



**REVENUE MEASURES PASSED
BY THE 81st
LEGISLATURE
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Legislative Revenue Office

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2022 REVENUE MEASURES PASSED OVERVIEW

Revenue Situation

General Fund revenue continued to exceed projections during the first six months of the 2021-23 biennium. The revenue forecast released at the start of the February legislative session showed an increase of nearly \$1.6 billion in General Fund revenue above the Close-of-Session estimate. Combined with an increased beginning balance of just over \$1 billion and increased appropriations of nearly \$200 million, the ending balance for the 2021-23 was just over \$3 billion dollars; this is roughly \$2.5 billion above the Close-of-Session estimate. Much of the February session was spent appropriating these additional revenues. Table 1 shows the 2021-23 General Fund resource situation and how it changed between the end of the 2021 session and the beginning of the 2022 session.

Table 1: 2021-23 General Fund, Lottery, and CAT Revenue

Sources	Close-Of-Session Forecast	March 2022 Forecast *	Change
Beginning Balance	\$3,025.6	\$4,082.5	\$1,056.9
Transfer to Rainy Day Fund	-224.6	-220.7	+3.9
Personal Income Tax	20,628.1	21,388.0	+759.9
Corporate Income Tax	1,343.0	1,977.7	+633.7
Other General Fund	1,428.4	1,632.6	+204.2
Administrative Adjustments	-21.5	-21.5	0.0
Other Transfers	-171.5	-198.9	-27.4
Net General Fund Resources	23,228.9	24,799.5	+1,570.6
Lottery resources	1,725.8	1,816.7	+90.8
Transfers to Ed Stability Fund	-297.3	-312.5	-15.2
Net Lottery	1,428.5	1,504.2	+75.6
Corporate Activity Tax	2,517.9	2,567.1	49.2
General Fund / Lottery / CAT	24,657.4	26,303.7	+1,644.6

The figures in Table 1 include the General Fund revenue impact of measures approved in the 2022 regular. General Fund, Lottery, and CAT resources are roughly \$1,645 million higher than estimated at the close of the 2021 session. Based on this forecast both the personal and corporate kickers are projected to be triggered. The personal kicker is estimated to be roughly \$964 million and would be refunded to personal income taxpayers when they file their 2023 tax returns. Since

2014, the corporate kicker has been directed to additional K-12 funding. This forecast estimates roughly \$634 million will go to K-12 education spending in the 2023-25 biennium.

Key Revenue Measures

This section highlights several key revenue measures passed in the 2022 legislative session. A review of all 2022 revenue measures, including the ones in this section, can be found in the remainder of the report. For a review of measures passed during the 2021 session, see Research Report #4-21. For a review of budgetary actions taken during the 2022 session, see Legislative Fiscal Office (Budget Highlights Update 2022).

HB 4002 - Agriculture Worker Tax Credit

The main policy enacted by this bill is the requirement for employers to pay agricultural workers overtime. The requirement first takes effect in 2023 with an overtime threshold of 55 hours per week. That threshold eventually becomes 40 hours. The bill includes an income tax credit equal to a portion of the overtime wages paid to employees. The size of the credit depends on employer size and phases down over time.

HB 4054 - Historic Property

Oregon's special assessment (property tax) for historic property was scheduled to sunset on July 1, 2022. Since the 2021 legislative session concluded, a workgroup has been meeting to review the policy. This bill extends the existing program for two years and reduces the size of the incentive. This gives the workgroup additional time to complete its work and craft full policy proposal for consideration by the 2023 Legislature.

HB 4055 - Forest Products Harvest Tax

The main part of this bill reinstates three of the Forest Products Harvest Taxes that were allowed to sunset and the end of 2021. These were revenues for Forest Research and Experiment at OSU, the Forest Practices Act, and the Oregon State University College of Forestry. Also, in 2021 a broad consensus was reached among a variety of stakeholders regarding forestland practices and management. The bill adds a sixth tax to the FPHT to help fund a portion of the Private Forest Accord.

SB 1502 - Small Forestland Owner Tax Credit

This bill is tied to the Private Forest Accord and SB 1501. It creates a tax credit applicable to the personal and corporate income taxes and the estate tax. Small forestland owners are eligible for the credit if they choose to harvest timber under the restrictions that are applicable to large forestland owners. The credit amount is tied to the certified stumpage value of standing timber in a forest conservation area that is not harvested.

SB 1524 - Tax Omnibus Bill

This bill contains a variety of technical fixes to existing tax policy as well as make other policy changes. Technical changes were made to the Corporate Activity Tax and to the Business Alternative Income Tax (BAIT) that was created by the 2021 Legislature as a workaround to the federal limit on the personal income tax deduction for state and local taxes. Policy changes in the bill include: exempting certain pharmaceutical sales from the Corporate Activity Tax, extending the Gain Share program by one year, and allowing a three-year carryback of net operating losses for income tax filers.

PERSONAL AND CORPORATE INCOME TAX

HB 4002 (CH 115)

Creates refundable personal and corporate income/excise tax credit available to eligible employers that provide overtime compensation to agricultural workers. Specifies credit as equal to a percentage of the actual incremental overtime compensation paid to agricultural workers during the calendar year. Specifies varied credit percentages depending on year and number of full-time equivalent employees and whether employer is engaged in the business of dairying. Prohibits licensed labor contractors from claiming the credit but allows an eligible employer to claim credit for wages paid to workers by a labor contractor on behalf of the eligible employer. Requires taxpayer to receive notice of acknowledgment from Department of Revenue prior to claiming the credit. Limits annual calendar year credit acknowledgments to \$55 million. Specifies credit is available for tax years beginning on or after January 1, 2023. Maximum six-year tax credit limitation as specified in ORS 315.037 is assumed to apply causing an implicit sunset on the proposed tax credit applicable January 1, 2029.

Revenue Impact (\$Millions):

Policy / Fund	Biennium (\$M)		
	2023-25	2025-27	2027-29
Tax Credit	-\$16.8	-\$49.4	-\$89.1
Net Deductibility	-\$0.2	-\$1.1	-\$3.6
Total General Fund	-\$17.0	-\$50.5	-\$92.7

Presently, it is common for agricultural workers to at times work aggregate weekly hours in excess of forty hours. Measure’s overtime compensation requirement is expected to increase total compensation to agricultural workers. Aggregate overtime compensation is expected to increase as overtime hour threshold incrementally lowers until reaching 40 hours per week in calendar year 2027 and thereafter. Employers eligible to receive credit offsetting overtime compensation paid are employers doing business in North American Industry Classification System (NAICS) codes 111 (crop production) or 112 (animal production and aquaculture).

Amount of the proposed credit is the amount of the excess overtime wages paid by eligible employers multiplied by the applicable credit percentage (determined by number of eligible employer’s full-time equivalent employees and dairy distinction). Amount of excess overtime wages paid is equal to the number of employed weekly hours exceeding specified weekly hours maximum, multiplied by 50% of agricultural worker’s regular rate of pay.

Impact estimate assumes that total employed hours by agricultural industry and composition of overtime hours stays relatively consistent with historical trends and recent forecasts. Average hourly compensation is estimated based on historic trend with potential for moderating growth from overtime pay requirement. Multiple sources were used to make the revenue impact estimate including the Oregon Employment Department, U.S. Department of Agriculture, Bureau of Labor Statistics, U.S. Department of Labor’s National Agricultural Workers Survey and Department of Revenue.

The **policy purpose** of this credit is to reduce the costs to eligible employers resulting from requiring overtime compensation, with greater benefit available primarily to smaller agricultural employers. The ultimate intent of the policy is to ensure agricultural employees receive overtime compensation for weekly hours worked in excess of forty hours.

SB 1502 (CH 34)

Creates personal income, corporate income or excise, and estate tax credit(s) for small forestland owner that elects to harvest timber under restrictions applicable to large forestland owner. Requires taxpayer to conduct a timber harvest in a riparian area that is adjacent to a riparian area subject to the Oregon Forest Practices Act and equal in size to, or larger than, that portion of the forest conservation area that the small forestland owner elects not to harvest and claim credit for. Requires small forestland owner to abide by the standard practice harvest restrictions, which remain in effect for non-harvested area for 50 years.

Specifies amount of tax credit as sum of the certified stumpage value (at time of credit certification) of specified standing timber in that portion of the forest conservation area that is not harvested, cost to small forestland owner of establishing stumpage value, and if applicable, one-half of certified stumpage value of retained timber in a dry channel area adjacent to forest conservation area. Requires small forestland owner to receive written certification of eligibility from Department of Forestry prior to claiming credit and establishes process for obtaining certification. Allows unused credit amounts to be carried forward indefinitely. Requires repayment of tax credit with interest in instances where credit is revoked or harvest occurs in retention area prior to 50-year limitation expiring. Specifies credit applicability to tax years beginning on or after January 1, 2023.

Revenue Impact: See impact explanation.

Qualification for proposed tax credit will depend on voluntary timber harvests in riparian areas by small forestland owners and decisions by such owners to voluntarily enter into 50-year harvest restrictions. As this is a new proposal, it is unknown how many small forestland owners will pursue such an option. Historical small forest owner timber harvest quantity and value information, along with riparian acreage estimates from Washington State, suggest potential annual use of the proposed tax credit of about \$150K per year once credit option becomes well established. Annual credit use is expected to fluctuate (and grow in later years), reflective of general variability in underlying small forest owner timber harvests and value of harvested and non-harvested standing timber. Credit use will also depend on contents and adoption of the Private Forest Accord.

The **policy purpose** of this credit is to provide small forestland owners with financial encouragement to adopt standard practice harvest restrictions.

SB 1524 (CH 82)

Omnibus tax measure making changes to personal and corporate income/excise taxes, business alternative income tax, corporate activity tax, property tax, and other revenue programs.

Revenue Impact (\$Millions):

Policy / Fund	Biennium (\$M)		
	2021-23	2023-25	2025-27
General Fund			
Gain Share			-\$17.8
CAT exclusion deductibility ^{1,2}	\$0.1	\$0.2	\$0.1
Net operating loss carryback ¹		-\$11.1	-\$19.2
Total General Fund	\$0.1	-\$10.9	-\$36.9
Local Governments			
Gain Share distributions			\$17.8

¹Includes estimates for personal income and corporate income/excise taxes

²See Corporate Activity Tax section for description

Description of individual tax policy changes affecting the General Fund are presented below. See Corporate Activity Tax and Property Tax sections of this report for respective changes made by measure to those tax programs.

Farm Net Operating Loss Carryback

Measure allows eligible taxpayers to carryback specified losses to the three tax years preceding the tax year in which the loss arises. Eligible taxpayer is defined as a taxpayer primarily doing business in 2017 North American Industry Classification System code 111 (crop production) or code 112 (animal production and aquaculture). Loss carryback is available to losses arising in tax years 2023 through 2028 for personal income and corporate income/excise taxpayers. Requires Oregon addition and subtraction from taxable income as necessary for aligning with taxpayer's federal taxable income. Loss carrybacks provide taxpayers with the ability to realize the tax value of business losses more quickly by amending tax returns of previous years rather than carrying losses forward to subsequent years when such losses can be used to offset future income subject to taxation. Under current law, personal income farm losses can generally be carried back for two years though such losses may only offset up to 80 percent of taxable income.

For personal income taxpayers, the length of time farm losses could be carried back has fluctuated in recent years due to federal tax law changes. Measure effectively allows an additional year in which personal income farm losses can be carried back and does not subject such loss carrybacks to the 80 percent of taxable income limitation applicable at the federal level.

Under current law, C corporations may only carry losses forward. To develop the estimated revenue decline from allowing C corporations to carryback losses for three years, information from DOR on annual losses and industry distribution was used. Given that future losses are difficult to predict, LRO calculated an average loss based on data from 2010 to 2019. That information was combined with averages on apportionment percentages by industry over time, to arrive at the estimates for the C corporations. The estimates indicate a revenue loss during 2023-

25 and 2025-27 biennia. However, the effect of the policy is to shift losses backward in time rather than forward in time, as corporations would under current law. This measure moves some losses from later biennia to nearer biennia, as it allows losses to be carried backward in time.

The **policy purpose** of the net operating loss carryback provision is to smooth the tax liability of farm businesses reflective of the ups and downs in farm business income and losses.

Film & Video Production Expense Reimbursement

Measure increases expense reimbursement percentage allowed to single film or single local media production project from Oregon Production Investment Fund (OPIF). Applies to fiscal years beginning on or after July 1, 2022.

Business Alternative Income Tax (BAIT)

Measure specifies federally deducted BAIT to be an addition on pass-through member's income tax return. Requires estimated payments and requires Department of Revenue to adopt rules providing relief from penalty if sufficient estimated payments are made by either a pass-through entity or its members. Applies to tax years 2022 & 2023, and estimated payments due on and after June 15, 2022.

Gain Share

Measure extends sunset of Gain Share program from July 15, 2024 to July 15, 2025. Extending the sunset on Gain Share distributions will result in personal income tax receipts, that would otherwise be dedicated to the General Fund, being distributed to local governments. The vast majority of distributions are directed to Washington County with seven other counties having received distributions in past years. Distributions result from determined annual amount of personal income tax revenue attributable to retained jobs and newly created jobs for eligible projects receiving a Strategic Investment Program property tax exemption.

SB 1525 (CH 83)

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

Revenue Impact: Minimal

PROPERTY TAX AND LOCAL GOVERNMENT FINANCE

HB 4021 (CH 12)

Extends from September 1st to October 31st, annual deadline, in which taxpayers, upon sale/transfer of homestead ownership or movement of manufactured structure or floating home out of state, may discontinue participation in homestead property tax deferral program in assessment year. Takes effect on 91st day following adjournment sine die. Conditions discontinuation of participation on payment in full of deferred property tax lien.

Revenue Impact: Minimal

The Department of Revenue estimates that approximately two properties per year may be affected by this measure. In addition, the effect of the measure is likely solely a shift in timing, allowing participants to exit the program one year earlier. The effect this has on revenue is a loss of interest that the Department would have collected had the participants remained in the program one more year, an amount likely to hover around \$20,000.

HB 4054 (CH 50)

Extends Historic Property special assessment program application deadline to 2024. Clarifies that existing participants maintain status under statutory conditions at the time of application. Sets initial taxable assessed value under program at application assessed value. Clarifies year base for calculating ratio.

Revenue Impact: Minimal

SB 1559 (CH 96)

Provides that personal property tax returns are not required for certain manufactured homes and floating homes unless new property or new improvements have been added to property tax account since preceding assessment year. Clarifies that tax liability status is unaffected. Takes effect on 91st day following adjournment sine die.

Revenue Impact: No revenue impact, as the measure only affects filing requirements, not property tax liability.

SB 1519 (CH 79)

Grants property tax exemption for proportion of community solar project that is owned by residential customers or leased by residential subscribers. Takes effect for property tax years on or after July 1, 2022.

Revenue Impact (\$Millions):

Local Governments	Fiscal Year (\$M)		Biennium (\$M)		
	2021-22	2022-23	2021-23	2023-25	2025-27
General Governments	NA	-\$0.03	-\$0.03	-\$0.56	-\$1.63
School Districts	NA	-\$0.02	-\$0.02	-\$0.33	-\$0.96
Total	NA	-\$0.05	-\$0.05	-\$0.89	-\$2.59

The revenue impact results from the reduction in property tax revenue assessed on projects that are currently on the roll, in process of development, and forecasted to be developed, along with the residential proportion. The actual impact to local revenues will be contingent on these factors. There has been significant growth in solar development in recent years.

SB 1524 (CH 82)

Modifies income limitation for recently enacted (HB 2438, 2021) permissive property tax exemption for single-family housing newly constructed in counties with a population less than 15,000. Modifies income qualification specification from “taxable income” to “adjusted gross income”. Applies to applications filed on or after effective date of measure.

Revenue Impact: Minimal

CORPORATE ACTIVITY TAX

SB 1524 (CH 82)

Exempts from corporate activity tax, amounts received by an eligible pharmacy in receipt for sale of prescription drugs. Defines eligible pharmacy as a pharmacy that has nine or fewer locations under common ownership in Oregon and is not a pharmacy that caters primarily to veterinary customers. Applies to tax years 2022 through 2025. Makes administrative technical changes to accommodate businesses filing CAT returns using a fiscal year that differs from the calendar year.

Revenue Impact (\$Millions):

Fund for Student Success	Biennium (\$M)		
	2021-23	2023-25	2025-27
Pharmacy exclusion	-\$1.7	-\$2.9	-\$1.2

The measure excludes from the definition of commercial activity, prescription drug sales from eligible pharmacies. Eligible pharmacies are defined as pharmacies with nine or fewer locations under common ownership in Oregon. Using information provided by the Oregon Pharmacy Board on the number of pharmacies grouped by owner, LRO compiled an estimate of the number of pharmacies that are likely to fall under this exclusion. The majority of the affected pharmacies are independent community pharmacies so industry data on pharmaceutical sales by independent pharmacies was used to develop an estimate for the sales volume generated by these pharmacies. Information from the Department of Revenue was also used to estimate the effective tax rate for independent pharmacies under the CAT.

The **policy purpose** of the eligible pharmacy exclusion is to prevent the closure of community pharmacies due to the Corporate Activity Tax.

SCHOOL FINANCE

HB 4026 (CH 46)

Directs the Oregon Department of Education to award grants to qualified wildfire-impacted school districts in amounts to cover certain funding decreases resulting from reductions in the districts' average daily membership (ADM), as compared to the 2019-2020 school year, that are caused by the 2020 wildfires. Prescribes the methods to calculate funding decreases. Provides the grants for four school years, starting from the 2021-22 school year. Sunsets the grants on July 1, 2025. Establishes the School Stabilization Subaccount for Wildfire-impacted School Districts within the Statewide Education Initiatives Account (SEIA) to provide funds for awarding the grants. Transfers to the Subaccount \$25 million from the SEIA. Takes effect on passage.

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

The Oregon Department of Education identifies four school districts that qualify for the grants in the 2021-22 school year. The grants will be provided to these school districts to make up for the decreases in the formula revenue distributions, the Student Investment Account and the High School Graduation and College and Career Readiness Fund. The amount of money needed for these grants is estimated to be \$4-6 million per school year. The grants will be provided for four school years, starting with the 2021-22 school year. Unspent money will be returned to the source of the fund for grants, the Statewide Education Initiatives Account.

HB 5202 (CH 110)

Appropriates moneys from the General Fund to specified state agencies for biennial expenses.

Revenue Impact: No change in the State School Fund

The measure has no revenue impact. The bill makes various appropriations, disappropriations, and expenditure limitations. Sections 326 to 328 make adjustments to the State School Fund that align with SB 5703. General Fund appropriations to the State School Fund are reduced but offset by increased expenditure limitations of Lottery funds and the Fund for Student Success. Taken together, the State School Fund is unchanged for the 2021-23 biennium.

SB 5703 (CH 113)

Modifies allocations from the Administrative Services Economic Development Fund, the Veterans' Services Fund, the Criminal Fine Account (CFA), and the Oregon Marijuana Account to finance budget adjustments approved in the 2022 session.

Revenue Impact: No change in the State School Fund

This measure increases the State School Fund (SSF) allocation from the lottery resources by \$61 million. This increase is offset by a series of changes in the HB 5202, leaving the total amount of the SSF unchanged for the 2021-23 biennium.

TRANSPORTATION

SB 1558 (CH 25)

This measure modifies, adds, and repeals laws related to transportation. Amends formula governing transfer of moneys received from motor vehicle dealer privilege tax.

Background:

The Privilege Tax is a tax on dealer's sales of new vehicles in Oregon. This new tax was one of the new sources of revenue that comprised the comprehensive transportation package (HB 2017 in 2017). All the new taxes in the package (payroll tax, use tax, and bicycle tax) as well as the privilege tax came as new dedicated sources of funding for various transportation modes. The privilege tax became effective (even before final judicial decision) on 1/1/18 and was levied at the rate of 0.5% of the new vehicle retail price. This revenue is not considered a highway fund source, thus can be used to fund other programs. As the tax was originally enacted, the Department of Revenue was required to distribute the proceeds net of administrative and enforcement expenses as follows:

- Up to December 31, 2023, \$12 million to the Zero-Emission Incentive Fund to provide rebates for the purchase of light-duty zero-emission or plug-in hybrid electric vehicles, and the balance of the collected revenue to the Connect Oregon Fund, and
- After January 1, 2024, all net privilege tax revenue to the Connect Oregon Fund. The Connect Oregon Fund itself was further distributed under two different scenarios.
 - First, if the transfer is more than \$75 million in a biennium, then the amount available will be used according to Sections 78 to 85 of HB 2017:
 - 47% to Connect Oregon Part One (Traditional) for: Air, Marine, Rail.
 - 7% to Connect Oregon Part One for Bike and Ped programs.
 - 1% to ODOT to pay administrative cost for the Connect Oregon program.
 - 45% to Connect Oregon Part Two (with new criteria) for Air, Marine, and Rail.
 - Second, in the first biennium where the transfer was not expected to reach \$75 million, the Connect Oregon Part Two would not apply. The distribution for Connect Oregon will then be as follows:
 - 92% to Connect Oregon Part One for: Air, Marine, and Rail.
 - 7% to Connect Oregon Part One for Bike and Ped programs.
 - 1% to ODOT to pay Connect Oregon administrative cost.

Changes affecting the Connect Oregon Fund were introduced by HB 2592 in the 2019 session. In Section 21 of HB 2592, grants for transportation projects from the Connect Fund would be based on the availability of \$50 million a biennium. Additionally, the 2019 bill created a sub-distribution of 7% for the Multimodal Active Transportation Fund (Bike& Ped) programs, and a 1% allowance for ODOT to administer the Connect programs. The 2021 regular session passed HB 2065, which removed the 12/31/2023 sunset on the \$12 million transfer to the Zero Emission Incentive Fund, making that apportionment permanent. The 2021 bill effectively apportioned 65% the Privilege Tax revenue to the Connect Oregon in 2021-23, with the proportion growing in future biennia, while the \$12 million going to the Zero Incentive Fund stays fixed.

Revenue Impact: No new revenue is introduced by this measure. It repartitions existing privilege tax revenue. Other sections of the measure not dealing with the tax produce minimal impacts on revenue.

Policy / Fund	Fiscal Year (\$M)		Biennium (\$M)		
	2021-22	2022-23	2023-25	2025-27	2027-29
Zero Emission Fund	NA	\$1.39	\$6.90	\$8.02	\$9.19
Other Transportation Funds					
Connect Oregon	NA	-\$1.28	-\$6.35	-\$7.38	-\$8.45
Bike and Pedestrian	NA	-\$0.10	-\$0.48	-\$0.56	-\$0.64
ODOT C.O. Administration	NA	-\$0.01	-\$0.07	-\$0.08	-\$0.09
Total	NA	-\$1.39	-\$6.90	-\$8.02	-\$9.19

This measure as amended, reconfigures the split of the privilege tax revenue into 45% going to the Zero Emission Incentive Fund, and 55% going to the Connect Oregon Fund with all its sub-distributions. The table in the impact section of this statement shows how this reconfiguration will reallocate the resulting revenue difference (\$7 to \$9 million) between the two existing funds and subprograms. The numbers in the table are based on the October 2021 forecast where collections of the privilege tax are expected to average \$71 million a biennium for the coming three biennia. However, expectations at the time of HB 2017 were at \$56 million of revenue in an average biennium. It is also important to note that the Connect Oregon Fund might not reach the threshold of \$50 million specified in HB 2592 (2019) until the tax collections exceed \$90 million a biennium.

The effective date for this measure is 1/1/2023. This will make the implementation date fall within the current biennium. Thus, the measure will have a small impact on the 2023 Fiscal Year and the 2021-23 biennium (six months). The impact would be fully realized in the 2023-25 biennium and beyond. This amended measure is a compilation of several amendments. The revenue impact included in this statement represents the effect of sections 5 and 6. The impacts of other sections of the measure have a minimal revenue impact.

Creates, Extends, or Expands Tax Expenditure: No

ESTATE TAX

SB 1502 (CH 34)

Creates personal income, corporate income or excise, and estate tax credit(s) for small forestland owner that elects to harvest timber under restrictions applicable to large forestland owner. Requires taxpayer to conduct a timber harvest in a riparian area that is adjacent to a riparian area subject to the Oregon Forest Practices Act and equal in size to, or larger than, that portion of the forest conservation area that the small forestland owner elects not to harvest and claim credit for. Requires small forestland owner to abide by the standard practice harvest restrictions, which remain in effect for non-harvested area for 50 years.

Specifies amount of tax credit as sum of the certified stumpage value (at time of credit certification) of specified standing timber in that portion of the forest conservation area that is not harvested, cost to small forestland owner of establishing stumpage value, and if applicable, one-half of certified stumpage value of retained timber in a dry channel area adjacent to forest conservation area. Requires small forestland owner to receive written certification of eligibility from Department of Forestry prior to claiming credit and establishes process for obtaining certification. Allows unused credit amounts to be carried forward indefinitely. Requires repayment of tax credit with interest in instances where credit is revoked or harvest occurs in retention area prior to 50-year limitation expiring. Specifies credit applicability to tax years beginning on or after January 1, 2023.

Revenue Impact: Minimal impact on estate revenues is expected.

Most of revenue impact is expected to affect personal and corporate income taxes. See SB 1502 in personal and corporate income tax section of this report for more detail.

The **policy purpose** of this credit is to provide small forestland owners with financial encouragement to adopt standard practice harvest restrictions.

BONDING AND DEBT FINANCE

SB 5701 (CH 109)

This is the main bonding authorization bill for the 2022 session. It Modifies amounts allocated for General Obligation Bonds, Lottery Bonds, and private activity bonds. for biennium.

Revenue Impact (\$Millions):

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

Program Designation		Total Issuance 2022 Session	Cost of Issuance	Net Proceeds	Debt Service 2021-23	Net Revenue 2021-23	Debt Service 2023-25	Debt Service 2025-27
GENERAL OBLIGATION BONDS								
General Fund Obligations								
XI-Q	Department of Administrative Services	\$54.06	(\$0.41)	\$53.65	\$0.07	\$53.72	(\$8.32)	(\$8.42)
Subtotal General Fund Supported GO Bonds		\$54.06	(\$0.41)	\$53.65	\$0.07	\$53.72	(\$8.32)	(\$8.42)
Dedicated Fund Obligations								
XI-Q	Department of Administrative Services	\$102.01	(\$1.09)	\$100.92	(\$3.12)	\$97.80	(\$15.94)	(\$16.14)
Subtotal Other Fund Supported GO Bonds		\$102.01	(\$1.09)	\$100.92	(\$3.12)	\$97.80	(\$15.94)	(\$16.14)
Total All General Obligation Bonds		\$156.07	(\$1.51)	\$154.56	(\$3.05)	\$151.52	(\$24.26)	(\$24.55)
REVENUE BONDS								
Direct Revenue Bonds								
	DAS Lottery Revenue Bonds	\$23.07	(\$0.31)	\$21.00	\$0.00	\$21.00	(\$3.50)	(\$3.55)
Total Direct Revenue Bonds		\$23.07	(\$0.31)	\$21.00	\$0.00	\$21.00	(\$3.50)	(\$3.55)

This measure modifies the bond authorization statutes originally approved by SB-5505 of the 2021 session. This measure increases the general Fund support debt authorization by \$54.06

million, however, the debt service expected for the 2021-23 biennium is net positive because of lower amounts of project estimates for Electronic Valuation Information System (ELVIS), and Resiliency Grant Fund (OEM) approved in the 2021 authorization bill (SB-5505). The new amounts are directed to public universities (\$30 million to the HECC), Crook County Courthouse (\$4.4 million), ODOEM (\$5.1 Million), and \$19.9 million to LAC for the Capitol project. The net revenue is expected in agency budgets in 2021-23, while debt service will start occurring in the 2023-25 biennium and beyond

The dedicated Funds authorized bonds are increased by \$102.01 million. This authorization is primarily an increase in XI-Q bonds authorized to DAS, but it goes to the OLCC (\$83.7 million), DOJ (\$5 million), and DAS \$13.2Million).

Total XI-Q General Obligation (GO) bonds (General fund and Dedicated Fund) authorized by this measure add up to \$156.07 million in total, with \$151.52 million net revenue realized in the 2021-23 biennium.

Lottery Bonds authorization for 2021-23 are also increased by this measure by \$23.07 million to support a total of three projects. The details of these projects and the full description for all bond supported projects are detailed in the budget report for SB-5701 produced by LFO and could be found on OLIS.

<https://olis.oregonlegislature.gov/liz/2022R1/Downloads/CommitteeMeetingDocument/254545>.

Additionally, the total capital construction detail and expenditure limitation details can be found in the budget report of SB-5702.

<https://olis.oregonlegislature.gov/liz/2022R1/Downloads/CommitteeMeetingDocument/254547>.

COURT FINES & FEES

HB 4075 (CH 57)

Modifies procedures for requesting and ordering restitution in criminal cases. Provides that restitution is Level I obligation for priority of payments on judgments in circuit courts and local courts.

Revenue Impact (\$):

Policy / Fund	Biennium (\$)		
	2021-23	2023-25	2025-27
Application Contribution Program Account (ACP)	-\$22,318	-\$94,633	-\$123,654
General Fund (GF)	-\$38,468	-\$277,149	-\$362,142
Criminal Fine Account (CFA)	-\$80,277	-\$653,096	-\$853,379
Total	-\$141,063	-\$1,024,879	-\$1,339,175

Projected revenue loss is based on restitution judgments from the previous two years. Revenue loss increases over time as more restitution judgments are imposed and those judgments go

through the process and start receiving payments. However, as restitution is prioritized over fines and fees, payments to fines and fees will be delayed unless judgments are partially paid, which causes fines and fees to go unpaid for longer times. Restitution judgments have low collection rates (32% cumulative collection rates over 20+ years). Revenue loss is estimated as percentages of the maximum possible reduction (estimated by OJD) of all restitution judgments with fines and fees. Amounts imposed on or after the effective date are partially paid or delayed into future years. The assumption for the impact is that 2023 to reach 65% of that maximum, with 2023-25 reaching 75%, and the portion of the maximum loss growing to 98% by 2025-27. This measure assumes an implementation date of January 1, 2023, and the actual revenue impact will depend on the amount of restitution imposed which can vary from year to year depending on payment trends and the amount of fines and fees imposed (if any) on restitution judgments.

Sections 3, 4, 5 and 6 provide that restitution is a Level I obligation for criminal judgments entered in circuit and local courts. Those sections provide that there are two types of Level I obligations: Type 1 obligations include compensatory fines and Type 2 obligations include restitution as defined in ORS 137.103, awards of restitution under ORS 419C.450, and money awards made under ORS 811.706. If a judgment contains both Type 1 and Type 2 obligations, Type 1 obligations should be credited first until they are paid in full. Subsequent amounts will be applied to Type 2 obligations until they are paid in full. Sections 6 and 7 also provide the order in which payments on Type 2 money should be applied and credited to various persons who are named in the money award. Sections 7 and 8 remove restitution as a Level II obligation. This measure's revenue impact is mainly caused by changing the priority of restitution over fines and fees. However, the future revenue impact will depend on the amount of restitution imposed which can vary from year to year, payment trends, and the amounts of fines and fees imposed (if any) on restitution judgments.

Creates, Extends, or Expands Tax Expenditure: No

HB 4105 (CH 64)

Authorizes duly authorized traffic enforcement agents to review and issue citations based on photographs taken by photo red light cameras or photographs taken by photo radar cameras.

Revenue Impact: Indeterminate

Impact Explanation:

Allowing the duly authorized traffic enforcement agents to review and issue citations based on photographs taken by photo red light cameras or photographs taken by photo radar cameras might allow for faster processing and issuing of citations, however, the review might also reduce eligible citation to be issued as a result of further inspection and reviewing time. Thus, the revenue might be increased or likely decreased depending on how the implementation transpires.

Creates, Extends, or Expands Tax Expenditure: No

OLCC (ALCOHOL, BEER & WINE AND MARIJUANA)

HB 4056 (CH 15)

Requires annual adjustment for inflation of amount to be retained, for distribution to cities, counties, and other entities from Oregon Marijuana Account, prior to transfer of remainder of account balance to Drug Treatment and Recovery Services Fund (DTRSF).

Background:

Marijuana revenue (prior to Measure 110 of the 2020 general election) was fully distributed according to the following permanent formula established by Measure 91 (2014):

- 40% to the State School Fund
- 15% to state police
- 20% to mental health treatment or for alcohol and drug abuse prevention, early intervention, and treatment
- 5% to the health authority for purposes related to alcohol and drug abuse prevention, early intervention, and treatment services
- 10 % to Counties
- 10% to Cities

Measure 110 established the Drug Treatment and Recovery Services Fund (DTRSF) as a new additional use for marijuana revenues. The measure also established a minimum of \$57 million to be transferred into the DTRSF in the first year. After that first year, the measure specified that the minimum annual transfers are to be increased in conjunction with inflation adjustment using the CPI (Consumer Price Index). Therefore, the \$114 million for each biennium minimum will be adjusted to inflation. However, in another section of the measure, the amount specified to be distributed using the permanent formula was limited to \$45 million per fiscal year, and the remainder of the marijuana revenue is sent to the DTRSF. That Cap on the formula distribution, however, was not allowed any future increases or inflation adjustment.

This measure introduces the same inflation adjustment used in M-110 (monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year) to adjust minimum DTRSF, as a method to adjust the \$90 million which are distributed according to the permanent formula. This inflation adjustment to the formula distribution cap is meant to start with the 23-25 biennium. This inflation adjustment is applied to existing marijuana revenue.

Revenue Impact (\$Millions): No new revenue is enacted by this measure.

This is an adjustment of the existing revenue distribution.

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Inflation (CPI USA) Forecast	2.07%	2.13%	2.28%	2.28%	2.36%	2.42%	2.44%	2.42%	2.35%
M-110 Cap @ \$45 million	\$45.47	\$46.44	\$47.49	\$48.58	\$49.72	\$50.92	\$52.17	\$53.43	\$54.68
Annual Cap Increase	\$0.47	\$0.97	\$1.06	\$1.08	\$1.14	\$1.20	\$1.24	\$1.26	\$1.25
Cumulative Increase	\$0.47	\$1.44	\$2.49	\$3.58	\$4.72	\$5.92	\$7.17	\$8.43	\$9.68

Marijuana revenue (prior to Measure 110 of the 2020 general election) was fully distributed according to the permanent formula established by Measure 91 (2014):

40% to the State School Fund. 15% to state police. 20% to mental health treatment or for alcohol and drug abuse and treatment. 5% to the health authority for alcohol and drug abuse prevention and treatment. 10% to Counties and 10% to Cities.

Measure 110 also limited the amount to be distributed using the permanent formula to \$45 million per fiscal year and the remainder of the marijuana revenue is sent to the DTRSF. That Cap on the formula distribution, however, was not allowed any future increases or inflation adjustment.

This measure utilizes the inflation adjustment used elsewhere in M-110 (monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year) to adjust the \$90 million which are distributed according to the permanent formula. This inflation adjustment to the formula distribution cap is meant to start in 2023 which will fully affect the FY 2024 and beyond. The adjustment raises the cap about \$1.1 million on average for all formula uses. Cities and Counties will each get about (10%) \$110,000 of that increase annually.

Creates, Extends, or Expands Tax Expenditure: No

HB 4074 (CH 117)

Requires employee or worker of marijuana licensee to report human trafficking on licensed premises to Oregon Liquor and Cannabis Commission. Removes sunset on the Illegal Marijuana Market Enforcement Grant Program administered by the Oregon Criminal Justice Commission.

Revenue Impact (\$Millions): No new revenue is introduced or reduced by this measure. It has the impact of changing the distribution between the programs using existing marijuana revenue.

Policy / Fund	Biennium (\$M)		
	2023-25	2025-27	2027-29
Reduction to DTRSF	-\$11.4	-\$13.0	-\$13.0
Redistribution			
OLCC	\$6.1	\$7.0	\$7.0
OCJC	\$5.3	\$6.0	\$6.0
Total to IMMEGP	\$11.4	\$13.0	\$13.0

Marijuana revenue is distributed to several programs. Measure-91 of 2014 legalized commercial marijuana and established a permanent distribution formula. The revenue was to be distributed in the following fashion:

- 40% to the State School Fund. 15% to state police
- 20% to mental health treatment or for alcohol and drug abuse prevention, early intervention, and treatment
- 5% to the health authority for purposes related to alcohol and drug abuse prevention, early intervention, and treatment services
- 10% to Counties
- 10% to Cities

The 2018 session established funding for the Illegal Marijuana Market Enforcement Grant Program (IMMEGP) Funding. That funding went to the Oregon Liquor and Cannabis Commission

(OLCC) at a quarterly amount of \$875,000, and the Oregon Criminal Justice Commission (OCJC) at a quarterly amount of \$375,000. The amount going to the OCJC was raised to \$750,000 during the 2021 session. Those combined transfers of \$1,625,000 per quarter were set to sunset after the Oct-1-2023 transfer. Section 8 (2) of this measure removes the sunset and makes the transfer to the IMMEGP permanent. This repeal represents seven quarters in the 2023-25 biennium (\$11.4 million) and full eight quarters of transfers (\$13 million) in the following biennia. The revenue coming off the top of the marijuana revenue, and going to the IMMEGP, will reflect as a reduction in the net transfers to the Oregon Marijuana Account.

However, Measure-110 (passed in 2020) established the Drug Treatment and Recovery Services Fund (DTRSF) as a new additional use for marijuana revenues. The measure also established a cap of \$90 million a biennium for funds using the permanent formula. The remainder of the marijuana revenue is sent to the DTRSF. As a result of the new distribution method under M-110, the permanent formula distributions will continue to receive \$90 million a biennium, while most of the reduction in the marijuana account (as shown in the table) will be reflected as a reduction in the transfer to the Drug Treatment and Recovery Services Fund (DTRSF).

Creates, Extends, or Expands Tax Expenditure: No

HB 4016 (CH 108)

Authorizes Oregon Liquor and Cannabis Commission to, based on supply of and demand for marijuana, refuse to issue initial marijuana production licenses for an amount of time that the commission determines necessary.

Revenue Impact: Indeterminate

This measure allows the OLCC to stop issuing different kind of licenses to marijuana businesses based on the report of marijuana supply and demand. It is likely that the OLCC would be able to calibrate the market in a way that does not impact quantities or prices. However, if the OLCC actions result in supply restrictions, then it might result in an increase of prices which will increase the amounts of revenue, because the tax is a percentage of the retail price. It also could drive an increased activity in the black (untaxed) market which will impact revenue negatively. On the other hand, the increase in production and the number of marijuana businesses might increase supplies to exert a down pressure on prices and consequently the (price dependent) tax revenues. Moreover, a large number of competing business can cause failures, with inability to pay bills, and quicker consolidation in the market. Thus, the impact of this measure can be positive or negative with a likelihood of no impact. The final bill sunsets the moratorium on March 31, 2024, which further limits the impact of the measure.

Creates, Extends, or Expands Tax Expenditure: No

TIMBER TAX

HB 4055 (CH 31)

Initiates new rates for statutory portions of the Forest Products Harvest Tax (FPHT). Sets tax for the purposes of administration of the Forest Practices Act, OSU Forest Research, and OSU Forestry education at \$2.07, \$.90, and \$.21 per MBF respectively. Sets March 10 requirement for consideration of biennial FPHT. Creates new FPHT tax to mitigate effects of incidental take permits. Establishes cap and end dates of new tax. Establishes version of Private Forest Accord and its date of publication. Requires State Forestry Department to provide data to Legislative Revenue and Fiscal Officers. Requires Legislative Revenue report.

Revenue Impact (Millions):

Policy / Fund	Biennium (\$M)		
	2021-23	2023-25	2025-27
OSU Forest Research	\$3.9	\$2.6	\$0.0
OSU Forest Education	\$0.9	\$0.6	\$0.0
Forest Practices Admin	\$9.0	\$5.9	\$0.0
Subtotal	\$13.9	\$9.1	\$0.0
Oregon Cons & Rec Fund*	\$2.5	\$5.0	\$5.0
Total	\$16.4	\$14.1	\$5.0

* Upon issuance of an incidental take permit, revenue collected under this tax will increase to \$5M annually

The Forest Products Harvest tax is applied retroactive to the first of January 2022. There is a one quarter delay in collections, so that a portion of the tax that is applied in 2022 will be collected in 2023, and a portion that is applied to the 2023 harvest will be collected in 2024. It is a volume-based rate, applied to the forecasted harvest for 2022 and 2023. The revenue impact reflects the new tax directed to the Oregon Conservation and Recreation Fund, designed to mitigate the impact of incidental take permits, as initially set at a target of \$2.5 million annually. As noted, this amount would increase to \$5 million annually, contingent on the filing of an incidental take permit, date uncertain. This would increase the total Forest Products Harvest Tax in any year by \$2.5 million.