $90 for heavy vehicles raises new revenue for the Highway fund, that together with other new revenues provide the $71.2 million in revenue for debt service. As used here, light vehicles are motor vehicles under 26,000 pounds and trailers under 8,000 pounds. For these classes, the heavy vehicle cost responsibility share (2001 HCAS) is 32.7%. Heavy vehicles provide 25.7% of the new revenue from increased title fees. The number of titles issued is based on the June 2001 Transportation Economic and Revenue forecast. Salvage titles and heavy vehicle titles are estimated as percents of total based on available data. The 2001-03 estimates reflect the October 6, 2001 beginning date for fee increases.

HB 2157 (CH 46)

Increases maximum length of rotation cycle from 10 to 12 years for short-rotation hardwood stands. Takes effect July 1, 2002 for property tax years and January 1, 2002 for privilege and harvest taxes.

REVENUE IMPACT: Minimal Other Fund revenue reduction

Comment: To the extent that exceeding the 10-year limit on rotation age would result in reclassification of these lands by the county assessors from farmland to forestland, local property tax revenues could increase or decrease depending on the relative assessed value of farmland and forestland. Available information suggests they are similar. To the extent that timber harvested exceeds the current 10-year limit on rotation age, the harvest could be subject to the Forest Products Tax and, if in ownerships of less than 5,000 acres, to the privilege taxes. This seems unlikely to occur unless the timber enters the lumber market through a sawmill.

HB 2159 (CH 872)

Extends Forest Products Harvest Taxes to fund forest research (67¢) and the costs of administering the Forest Practices Act (91¢) for calendar years 2002 and 2003. Tax rates are per 1,000 board feet harvest. Continues indefinitely an exemption from the Forest Products Harvest Taxes for the first 25,000 board feet harvested that is repealed on January 1, 2002 under prior law.

REVENUE IMPACT: Other Fund revenue change (+/-) by program:

	2001-03	2003-05
Research	$2,782,000	$1,758,000
Forest Practices Act	3,779,000	2,387,000
Fire Suppression	-68,000	-113,000
Resource Institute	-108,000	-179,000
Total Other Fund	$6,384,000	$3,853,000

HB 2161 (CH 359)

Extends the December 31, 2001 sunset for preliminary certification of the reforestation tax credit by Department of Forestry to December 31, 2011. Increases the amount of the tax credit from 30% to 50% of certified project costs. Limits costs qualifying for reforestation tax credit by excluding expense paid through a federal or state financial assistance or other incentive program. Takes effect on January 1, 2002.

REVENUE IMPACT: Reduction in General Fund revenue:

2001-03	2003-05	2005-07
$499,100	$1,257,200	$1,411,100

Comment: This estimate assumes the increased credit will increase the number of qualifying acres to 5,900 per year. The Reforestation Tax Credit reduces individual and corporation income taxes.

HB 2162 (CH 816)

Deletes optional property tax program for forestland in small ownerships (less than 5,000 acres) beginning with the 2003-04 tax year. Disqualifies forestland in the Western Oregon Small Tract Option and requalifies these lands as forestland beginning with the 2003-04 tax year. Prevents imposition of additional tax and notification requirements upon disqualification. By deleting these optional programs, forestland in small ownerships is exempts from eastern and western Oregon privilege taxes and forestland in the small tract option program continues to be exempt.

Requires Department of Forestry to convene a working group of six members from specified interest groups to review state tax policy affecting forestland held in common ownership of less than 5,000 acres. Specifies areas that must be considered in the review. Appropriates $50,000 in General Fund revenue to the Department of Forestry for the working group. Reimburses the general fund from the eastern and western Oregon timber tax accounts.

Extends the sunset on funding of Department of Forestry's administrative expense in connection with the Reforestation Tax Credit and the Western Oregon Small Tract Option to July 1, 2003. Takes effect October 6, 2001.

REVENUE IMPACT:

	2001-03	2003-05	2005-07
State School Fund:	($238,460)	($834,490)	($856,850)
Community College:	(17,950)	(62,100)	(64,490)
Local District Revenue:			
Schools			
Property Tax		$605,240	$640,940
Non-schools			
Property Tax		$292,400	$309,130
Privilege Tax	($138,070)	($483,160)	($496,110)
Total Local Districts:	($138,070)	$414,480	$453,960
Tax Shifts:			
Schools		$92,690	$98,130
Non-schools		$27,360	$28,920

HB 2200 (CH 752)

Permits State Forester to establish a Forestry Carbon Offset Program to market, register, transfer or sell forestry carbon offsets. Defines forestry carbon offset and specifies activities that may create these offsets. Requires that offsets be created as a consequence of activities that increase carbon storage and that would not occur but for the carbon storage objective. Permits State Forester to develop a forestry carbon accounting system for the purpose of selling forestry carbon offsets as mitigation for carbon dioxide emissions. Permits State Forester to enter into agreements relating to forestry carbon offsets with non-federal forest landowners. Specifies terms of agreements and distribution of proceeds from sale of offsets. Applies to eligible activities beginning January 1, 2002.

REVENUE IMPACT: Increased Revenue by fund:

	2003-05
Forest Resource Trust	$1,500,000
Common School Fund	200,000
County Trust Lands, Local Revenue	800,000
Forestry Department, Other Funds	200,000
Total Revenue	$2,700,000

Comments: This is a new revenue source. Where the revenue goes depends on ownership of forestland where the activities that generate the offsets take place. Net revenue from sale of offsets relating to county trust lands will be distributed to the counties in which those lands are located. Fees from sale of offsets relating to private land or nonfederal public lands not managed by the Board of Forestry are Other Fund revenue for the forestry Department.

HB 2204 (CH 605)

Establishes a property tax special assessment for low-income rental housing that is subject to a government restriction. Allows an owner of a low-income rental housing project to file an application with the county assessor and elect the appraisal method used to determine the specially assessed value of the property. Requires the property owner to notify the assessor when the property will no longer qualify for a special assessment or the owner elects not to have the property specially assessed. Applies to property tax years beginning July 1, 2002.

REVENUE IMPACT:

Local: Local revenues will be reduced by an estimated $745,177 in 2002-03 and $1.67 million in the 2003-05 biennium from this special assessment for low-income housing subject to government restrictions. These local revenue estimates depend on the type of government financing incentives and government restrictions that are imposed on each property.

HB 2206 (CH 509)

Expands eligibility for Rural Medical Practice personal income tax credit to include medical staff at Type B hospitals located in a metropolitan statistical area if the county has a population less than 75,000. Applies to income tax years beginning on or after January 1, 2002.

Allows non-residents the same treatment as currently afforded residents regarding non-recognition of taxable gain realized in the exchange of like-kind property under IRC § 1031 or 1033. Applies to income tax years beginning on or after January 1, 1998.

Clarifies statutory language regarding valuation of property to conform with constitutional changes under Measure 50. Applies to property tax years beginning on or after July 1, 2001.

REVENUE IMPACT:

State: Expanding the rural medical practice credit beginning 2002 will reduce General Fund tax revenues as shown in the table. The other provisions of the bill have no impact.

Biennium	Impact of Expanding Rural Medical Practice Credit ($ million)
2001-03	-$ 0.15
2003-05	-$ 0.40
2005-07	-$ 0.40

Note: Estimate assumes 30 medical professionals in 2002 (40 beginning 2003) will claim the maximum rural medical practice credit ($5,000).

HB 2208 (CH 753)

Specifies the requirements for a local government if a local option tax is approved in a September election. Reorganizes certain agricultural statutes. Extends the sunset date ten years for tribal land under application to be placed in U.S. trust with the federal government. Clarifies that the amount of property taxes paid by the Department of Revenue to counties for tax deferral participants and county records are not subject to disclosure laws in ORS 314.835. Raises the initial maximum household income threshold to enter the property tax deferral program from $27,500 to $32,000 beginning in 2002-03. Provides administrative changes to the Elderly Rental Assistance and Non-Profit Housing programs. Increases the household income threshold to qualify for special assessment tax deferral from $17,500 to $32,000 and indexes the income threshold annually to changes in the CPI. Applies to tax years beginning 2002-03.

REVENUE IMPACT:

Local: If the sunset date for tribal land under application to be placed in U.S. trust were not extended, it is estimated that local property taxes would have been increased by less than $50,000.

State: Raising the initial maximum household income threshold to enter the property tax and special assessment deferral program to $32,000 will increase the number of seniors and disabled population qualifying for the tax deferral program by an estimated 268 individuals annually beginning in 2002-03. This will result in $342,800 of additional tax deferral in the 2002-03 and approximately $715,000 in the 2003-05 biennium.

HB 2270 (CH 540)

Extends the sunset date on the historic property special assessment from July 1, 2002 to 2010. Increases the application fee from 1/5 to 1/3 of 1% of the real market value of the historic property. Changes the historic special assessment application deadline from March 1st to December 31st each year. Requires commercial properties reapplying for a second 15-year partial exemption period to have their frozen value reset for the second 15-year period. Specifies the procedures and calculation of values on each specially assessed historic property tax account. Establishes the Historic Preservation Revolving Loan Fund that will be used to provide loans to historic property owners for rehabilitation projects. Under certain conditions a waiver of the interest on the additional tax penalty is allowed if the historic property becomes disqualified. Allows new construction completed after the effective date of this measure to receive historic special assessment under certain conditions. Allows one historic property, which first received an historic special assessment as a commercial property and is no longer a commercial property, to receive an extension on their special assessment for one more year. Applies to tax years beginning July 1, 2002.

REVENUE IMPACT:

Local: Requiring commercial properties to have a new specially assessed value in their second 15-year term will increase local property taxes by $104,108 in 2002-03 and $552,576 in the 2003-05 biennium. If the sunset date for the historic special assessment program were not extended, an additional $7.2 million property taxes would have been collected by local districts for 2002-03 and $15 million for 2003-05. The other three components of the bill will reduce local revenues by $762,997 beginning 2003-05 biennium.

State: Increasing the special assessment application fee from 1/5 to 1/3 of 1% of the real market value will increase the fee revenue for the State Historic Preservation Office by $34,868 in 2002-03 and $72,906 in 2003-05 biennium.

HB 2271 (CH 8)

Requires that a taxpayer claiming an income tax credit must claim the maximum amount of credit available, to the extent of tax liability, before calculating a credit carryover to the next year.

REVENUE IMPACT: None

HB 2272 (CH 660)

Generally establishes December 31, 2000 as the connection date to the Internal Revenue Code for Oregon tax law matters (other than for definition of taxable income).

Revises the factors used to make inflation adjustments to indexed tax variables in ORS Chapter 316.

Clarifies provisions allowing an “innocent spouse” to seek relief from tax liabilities attributable to filing a joint tax return. Allows Department of Revenue (DOR) to provide additional relief in certain circumstances by rule.

Updates the income thresholds used to determine whether resident taxpayers are required to file returns. Extends the time allowed for filing an appeal with the state after resolution of a federal appeal from 60 days to 90 days (to conform to other appeal periods). Clarifies claim of right tax credit provision enacted in 1999.

Changes IRC connection date for two Oregon credits (the Earned Income Credit and the Adoption Credit) to June 8, 2001 to incorporate recent federal changes under H.R. 1836.

REVENUE IMPACT:

State: Re-basing the inflation factors used for the personal income tax brackets and the personal exemption credit will increase General Fund revenues as shown below.

Biennium	General Fund Revenue Impact ($ million)
2001-03	$ 23.4
2003-05	$ 34.6

Note: Under prior law, the inflation adjustment factors used to index the income tax brackets and personal exemption credit are based on periods ending June 30 of the current tax year. The bill changes the base used for this calculation to be the twelve-month period ending August 31 of the prior year. This change increases certainty both for individual tax planning and tax administration but may result in slightly slower expected index growth in the tax bracket and exemption credit amounts.

HB 2280 (CH 931)

Exempts from property taxation any sports facility owned by a city with a population of at least 500,000 even if the facility is leased to or operated by a taxpaying entity.

REVENUE IMPACT:

Local: PGE Park currently operates under this understanding with the City of Portland. If property taxes were assessed on PGE Park, local revenues would be increased by an estimated $630,000 per year for Portland area taxing districts.

HB 2281 (CH 793)

The bill changes the method of apportioning multi-state corporate income for purposes of calculating state income and excise taxes. This measure reduces the use of payroll and property as factors for apportioning corporate income. Under the measure the sales factor increases from 50% to 80%; payroll and property factors both decrease from 25% to 10%. The new apportionment formula becomes effective with corporate tax years beginning on or after May 1, 2003. Currently Oregon uses three factors to apportion multi-state corporate income. Property and payroll are each given a weight of 25%. The sales factor is double-weighted, with a total weight of 50%.

The bill allows taxpayers defined as public utilities under ORS 314.610 to select either 50% or 80% sales weighted apportionment. The measure also affirms that the Legislature will review the corporate apportionment formula in the event of federal legislation changing the definition of nexus for state business activity taxes.

REVENUE IMPACT:

State: HB 2281 has no revenue impact in the 2001-03 biennium. The measure will reduce General Fund revenues (CORP) by $62.5 million in the 2003-05 biennium and $65.7 million in the 2005-07 biennium.

Note: HB 2281 represents a major change in the way Oregon taxes corporations and potentially the returns to capital in the state. For this reason the Oregon Tax Incidence Model (OTIM) was used to analyze the economic and revenue impacts of the bill. The static revenue impact estimates, excluding the economic feedback effects are -$65.1 million in the 2003-05 biennium and -$71.4 million in the 2005-07 biennium. Economic feedback in OTIM reduces the revenue loss estimate somewhat, as reported above.

HB 2295 (CH 895)

Establishes an 11 member Quality Education Commission appointed by the Governor. Requires Commission to determine biennial funding sufficient to meet quality education goals for K-12 public education. Bases funding on costs of implementing best practices. Requires biennial report identifying (1) current practices, the cost of continuing these practices and expected student performance and (2) best practices for meeting quality goals, implementation costs and expected student performance. Requires report to include at least two alternatives for meeting quality goals including phase-in of best practices.

Requires the Governor to issue a report demonstrating that the budgeted amount for K-12 education is the amount determined by the Commission as sufficient to meet quality goals or identifying why the amount is insufficient and how it affects practices and student performance. Requires similar information for higher education if quality goals are established.

Requires the Legislature to issue a similar report based on education appropriations or to determine that the Commission report should not be used, identify the reasons and outline an alternative methodology. Requires Legislative report within 180 days of adjournment.

REVENUE IMPACT: None

HB 2298 (CH 794)

Creates School Improvement Fund. Requires funds be used for activities that increase student achievement. Limits use of funds in 2001-03 and 2003-05 to activities that relate to improved 3rd and 5th grade reading and math. Makes exception if achieving or making significant progress toward benchmarks. Requires school districts to apply for funds and Department of Education to evaluate district progress.

Distributes funds based on district's proportionate share of current year extended average daily membership weighted (ADMw). Makes Youth Corrections Education Program and Juvenile Detention Education (HB 3619) students eligible. Allows districts to transfer a portion their grant to charter schools within the district.

Takes effect July 1, 2001.

REVENUE IMPACT:

School Districts: Given an appropriation of $220 million for the 2001-03 biennium and a distribution of $108 million in 2001-02 and $112 million in 2002-03, school districts that apply will receive the estimated amount per extended weighted student shown below:

	2001-02	2002-03
Per Current Year Extended ADMw	$168	$173

HB 2300 (CH 896)

Creates a local option equalization grant for eligible school districts levying a local option property tax. Makes eligible local option districts with assessed value per student less than the target district. Sets target district assessed value per student at 75th percentile.

Makes equalization grant equal to the number of students times the local option tax rate times the difference between the target value per student and the district assessed value per student. Uses prior year numbers in grant calculation. If voters approve a local option during a biennium, delays eligible grant payments until the succeeding biennium.

Establishes Local Option Equalization Grants Account and funds it with a $600,000 General Fund appropriation. Proportionally reduces grants if Account has insufficient funds. Distributes estimated grants by March 31 each fiscal year and makes subsequent corrections.

REVENUE IMPACT:

School Districts: Of the 14 districts having passed local options at least three will qualify: Colton 53, Camas Valley 21j and Pendleton 16. The estimate for biennial grants is $422,000, but could vary substantially from this amount. If above $600,000, grants are proportionally reduced.

HB 2332 (CH 932)

Allows establishment of Indian reservation enterprise zones. Requires the Indian tribe to apply to the Economic and Community Development Department for designation of the reservation enterprise zone. Clarifies that a reservation enterprise zone shall be a non-urban enterprise zone but not counted against the total number of non-urban enterprise zones allowed in the state. Eligible businesses within a reservation enterprise zone must be a revenue producing enterprise engaged in the production of goods or services and be acquired, leased or completed on or after January 1, 2002. Requires eligible business firms to meet the definition of business firm under current law in order to receive a 3 to 5 year property tax exemption.

Creates a credit against Oregon income taxes for an eligible business in a reservation enterprise zone. The credit is equal to the amount of taxes paid to the tribal government by the new business facility. The credit cannot exceed the income tax liability of the eligible business, and there is no carry forward. Applies to tax years beginning on or after January 1, 2002.

Adds pollution control projects situated in enterprise zones or designated distressed areas to the “upper tier” of projects eligible for the maximum pollution control credit amount. This provision takes effect only if SB 764 becomes law.

REVENUE IMPACT:

State: The enterprise zone tax credit provisions have an indeterminate impact on General Fund revenues depending on the number of new business facilities that are built on Indian trust land and the amount of tribal taxes imposed.

The changes to the pollution control credit will reduce General Fund (Corporate income and excise tax) revenues by an additional $30,000 in 2001-03, $0.41 million in 2003-05 and $1 million in 2005-07.

Local: Local districts could have a local revenue loss if an eligible business in a reservation enterprise zone qualifies under existing enterprise zone statutes for a 3-5 year property tax exemption (ORS 285B.650 to 285B.728).

HB 2521 (CH 475)

Creates income tax credit for scholarships provided by employers for their employees. Credit is 50% of scholarships funded up to $50,000 per employer per year with 5 year carry forward. Requires certification of each employers’ scholarship program and credit amount by Oregon Student Assistance Commission. Eligibility is limited only to employers with between 4 and 250 employees. Directs the Commission to adopt rules determining eligibility and program details. Places $1 million cap on total amount of credits that can be certified by the Commission per calendar year. Places $1 million cap on total amount of credits that can be certified per employer. Credit is available beginning 2002 tax year.

REVENUE IMPACT:

State: The measure will reduce General Fund revenues by no more than the amounts shown in the table:

Biennium	General Fund Revenue Impact ($)
2001-03 *	– $ 30,000
2003-05	– $ 210,000
2005-07	– $ 410,000
* HB 2521A is effective beginning 2002 tax year.	

Note: Impact estimate assumes that in the first year (2002) six employers each claim credits for ten $1,000 scholarships for their employees, and that thereafter participation increases by ten employers per year.

HB 2550 (CH 795)

Allows taxpayers to ignore federal advance refund or credit received when computing taxpayers' federal tax subtraction for 2001. Applies only to federal refunds and credits received as a result of the new 10% federal tax bracket (initiated by H.R. 1836) applied to tax year 2001 liability.

REVENUE IMPACT:

State: The bill is estimated to reduce General Fund personal income tax revenues by $16.9 million in 2001-03.

HB 2554 (CH 252)

Allows a personal income taxpayer to use the federal farm income averaging method to compute Oregon personal income taxes on farm income. Applies to tax years beginning on or after January 1, 2002.

REVENUE IMPACT:

State: The changes introduced in the bill will reduce Oregon (personal) income tax revenues by $60,000 in the 2001-03 biennium and by $120,000 in 2003-05.

HB 2555 (CH 545)

Reduces personal and corporate income tax rates to 5% on net long-term capital gains derived from liquidation of assets used in farming. Defines qualified farming activities. Reduced tax rate is available provided the sale "…constitutes a substantially complete termination…" of taxpayer's farming business activity. Applies to tax years beginning on or after January 1, 2002.

REVENUE IMPACT:

State: The changes introduced in the bill will reduce Oregon General Fund revenues (personal income tax) by an indeterminate amount, but probably by no more than $100,000 in the 2001-03 biennium and $200,000 in 2003-05.

HB 2598 (CH 806)

Creates a 23 member task force on special education and school finance. Directs the task force to study the delivery of special education services. Includes studying instructional methods, analyzing identification and intervention methods, evaluating service alternatives, determining teacher workload limits, student ratios, professional development and staff support, investigating the complaint resolution process, studying Department monitoring and reviewing funding sources. Directs the Department of Education to provide staffing.

Requires task force to make recommendations on how to structure funding to best meet the needs of special education students including alternative grants outside the school formula, developing and implementing other funding methods and utilizing regional programs and ESDs.

Requires recommendations by October 1, 2002. Takes effect on passage. Repeals act on July 1, 2003.

REVENUE IMPACT: None

HB 2612 (CH 422)

Allows the Board of Property Tax Appeals to hear reductions in real market and assessed values when the property has been damaged or destroyed and reassessed as of July 1. Does not allow a reassessment date from January to July 1 if the property has been destroyed or damaged as a result of arson by the property owner. Allows land that ceases to be used as a cemetery to continue its property tax exemption if the property is being purchased by a charitable institution. Provides a waiver of the additional taxes assessed against the cemetery land when the property changes use. Requires the cemetery land to be purchased before January 1, 2006.

REVENUE IMPACT:

Local: Eliminating the additional taxes that would have been assessed on cemetery land reduces local revenues by $100,000.

HB 2670 (CH 256)

Creates a property tax exemption for a nonprofit corporation that leases land from a municipality and uses the land both as a golf course and for the discharge of wastewater or sewage effluent. Allows unpaid property taxes and interest due to be waived beginning on or after July 1, 1998. Requires an application for the tax exemption be filed with the county assessor before July 1, 2002. Provides the property tax exemption until tax year 2020-2021. This property tax exemption only applies to taxes of a local district that has adopted an ordinance authorizing the exemption.

REVENUE IMPACT:

Local: Providing all local taxing districts approve the tax exemption, 2001-02 property taxes on the Myrtle Creek golf course are $7,542 and the unpaid property taxes for 3 tax years are $25,500. Property taxes in Douglas County will be reduced by $40,886 in 2002-03 and $15,569 in the 2003-05 biennium.

HB 2676 (CH 674)

Extends the sunset date for employers' Dependent Care Assistance and Referral Credit (ORS 315.204) through December 31, 2007. Requires that employers electing to receive Dependent Care Assistance and Referral Credit submit an application to the Child Care Division of the Employment Department each year. Note: Under prior law, both this credit and the Dependent Care Facilities Credit (ORS 315.208) sunset 12/31/2001. *This bill does not extend the Dependent Care Facilities Credit.*

Creates a new tax credit for certified contributions to the Child Care Division and/or a qualified community agency for the purpose of promoting child care, effective 1/1/2002 – 12/31/2006. Establishes a fund for collecting these contributions. Caps total value of tax credits for certified contributions at $500,000 per calendar year. Directs Child Care Division to establish and administer a program for identifying qualified community agencies and distributing collections to community agencies for allocation to eligible childcare providers. Defines criteria for identifying eligible childcare providers, including maximum income limits for a specific share of clientele. Defines criteria for allocating funds to eligible childcare providers based on actual costs of providing quality childcare.

REVENUE IMPACT:

State: The bill reduces General Fund (CORP) tax revenues as shown in the table.

Biennium	Impact from Extending ORS 315.204 ($ million)	Impact from New Tax Credit ($ million)	Total General Fund Revenue Impact ($ million)
2001-03	-$ 0.5	-$ 0.5	-$ 1.0
2003-05	-$ 2.0	-$ 1.0	-$ 3.0
2005-07	-$ 3.4	-$ 1.0	-$ 4.4

HB 2677 (CH 111)

Gives taxpayers the option of requiring Department of Revenue to directly deposit refund in a designated account. Forms and deadlines are to be determined by Department of Revenue rules. Applies to refunds issued on or after January 1, 2002.

REVENUE IMPACT: None

HB 2704 (CH 221)

Increases standard deduction from $3,000 to $3,280 for married taxpayers filing joint returns, (from $1,500 to $1,640 for married taxpayers filing separate returns), and reduces standard deduction from $1,800 to $1,640 for single taxpayers, effective 2002 tax year. Indexes standard deduction amounts for inflation beginning January 1, 2003.

REVENUE IMPACT:

State: The measure increases General Fund revenues (personal income tax) as shown in the table.

Biennium	General Fund Revenue Impact ($ million)
2001-03 *	$ 0.28
2003-05	$ 0.91
2005-07	$ 1.47
* HB 2704 is effective beginning 2002 tax year.	

HB 2716 (CH 867)

Changes Working Family Child Care Tax Credit (ORS 315.262) to a refundable credit, effective 2003 tax year. Continuously appropriates amounts necessary to make refunds in excess of tax liability from General Fund to Department of Revenue Suspense Account. Adjusts the minimum earnings threshold so that it doesn't exceed an amount equal to the statutory minimum wage times 1,040 hours worked (i.e. the average number of hours worked by a half-time employee). These changes apply only if HB 2281 (increased sales factor weighting in business income apportionment formula) takes effect. Note: HB 2281 did pass, will take effect January 1, 2002 and be implemented beginning May 1, 2003.

REVENUE IMPACT:

State: The measure reduces General Fund revenues (personal income tax) as shown below.

Biennium	General Fund Revenue Impact ($ million)
2001-03 *	0
2003-05	– $ 15.2
2005-07	– $ 16.5
* HB 2716 is effective beginning 2003 tax year.	

HB 2718 (CH 222)

Expands list of recipients eligible to receive donated crops under the Crop Gleaning income tax credit (ORS 315.156). Expanded list includes food banks and other organizations engaged in charitable food distribution. Effective for tax years beginning on or after January 1, 2002.

REVENUE IMPACT:

State: The changes in the bill have minimal impact on Oregon General Fund, and no impact on other state or local revenues.

HB 2729 (CH 548)

Extends the sunsets of the qualified research activities tax credit and the alternative research tax credit through Dec. 31, 2007 (prior sunset is Dec. 31, 2001).

REVENUE IMPACT:

State: The measure reduces General Fund (CORP) revenues as shown in the table.

Biennium	General Fund Revenue Impact ($ million)
2001-03 *	– $ 3.7
2003-05	– $ 7.5
2005-07	– $ 10.3
* Sunset extension applies beginning 2002 tax year.	

HB 2730 (CH 933)

Clarifies the application of corporate income apportionment rules under HB 2281. Defines taxpayers classified as "telecommunications" or "utilities". Specifies that taxpayers classified as telecommunications or utilities continue to operate under ORS 314.280 with the option of using 1999 factor weights or using the new apportionment weights in 2001 HB 2281. Takes effect only if HB 2281 becomes law. (See HB 2281).

REVENUE IMPACT: No additional impact.

HB 2778 (CH 429)

Exempts Federal Communications Commission (FCC) licenses from property taxation for wireless companies. Applies to tax years beginning on or after July 1, 2001.

REVENUE IMPACT:

Local: Exempting FCC licenses from property taxation reduces local revenue by $4.58 million in 2001-03 and $5.5 million in 2003-05. K-12 schools will lose 40% of the local revenue each biennium, $1.7 million in 2001-03 and $2.1 million in 2003-05.

HB 2848 (CH 677)

Allows the Oregon Veterans' Home to be eligible for potential listing in the instruction booklet for the Oregon income tax form as a charity qualified to receive charitable checkoff contributions.

REVENUE IMPACT: None

HB 2869 (CH 553)

Establishes tax zones for road districts for the purpose of imposing property taxes at different tax rates on the assessed value of property in each zone. Requires the road district to be located in a county with a population between 100,000 and 200,000 people and an area between 3,000 and 3,500 square miles. Stipulates that the district provide qualitative differences in services to the residents in each tax zone. Requires road district boards that decide to establish tax zones to submit to voters a measure establishing the zones' boundaries and portion of the district's permanent property tax rate limit for each zone. If voters approve the tax zones, the operating tax rate in each zone can not be changed for 3 years.

REVENUE IMPACT:

Local: The revenue impact depends on the number of road districts in Deschutes County that receive local voter approval for establishment of tax zones. In 2000-01, there were 22 road districts. There should be a small reduction in local property taxes in Deschutes County if voters approve the establishment of tax zones for road districts.

HB 2877 (CH 829)

Repeals statutes specifying distribution from the Criminal Fines and Assessment Account. Requires for the 2001-03 biennium that 70.35% be distributed to the General Fund and that 29.65% be distributed to the Criminal Fine and Assessment Public Safety Fund. Creates the Criminal Fine and Assessment Public Safety Fund and specifies uses and priorities for which the Legislature may allocate moneys in the Fund. Requires the Department of Revenue to establish, by rule, a process for distribution giving priority to debt service. Retains any revenue in excess of allocations in the Fund. Adds the existence and funding of child abuse intervention or advocacy center to nonexclusive list of factors to be considered by the Office of Children and Families in determining eligibility to receive allocations from the Child Abuse Multidisciplinary Intervention Account. Declares an emergency and takes effect on July 27, 2001.

REVENUE IMPACT: Estimated change in the Criminal Fines and Assessments Account:

	2001-03	2003-05	2005-07
General Fund	$22,256,000		
Public Safety Fund	(9,801,000)		
Total	$12,455,000	$24,768,000	$43,659,000

Comment: Allocation after the 2001-03 biennium from the Criminal Fines and Assessment Account to the General Fund and to the Criminal Fine and Assessment Public Safety Fund will require action by subsequent Legislative Assemblies. This estimate reflects the changed distribution from the Account and a revised estimate of the total revenue for the Account.

HB 2923 (CH 954)

Creates tax credit for amounts contributed to the Trust for Cultural Development Account and to cultural organizations. Credit is 100% of contributions to the Account that are matched by an equal contribution to an Oregon cultural organization. Credit is limited to $500 ($1,000 for joint filers) and $2,500 for corporations. Credit is available in tax years beginning on or after January 1, 2002 and before December 31, 2013, but only for donations made to the Account on or after Dec. 1, 2002.

Directs Department of Transportation to establish cultural license plate program for issuing a special registration plate. Imposes surcharge. Uses moneys collected for the Account. Appropriates moneys from General Fund to initiate program.

Allows proceeds from the sale of real property to be deposited in the Account. Allows up to $1 million of proceeds from the sale of the Space Age Industrial Park to be deposited in the Account. Directs a portion of proceeds from the sale of certain Department of Corrections property be deposited in the Account.

Allows up to $100,000 from the Oregon Department of Transportation Operating Fund to be deposited in the Account. Takes effect October 6, 2001.

REVENUE IMPACT:

State: The tax credit for donations to the Account will reduce General Fund revenues as shown:

Biennium	General Fund Revenue Impact ($ million)		
	PIT	CORP	Total
2001-03 *	-$ 1.9	-$ 0.3	-$ 2.2
2003-05	-$ 15.5	-$ 2.4	-$ 17.9
2005-07	-$ 23.4	-$ 3.6	-$ 27.0
* Tax credit is effective beginning 2002 tax year.			

Note: Estimate assumes donations eligible for tax credits are 50% of the full donation rate in 2003, 70% in 2004, 80% in 2005, and 100% in 2006 and thereafter.

HB 2934 (CH 855)

Prohibits a reduction in collection reimbursement charges allowed under local transient lodging taxes in effect on December 31, 2000. Requires that new local transient lodging taxes imposed after January 1, 2001 allow at least a 5% collection reimbursement charge. Requires that local transient lodging taxes increased after January 1, 2001 allow a collection reimbursement charge of at least 5% of the total tax imposed.

Prohibits local governments from increasing a transient lodging tax rate, reducing the percentage of the tax funding tourism promotion or tourism-related facilities, or imposing a new fee or fee increase on providers or promotion agencies for the purpose of offsetting revenue losses from collection reimbursement charges. Defines terms. Takes effect January 1, 2002.

REVENUE IMPACT: Indeterminate reduction in local government tax revenue.

Comment: To the extent that collection reimbursement charges are increased, net local government tax revenue will be reduced.

HB 2980 (CH 662)

Allows a system development charge to be used for financing Bancroft Bonds for the purchase or development of a public park or recreational facility. Permits the public to provide written objections to the local government on the calculation of a system development charge. Requires reimbursement fees to be modified by ordinance or resolution and that gifts and grants from government and private sources be considered in the methodology of the system development charge. Specifies that improvement fees be calculated only on the cost of capital improvements for the projected need attributable to the new users. Provides additional notification time for the public to review the new methodology of a system development charge. Requires governments to prepare an annual report on the system development charge revenues and project expenditures for the prior fiscal year by January 1.

REVENUE IMPACT: Negligible local government revenue impact.

HB 3057 (CH 925)

Allows land within the boundaries of cities or urban growth areas to be designated as riparian land and be partially property tax exempt if cities and counties adopt ordinances permitting the designation. Allows a partial exemption of the city and county district taxes only. Limits the number of applications the Department of Fish and Wildlife will approve each year to no more than 50 applications. Allows a property owner considering whether to convey a conservation easement or a highway scenic preservation easement, to apply to the county assessor for a report on the effect of the easement on the assessed value and property taxes of the property. Decreases the personal property tax penalty from 100% to 50% of the personal property tax imposed if the business filer paid taxes after August 1 or failed to file a personal property tax return. Applies to property tax years beginning 2002-03.

REVENUE IMPACT:

Local: This measure will reduce city and county revenues if the governing bodies adopt an ordinance for this riparian land partial property tax exemption. The revenue impact is uncertain as it depends on the number of landowners in cities and within urban growth areas who choose to designate a portion of their land as riparian. Assuming between 30-50 new landowners annually have a portion of their land approved as riparian, there would be a reduction in local property tax revenue for the cities and counties of $15,448 in 2002-03 and $102,683 in the 2003-05 biennium. Reducing the personal property tax late penalty from 100% to 50% of the personal property tax imposed will reduce county taxing districts' property taxes by $1.2 million in 2002-03 and $2.54 million in the 2003-05 biennium.

HB 3080 (CH 212)

Allows subtraction from taxable income for earnings on Oregon qualified tuition savings accounts, effective beginning 2003 tax year.

REVENUE IMPACT:

State: The bill will have minimal impact on state General Fund revenues in the 2001-03 biennium, and will reduce General Fund revenues by $144,000 in 2003-05 and by $360,000 in 2005-07.

HB 3105 (CH 912)

Creates income tax credit equal to 75% of the market value of foregone crops when certain riparian land is removed from farm production. Defines width of riparian land to be no greater than 35 feet between land in farm production and the bank of the watercourse. Defines "crop" to exclude raising of livestock. Specifies the "foregone crop" to be the crop grown on the riparian land in the previous year. Credit is available every year land is kept out of production until land is placed back in production. For any year riparian land receiving the credit is placed back in farm production, taxpayer becomes ineligible to claim the credit for the next five years. Credit is available beginning 2004 tax year, is nonrefundable with a five-year carry forward.

Conforms statute defining valuation of specially-assessed property to language regarding the valuation methodology for other property stated elsewhere in statute, effective for tax years beginning on or after July 1, 2002.

REVENUE IMPACT:

State: The measure will have no impact on General Fund revenues in 2001-03, and will reduce revenues by an indeterminate amount in 2003-05 and 2005-07.

Note: It is not certain how much land will qualify nor what the value of foregone production on qualified lands will be. Agricultural land along any natural water course is eligible. Assuming $150 per acre average crop value, each 100 miles of eligible riparian land would generate between $47,000 and $96,000 in annual tax credits.

HB 3173 (CH 868)

Removes the Dec. 31, 2001 sunset and makes the Farm Worker Housing Construction Tax Credit permanent. Additionally expands Farm Worker Housing Construction Tax Credit: Increases amount of credit to 50% (from 30%) of eligible costs. Extends the period for claiming credits to 10 years (from 5 years). Increases annual cap on certified project costs to $7.5 million (from $3.3 million). Allows owner or operator to transfer up to 80% of the credit amount to project contributors.

Removes December 31, 2001 sunset and makes the Farm Worker Housing Lender's Tax Credit permanent. Additionally expands Farm Worker Housing Lender's Tax Credit by allowing non-profit corporation to sell credits to another taxpayer. All changes apply to housing projects completed after December 31, 2001.

REVENUE IMPACT:

State: The measure will reduce General Fund (CORP) Income Tax revenues as shown in the table.

	General Fund Revenue Impact ($)				
	Extend Sunsets		**Expand Credits**		
Biennium	Farm Worker Housing Construction Credit	Farm Worker Housing Lender's Credit	Farm Worker Housing Construction Credit	Farm Worker Housing Lender's Credit	**Total**
2001-03*	-$185,000	-$180,000	-$190,000	Minimal	-$555,000
2003-05	-$940,000	-$720,000	-$1,200,000	Minimal	-$2,860,000
2005-07	-$1,700,000	-$1,026,000	-$2,900,000	Minimal	-$5,626,000

HB 3187 (CH 680)

Adds "waste and recycling collection" to the areas eligible for allocation by the Private Activity Bond Committee. Amends Legislative policy on state revenue bonds by adding "solid waste disposal" to the list of activities that may be financed by issuing bonds for the purpose of reducing the occurrence of economic conditions requiring more expensive remedial action and by adding "lease payments" as an eligible revenue stream to secure such bonds. Amends definition of "economic development project" for purposes of state revenue bonds by adding "solid waste disposal facilities and related vehicles, rolling stock or equipment". With regard to the required review of these economic development projects by the Oregon Economic and Community Development Commission, exempts projects involving solid waste disposal facilities and related vehicles, rolling stock or equipment from the requirement that the project be cost effective, considering both major public expense and major public benefits and the requirement that the project produce goods and services that are competitively sold in national or international markets. The exemption from these requirements applies only to projects that do not require any private activity bond volume cap. Amends powers of the State Treasurer to allow the Treasurer to acquire own, sell, assign or otherwise hold title to eligible projects or hold federal tax ownership of eligible projects ("federal tax ownership" presumably refers to "ownership of property" as defined in the 1986 Internal Revenue Code at Subtitle A, Ch. 1B, Part IV, C, sec 150(5)). Expands state power to operate an eligible project as a business and to expend funds on an eligible project. Exempts Treasurer and Oregon Economic and Community Development Commission from ORS Chapter 279 requirements relating to public contracts and purchasing for economic development projects. With respect to county pollution control facilities, clarifies that counties may act jointly, expands power to allow counties to acquire own, sell, assign or otherwise hold title to eligible projects or hold federal tax ownership of eligible projects, and to operate facilities as a business. Exempts counties from ORS Chapter 279 requirements relating to public contracts and purchasing for economic development projects. Takes effect January 1, 2002.

REVENUE IMPACT: None

Comment: To the extent that these activities compete with previously approved activities, either the cost of borrowing will increase or the level of bonding will be curtailed.

HB 3215 (CH 477)

Restricts the division of tax calculation for certain urban renewal plans. Existing urban renewal plans as defined in ORS 457.010(5)(a) and those adopted after the effective date of this measure will have a different division of tax calculation than under prior law. The division of tax calculation will exclude the tax rates from a local option tax and exempt bonded indebtedness. Excludes certain urban renewal plans and property tax levies from the changes in the calculation of the division of tax. Changes to the division of tax applies to local option and bond levies approved by voters after the effective date of the measure, October 6, 2001. Begins in property tax year 2002-03.

REVENUE IMPACT:

Local: Assuming no voter approval of new levies, this measure will have no revenue impact in the 2001-03 biennium. Once new local option or bond levies are approved by voters in an area within an urban renewal plan that is subject to HB 3215, then the amount of revenue the local districts can collect from their voter approved levies will increase and the amount of tax revenue for the urban renewal agency will decrease.

HB 3391 (CH 648)

Increases income tax credit for donations to fiduciary organizations administering Individual Development Accounts. The maximum credit amount is increased to the lesser of $75,000 or 75% of the amount donated (from $25,000 or 25% of the amount donated). Includes Indian tribal entities as fiduciary organizations eligible to administer Individual Development Accounts. Allows Individual Development Accounts to be rolled over into Oregon College Savings Plan accounts. Applies to tax years beginning on or after January 1, 2002.

REVENUE IMPACT:

State: The measure will reduce General Fund (CORP) revenues by indeterminate but minimal amount.

HB 3395 (CH 810)

Prohibits a public charter school employee from serving on the district school board where the charter school is located. Prohibits charter school from using corporal punishment. Allows charter school to receive Education Service District services. Prohibits admission policy based on race or religion.

Includes a poverty weight (currently 0.25) for students in poverty families in the average daily membership weighted (ADMw) of a charter school. Makes students in poverty families the same percentage of charter school ADM as it is for the school district.

Takes effect July 1, 2001.

REVENUE IMPACT:

School Districts: There is no change in the State School Fund distributions to school districts by the school equalization formula.

No substantial change in school district payments to charter schools is anticipated. This puts into statute what generally is current school district practice. The poverty student percentage for charter schools varies from about 4% to 30% of ADM with an average of 15%. This is based on the estimated percentages for school districts expected to have charter schools in 2001-02. Applying the 0.25 poverty weight makes the additional charter school weight from 1% to 7.5% of charter school ADM with an average of almost 4%.

HB 3433 (CH 982)

Extends sunset for temporary 10¢-cigarette tax to January 1, 2004. Limits Other Tobacco Products tax to 50¢ per cigar. Takes effect January 1, 2002.

REVENUE IMPACT:

	2001-03	2003-05
General Fund		
Cigarette Tax	$ -965,000	$ -427,000
Cigar Tax	-296,000	-404,000
Total	$ -1,261,000	$ -831,000
Other Fund		
Health Plan		
Cigarettes	$35,353,000	$11,934,000
Cigars	-221,000	-312,000
Total	$35,132,000	$11,622,000
Tobacco Use		
Cigarettes	$ -132,000	$ -58,000
Cigars	-14,000	-34,000
Total	$ -145,000	$ -92,000
Local		
Special Transit	- 88,000	-39,000
Cities	- 88,000	-39,000
Counties	- 88,000	-39,000
Total	$33,462,000	$10,582,000

HB 3537 (CH 860)

For the purpose of discussion, land assessed as forestland is divided into:

- Forestland under the Oregon Forest Land Program (OFLP), that is assessed in western Oregon under ORS 312.354 or in eastern Oregon under ORS 321.812;
- Forestland under the Privilege tax Option (PT Option), that is assessed in western Oregon under ORS 321.353 or in eastern Oregon under ORS 321.811; and
- Forestland under the Small Tract Option (ST Option), that is assessed under ORS 321.720.

Requires the Department of Revenue to develop models, by rule, to determine the specially assessed value of forestland in Oregon Forest Land Program (OFLP). Requires the Department to propose values by April 1st, to give notice to specific persons of the basis of it's determination of value, and to set a public hearing date. Allows public to submit written comments. Requires the Department to hold a public hearing and consider written comments received by May 1st before adopting values. Requires the Department to adopt and certify OFLP values by June 1st. Specifies that these values constitute the Department's determination of the real market value of highest and best use forestland by site class in western Oregon and in eastern Oregon and are the specially assessed values for forestland in OFLP. Values first apply for tax year 2003-04. Allows the Department to convene a forestland value advisory committee, with specified membership, to assist in developing valuation models.

Establishes procedure for class appeals to the Oregon Tax Court of any or all of the OFLP specially assessed values before July 1 by five or more taxpayers owning not less than 5% of the forestland in a market area. Specifies treatment of appealed values by county assessors. Specifies that current law applies to appeal of any other forestland values.

Redefines the method of calculating maximum assessed value and clarifies the calculation of assessed value for forestland in OFLP and in the ST Option program. Extends limitation of disclosure to include any appraisal data collected to make determinations of specially assessed value. Makes technical changes. Appropriates $196,157 from the General Fund for developing program costs and reimburses the General Fund from the eastern and western timber tax accounts. Repeals obsolete ORS provisions dealing with maximum assessed values. Takes effect January 1, 2002.

REVENUE IMPACT:

Affects Local District Property Tax Revenues and Shifts Property Taxes from Owners of Forestland to Owners of Other Taxable Property.

	2003-05	2005-07
Local Property Taxes		
District Revenues		
Schools	-9,488,000	-10,092,000
Non-schools	-5,009,000	-5,336,000
Tax Shifts		
School Taxes	-1,399,000	-1,489,000
Non-school Taxes	-476,000	-507,000
Combined Impact on Forestland		
Schools	-10,887,000	-11,581,000
Non-schools	-5,486,000	-5,843,000
Total	-16,373,000	-17,425,000

HB 3619 (CH 68)

Makes Department of Education responsible for providing education for students in juvenile detention facilities. Requires Superintendent of Public Instruction to pay education costs rather than the resident school district. Provides direct funding from the State School Fund for juvenile education programs. Allocates State School Fund dollars per juvenile average daily membership (ADM) equal to 1.5 times the school equalization formula General Purpose Grant per weighted student. Limits juvenile detention ADM to 350 per year.

If the school district or ESD providing education services to a detention facility changes, allows displaced teachers to be employed by the new provider when doing so results in a cost effective staffing level.

Takes effect on passage.

REVENUE IMPACT:

State: Provides about $7,400 per juvenile detention ADM in 2001-02 for state costs. Sets aside up to $2.58 million in 2001-02 (assuming full implementation in 2001-02) from the State School Fund for no more than 350 juvenile detention ADM. The amounts for 2002-03 will be somewhat higher.

School Districts: Decreases district ADMw by its weighted number of resident juveniles in detention facilities. Reduces funds allocated by the school equalization formula to school districts by the amount of state costs. This will likely cause a minor shift of SSF revenue among school districts due to districts having different percentages of detention juveniles. A district’s reduced SSF revenue may be more or less than its reduced juvenile detention costs.

HB 3633 (CH 819)

Moves the date for restructuring electric power industry under 1999 SB 1149 (CH 865) to March 1, 2002, but allows the low-income bill payment assistance program to be fully implemented on Oct. 1, 2001. Expands requirement that electric companies provide a cost-of-service rate option to all retail consumers connected to the companies distribution system, but allows PUC to waive the requirement for any consumer that is not a residential or small commercial consumer. Specifies conditions and timelines for such waivers. Deletes requirement that PUC set rates for electric companies to recover costs related to restructuring investments made necessary by 1999 restructuring legislation. Declares emergency and becomes effective July 20, 2001.

REVENUE IMPACT:

Education Service Districts: Reduces ESD funding by about $2.3 million in 2001-02.

State Other Funds: Reduces grants for low-income housing by about $1.1 million for 2001-02.

Comment: The estimate assumes a 5-month delay in public purpose charges. The bill states that direct access, which triggers the public purpose charges, may not be allowed before March 1, 2002.

HB 3770 (CH 944)

Creates an exemption from Oregon taxable income for the income attributable to qualified new facilities sited in certain regions in the state. Facilities must employ at least 10 full-time employees at specified compensation levels, be located within a city of 10,000 or fewer residents and be in a county where the most recent monthly unemployment rate (at the time of application for preliminary certification) is in the highest quartile and per capita personal income is in the lowest quartile in the state. Facilities must apply to and be certified annually by the Economic and Community Development Department in order to receive the exemption. If an annual application is denied, the exemption is revoked for that year and for all subsequent years. Approval must also be granted by governing bodies of city and county where facility is located. Exemption is available for no more than 10 consecutive years from the date the facility is put in service. Applies to facilities certified after December 31, 2001.

REVENUE IMPACT:

State: The measure will have an indeterminate but probably minimal impact on General Fund revenues.

Comment: Based on the April 2001 monthly unemployment rates and 1999 per capita personal income estimates, investments in 4 Oregon counties would have been eligible to apply for the exemption: Lake, Sherman, Wallowa and Wheeler counties.

HB 3882 (CH 715)

Dedicates certain unclaimed motor fuel tax refunds, certain fees (imposed in HB 3129) and certain civil penalties to the Department of Transportation Operating Fund. Adds fuel consumed off highway by certain small engines to the uses eligible for refund. Creates the Department of Transportation Operating Fund and authorizes the Department to pay expenses incurred in the performance of statutorily authorized functions that may not constitutionally be paid from the Highway Fund. Directs the Department of Administrative Services to estimate each year, in consultation with the Transportation Commission and the Department of Transportation, the amount of unclaimed subject refunds and to transfer this amount from the Motor Vehicle Suspense Account to the Department of Transportation Operating Fund. Makes technical changes. Reduces General Fund appropriation and increases Other Fund appropriation. Declares an emergency and takes effect July 20, 2001.

REVENUE IMPACT:

Reclassifies certain unclaimed motor fuel tax refunds from Highway Fund revenues to Other Fund revenue. This amount is estimated at roughly $384,000 for the 2001-03 biennium.

HB 3909 (CH 650)

Creates a 13 member Task Force on Tire Recycling. Members are to be jointly appointed by September 30, 2001 by the Governor, the Speaker and the Senate President to represent specified groups. First meeting to be held by November 30, 2001. Task Force is to study methods to increase current waste tire reuse, recovery and recycling in Oregon, to report to interim committees and to make recommendations to the next Legislature. Declares emergency and takes effect June 27, 2001.

REVENUE IMPACT: None

HB 3961 (CH 971)

Allows wine manufacturer a credit against the privilege tax on wine for qualified expenditures on marketing activities that promote the sale of wine or wine products, that do not promote specific brands or exclusively promote particular wineries, and that are approved by the Wine Advisory Board. Requires the Wine Advisor Board define qualified marketing activities by rule. Credit in any calendar year is based on expenditures for qualified marketing activities in the prior calendar year. Credit is $0.182 per gallon on the first 40,000 gallons and $0.07 per gallon for amounts in excess of 40,000. Credit is limited to 28% of the total expenditures on qualified marketing activities and to tax liability. Requires General Fund transfers to replace any revenue reduction due to the credit to the Mental Health Alcoholism and Drug Services Account, to cities and to counties. First affects expenditures made after January 1, 2002 that may qualify as credits against privilege tax due in calendar year 2003.

REVENUE IMPACT: State General Fund revenue impact:

2001-03	2003-05
$ -77,700	$ -310,800

Comment: The revenue loss could be less if the Wine Advisory Board very narrowly defines "qualified marketing activity".

HB 3977 (CH 740)

Extends the sunset on the 9-1-1 emergency communications tax to December 31, 2003. Appropriates $1,754,101 from the 9-1-1 subaccount to purchase communications equipment for the Central Communications and Coordination Center. Limits distributions from the Emergency Communications Account to local Public Safety Answering Points (PSAP's) to $56 million for the 2001-03 biennium and increases the Other Fund limitation for OEM by 39.5 million to allow this distribution. Expands uses of 9-1-1 distributions to include repayment of qualified loans from the Special Public Works Fund. States Legislative intent that, beginning with the 2003-05 biennium, these distributions be used to support only one PSAP per county. Establishes the Primary Public Safety Answering Point Consolidation Incentive Fund. Moneys remaining in the Emergency Communication Account after the payments required above are transferred to the Consolidation Incentive Fund. Requires authorization from the 2003 Legislature to expend moneys from this Fund.

Requires the Secretary of State to do compliance audits on a 10% sample of cities to determine compliance with statutorily specified uses of 9-1-1 funds. Requires counties with more than one primary PSAP to submit a consolidation plan to OEM by September 1, 2002. Requires OEM to submit county plan or their own plan, if a county fails to submit a plan to the 2003 Legislature to help determine how money in the Consolidation Incentive Fund will be allocated.

Requires OEM to establish minimum PSAP standards and to notify any PSAP, that does not meet these standards. If PSAP does not meet minimum standards within 45 days, requires OEM to designate an alternative qualified PSAP and reroute calls. Makes technical changes. Takes effect October 6, 2001.

REVENUE IMPACT: State Other Fund revenue impact:

2001-03	2003-05
$39,920,000	$16,920,000

HJR 45

Amends the Oregon Constitution to allow a new taxing district to divide its district into tax zones and establish a permanent tax rate limit for each tax zone. Requires majority voter approval in all tax zones for establishment of zones and new permanent tax rates in each tax zone. Allows a district that has not levied property taxes since 1990 to seek local voter approval for a permanent tax rate. This measure will be voted on at the 2002 general election.

REVENUE IMPACT:

Local: This measure allows the City of Depoe Bay, and other local districts with similar tax history, to seek voter approval for a new permanent tax rate. If approved by voters both statewide and locally, it would increase property taxes. Deschutes County has expressed interest in seeking local voter approval for tax zones with permanent tax rate authority. Since only local taxing districts that have never imposed property taxes before can establish tax zones, the number of local taxing districts receiving different permanent tax rates in tax zones will be minimal each year.

VETOED REVENUE BILLS

SB 67

SB 67 creates a 6% tax rate for capital gains realized after June 30, 2003 and before Dec. 31, 2004. Reduces capital gains tax rate to 4% for tax years beginning on or after January 1, 2005. Applies to personal income tax filers and corporate income and excise tax filers.

REVENUE IMPACT:

State: The measure would have reduced personal (PIT) and corporate (CORP) General Fund tax revenues as shown in the table.

Biennium	General Fund Revenue Impact ($ million)		
	PIT	CORP	Total
2001-03 *	0	0	0
2003-05	-$ 226.2	-$ 8.3	-$ 234.5
2005-07	-$ 496.0	-$ 14.7	-$ 510.7
* SB 67A effective beginning July 1 of 2003 tax year.			

Note: The total impact includes the following components:

static impact: -$365 mil. in 2003-05 and -$588 mil. in 2005-07,
dynamic feedback: +$9 mil. in 2003-05 and +$21 mil. in 2005-07, and
portfolio turnover: +$121 mil. in 2003-05 and +$57 mil. in 2005-07.