REVENUE MEASURES PASSED BY THE 77th LEGISLATURE 2013 Session

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Index by Bill Number

Revenue Policy Overview

Summary of Individual Revenue Bills

BILLS BY SUBJECT AREA		*Page*
Personal Income and Corporate Income and Excise Taxes		
HB 2060	Allows the Attorney General to issue an order that, under certain circumstances, would make contributions to affected charities nondeductible under the Oregon income tax	14
HB 2230	Reorganizes statutes pertaining to the income tax subtraction for military pay	14
HB 2316	Removes the consideration of certain pension accounts from the definition of "lower income household" for individuals to qualify as account holders for the Oregon Individual Development Account Initiative	15
HB 2460	Requires corporations that file an Oregon tax return that includes a corporation that is a member of a unitary group and incorporated in certain listed countries that are considered tax havens to include net income for those countries on their Oregon return.	15
HB 2464	Creates penalties for all businesses that fail to file informational reports	15
HB 2492	Updates Oregon's date of connection to certain federal laws from December 31, 2009 to December 31, 2010	16
HB 2511	Directs the Department of Revenue to modify refunds for 2% kicker credits only for those years in which the kicker credit applies.	16
HB 2763	Makes several changes to the Qualified Low-Income Community Investment tax credit program	16
HB 2871	Requires the Department of Revenue to prepare a report on its progress in implementing the occupational licensee pilot project	17
HB 3069	Excludes expenses paid to a foreign corporation without U.S. nexus from the Oregon addition for expenses paid to a related member for the use of intangible property	17
HB 3367	Extends and modifies several tax credits. Makes other tax policy changes unrelated to tax credits.	17
HB 3477	Removes the exemption from the Oregon corporation excise tax for entities that engage in limited mortgage activities	20
HB 3495	Eliminates the sunset date on statutes pertaining to the regulation of exchange facilitators, who are intermediaries in the process of like-kind – also known as 1031 – exchanges	20
SB 183	Allows the Department of Revenue to give notice by methods other than regular mail if an agreement is reached between the department and the taxpayer	20
SB 184	Allows statutorily required items, such as a notice of garnishment, to be sent by first class mail or by alternative means if agreed upon by the garnishee	20
SB 185	Creates two exceptions to the garnishment statutes for the Department of Revenue functions	20
SB 307	Clarifies existing law by repealing the Multistate Tax Compact in its	21

BILLS BY SUBJECT AREA		Page
	entirety and reinstating the compact without Articles III and IV, which pertain to income subject to apportionment	
SB 583	Adds the acquisition of an alternative fuel vehicle fleet to the definition of transportation projects that are eligible for a tax credit	21
Medical Provider Taxes		
HB 2216	Extends the sunset of an assessment on the net revenue of certain hospitals for two years until September 30, 2015, to provide healthcare services to eligible individuals. Extends the sunset of an assessment on long term care facilities for six years, until June 30, 2020.	21
HB 3458	Establishes the Oregon Reinsurance Program to be administered by the Oregon Medical Insurance Pool Board. Ends the program on December 31, 2016. Closes the Oregon Medical Insurance Pool on December 31, 2013.	22
Property Taxes		
HB 2227	Repeals certain little-used property tax exemptions, beginning with July 1, 2017, tax year. Creates consistent deadlines for application for certain property tax exemption programs.	23
HB 2349	Extends tax exemption for single unit housing to property constructed before January 1, 2025. Removes requirement for affordable housing to be located in distressed areas and the 20 percent limit on area of a city that may be designated as distressed.	24
HB 2480	Allows a change in the use of facilities constructed with certain general obligation bonds without causing the expenditure to be an improper expenditure that must be refunded.	25
HB 2489	Extends the ability to participate in the Senior and Disabled Property Tax Deferral Program to those who have been in the program prior to the changes in 2011 and who have been disqualified solely due to a reverse mortgage.	25
HB 2510	Allows participants in the Senior and Disabled Property tax deferral program who were disqualified in 2011 solely due to having a reverse mortgage, or not meeting the 5-year residency requirement, or both to participate in the program again for the tax year beginning July 1, 2014.	26
HB 2632	Removes local option levies approved by voters after January 1, 2013 from the division of tax revenue for standard rate urban renewal plans..	26
HB 2676	Eliminates sunset for mandatory cancellation of property tax assessment for manufactured structures with total value less than $12,500, indexed to inflation from 2002, in counties with a population of more than 340,000. Takes effect on 91st day following adjournment sine die.	27
HB 2735	Extends sunset for property tax exemption for food processing equipment. Requires that the first tax year of property tax exemption begin prior to July 1, 2020.	27
HB 2788	Includes donation of farm products to local food bank or school as farm use for purposes of property tax special assessment. Applies to property tax years beginning on or after July 1, 2013.	28
HB 2904	Extends sunset for property tax exemption for cargo containers to the tax year ending June 30, 2020.	28
HB 2981	Allows exemption from ad valorem property taxation under Rural Renewable Energy Development Program if governing body of zone sponsor adopts resolution waiving requirements and if $5 million investment is made.	28

BILLS BY SUBJECT AREA		Page
HB 3112	Exempts from property taxation property of political subdivision used or intended to be used for affordable housing or leased or rented to persons of lower income.	29
HB 3276	Exempts from property taxation property of a port with a Governor-appointed board of commissioners in a county with a population less than 450,000 that is used by a person pursuant to an agreement to provide common carrier rail freight service to shippers.	29
SB 261	Exempts from property tax property leased to the United States that is used for a high-voltage electricity transmission system in the Pacific Northwest	30
SB 505	Provides for a refund of the difference between the property tax on assessed value and tax on the specially assessed value for taxpayer who requested disqualification from special assessment while acting on advice from the county that was subsequently found to be in error.	31
SB 549	Extends sunset for tax exemption for federal land used by recreation facility operators under permit.	31
School Finance		
HB 2098	Revises, for purposes of assigning additional weights in the State School Fund (SSF) distribution, the data collection method of identifying students in poverty families.	32
HB 2501	Continues the Small School District Grants for two more fiscal years. Specifies that transportation for a student enrolled in an eligible day treatment program be provided by a school district where the student is a resident.	32
HB 2506	Establishes the Task Force on School Funding. Reduces the Facility Grant by $5 million to $20 million per biennium. Specifies that the Network of Quality Teaching and Learning (NQTL) be funded at $33 million per biennium.	33
HB 2747	Specifies that a student in a long term care facility or a skilled nursing facility be considered a resident of a school district in which such facilities are located.	33
HB 3401	Requires a certain education service district, upon request by its component school district, to distribute a certain percentage of its respective formula revenue to the school district.	34
SB 24	Specifies that the moneys of the Common School Fund determined by the State Land Board to be available for distribution to school districts, be credited to the Distributable Income Account within the Common School Fund.	34
SB 529	Allows any school district to withdraw from the education service district in which the school district is a component school district.	34
SB 5519	Appropriates for the State School Fund (SSF) of the 2013-15 biennium, $6,235.5 million from the General Fund, $314.5 million from the Lottery Funds, and $0.4 million from miscellaneous ODE revenues.	34
Timber Taxation		
HB 2051	Extends privilege taxes on merchantable forest products harvested on forestlands. Includes 84.39 cents per thousand board feet for the Forest Research and Experiment Account.	35
Transportation		
HB 2435	Establishes an incentive tax credit for biodiesel made from cooking oil.	36
SB 810	Establishes a voluntary charge per mile program of 5,000 vehicles.	37

BILLS BY SUBJECT AREA		Page
Transient Lodging		
HB 2656	Clarifies payers, base and enhanced enforcement for lodging tax.	38
Bonding and Debt		
HB 2800	Authorizes bonds for the Columbia Bridge Crossing (CRC).	39
SB 547	Modifies of costs may be finance with proceeds of local bonds	40
SB 5506	Specifies amount authorized for bonds.	41
SB 5533	Specifies amount authorized for Lottery bonds.	42
Judicial System and Court Funding		
HB 2562	Changes to the court fees distributions and order of parity	42
Emergency Communications (911)		
HB 3317	Extends the sunset of 911 tax to 2022	43
Financial and Tax Administration		
HB 2229	Permits DOR to share Tobacco Tax information	44
SB 16	Deletes limitation on reappointment of members of OIC	45
Local Finance		
HB 3453	Provides that the Governor may proclaim a public safety fiscal emergency for one or more counties where fiscal conditions compromise county ability to provide a minimally adequate level of public safety services.	45
SB 817	Makes technical adjustments to local budget law statutes.	46
State Finance		
HB 2002	Requires the Legislative Revenue Officer (LRO), in consultation with the Department of Revenue, the Legislative Fiscal Officer, and any affected agency, to prepare and submit a report each biennium detailing each income or excise tax credit that is scheduled to expire in the next year.	46
HB 2325	Directs the Legislature to appropriate an amount equal to any future 2% corporate surplus corporate kicker calculation to the State School Fund, consistent with the language in Measure 85.	47
HJM 18	Urges Congress to exempt certain sellers from potential federal legislation that requires them to collect and remit sales and use taxes to the state of the purchaser in the case of remote sales.	47
SB 306	Directs the Legislative Revenue Officer to prepare a report for the Legislature on the feasibility of imposing a clean air fee or tax on a statewide basis.	47
Unemployment Insurance		
SB 191	Authorizes the Director of the Oregon Employment Department (OED) to impose a penalty of up to 30 percent on overpayment of Unemployment Insurance benefits made due to a false statement, misrepresentation or nondisclosure of material facts.	47
SB 192	Makes changes to bring state law into conformity with federal law in relation to overpayment of Unemployment Insurance benefits, the Work Share program, and the Self Employment Assistance program.	48
SB 252	Increases to $100, the minimum penalty for late filings of payroll and tax reports, and up to $100, the penalty for continued late filings of zero payroll reports.	49
SB 259	Authorizes the Director of the Oregon Employment Department (OED) to enter into an intergovernmental agreement with the federal government to seize federal tax refunds and apply those funds to certain Unemployment Insurance debts owed to OED.	49

BILLS BY SUBJECT AREA		*Page*
SB 849	Excludes from the definition of employment, service performed for a corporation by an individual with a substantial ownership interest in the corporation who is the sole corporate officer and director of the corporation.	50
Miscellaneous		
HB 2084	Increases the rate of gross premium tax paid by insurers on fire insurance policies.	51
HB 2101	Consolidates provisions relating to the Oregon Health Licensing Agency's authority and fees over certificates, permits, licenses and registrations.	51

INDEX BY BILL NUMBER

House Bills	Senate Bills
HB 2002	SB 16
HB 2051	SB 24
HB 2060	SB 183
HB 2084	SB 184
HB 2098	SB 185
HB 2101	SB 191
HB 2216	SB 192
HB 2227	SB 252
HB 2229	SB 259
HB 2230	SB 261
HB 2316	SB 306
HB 2325	SB 307
HB 2349	SB 505
HB 2435	SB 529
HB 2460	SB 547
HB 2464	SB 549
HB 2480	SB 583
HB 2489	SB 810
HB 2492	SB 817
HB 2501	SB 849
HB 2506	SB 5506
HB 2510	SB 5519
HB 2511	SB 5533
HB 2562	
HB 2632	
HB 2656	
HB 2676	
HB 2735	
HB 2747	
HB 2763	
HB 2788	
HB 2800	
HB 2871	
HB 2904	
HB 2981	
HB 3069	
HB 3112	
HB 3276	
HB 3317	
HB 3367	
HB 3401	
HB 3453	
HB 3458	
HB 3477	
HB 3495	
HJM 18	

2013 REVENUE POLICY OVERVIEW

Introduction

Revenue policy in the 2013 legislative session was shaped by modestly improving economic conditions, approaching sunset dates on key tax policies and court decisions in Oregon and elsewhere. The prospect of the first two percent surplus kicker since 2007 emerged during the session but in the end the 2% trigger was not met for either the personal or the corporate kicker.

Revenue Policy Environment

In contrast to the previous two regular sessions, 2013 was characterized by improving economic conditions. Despite the emergence of modest growth, Oregon's economy continued to underperform compared to previous economic recoveries. Overall 2013-15 General Fund/Lottery resources are projected to increase 10.3% compared to the estimated 2011-13 level. While this growth rate reflects an improving economy, it is less than the average for the previous ten biennia.

Improved Outlook for 2013-15 Biennium

	May 2013 Forecast		
	Amount	Change from 2011-13 Biennium	Change from December Forecast
General Fund	(in millions)		
Beginning Balance	$359.9	+$359.9	+$276.2
Revenue	$15,485.7	+1,237.2	+$73.7
Total General Fund Resources	$15,827.3	+$1,595.2	+$349.8
Lottery Resources	$1,059.6	-$22.5	+$8.8
Total General Fund Lottery Resources	$16,886.9	+$1,572.7	+$358.6

In terms of the legislative budget development process, changes in the revenue forecast are nearly as important as the overall projected growth rate for the coming biennium. Comparing the May revenue forecast with the December 2012 estimate shows an increase of $358.6 million in projected General Fund/Lottery resources. The Legislatively Adopted Budget is based on the May 2013 forecast while the Governor's Recommended Budget is balanced to the December 2012 projection. Although the overall resource estimate shows a significant increase, nearly all of the gain is based on higher than expected collections in the 2011-13 biennium. This is reflected in the increased beginning balance estimate. Projected General Fund and Lottery revenue for the 2013-15 biennium is little changed between the two forecasts. This adjustment reflects the assumption that much of the increased personal income tax collections in the final months of the 2011-13 biennium were the result of taxpayers shifting income into the 2012 tax year in anticipation of higher federal tax rates starting in 2013.

The revenue acceleration in the last two quarters of the biennium increased the probability of a 2% surplus kicker credit in the 2013-15 biennium. A corporate kicker credit of $20.3 million was projected in the May revenue forecast. The corporate kicker calculation for the 2011-13 biennium was still operating under pre-Measure 85 law. Measure 85, approved by voters in November of 2102, redirects future corporate kicker revenue to the General Fund for purposes of funding K-12 education. In the final week of the session, the House approved HB 2305 by the constitutionally required 2/3 majority. HB 2305 would have effectively suspended the

corporate kicker and retained the revenue for the Community College Support Fund. However, a surge in corporate refunds over the final weeks of the biennium made it clear that the 2% trigger for corporate revenue would not be met and the Senate did not act on HB 2305. The May revenue forecast put non-corporate General Fund revenue at $66.6 million below the personal kicker trigger. Although non-corporate revenue for the biennium is not yet final, it is clear that the personal kicker will also not be triggered.

Much of the 2013 revenue policy agenda was set by previous legislatures through the use of sunsets on both taxes and tax expenditures. Two key taxes were scheduled to sunset early in the 2013-15 biennium: the hospital assessment based on hospital receipts (along with its companion assessment on long-term care providers) and the emergency communications tax (911). Extending the sunset for these two taxes were important elements in the development of the overall budget. In 2009, the Legislature created a process for reviewing most of the state's tax credits. This process involves establishing a 6 year sunset for all the credits. The credits are then broken into three groups with roughly 1/3 of the credits scheduled to sunset every other year. In 2014, 13 credits were scheduled to sunset unless the 2013 Legislature took action to extend them. The cost of extending these credits in their existing form was estimated at $49.9 million in the 2013-15 biennium and $122.1 million in the 2015-17 biennium.

Another external factor influencing 2013 revenue policy was court decisions, one outside of Oregon and one made late in the session by the Oregon Supreme Court. Prior to the start of the session, the California Court of Appeals triggered widespread reaction throughout the country with its decision in the Gillette Case. The court ruled that corporations may elect the formula under which their net income is apportioned to California. California had recently moved to a sales only apportionment formula. However, the court ruled that because California was a member of the Multi-State Tax Compact and the compact had a provision allowing corporations to elect to use a three factor formula (equally weighted property, payroll and sales), corporations could elect to use either the sales factor or the three factor formula for apportioning income back to California. Oregon is also a member of the Multi-State Compact and requires the sales only method of apportionment. The state also has a case similar to Gillette pending (Health Net). This raised the issue of possible preventative legislative action. On May 31, the Oregon Supreme Court ruled in the Con-Way case that corporations could apply tax credits to the corporate minimum tax. This decision was not anticipated when the 2009 Legislature substantially increased and reformulated the corporate minimum tax. However, the 2013 Legislature did not take action in response to the Supreme Court decision.

Key Specific Legislation

1. Extending the tax credit sunsets: HB 3367

   HB 3367 extended 7 tax credits without modification through the 2019 tax year and did not take action on four other credits thereby allowing them to sunset. The Legislature also extended the sunset on the political contribution credit but disallowed its use for high income taxpayers. Finally, the eligibility criteria for the rural medical practice credit were modified and the sunset extension was limited to two years to allow time for further analysis of the credit.

   In terms of revenue impact, by far the largest element of the tax credit extension bill is the earned income tax credit. The credit was extended for six years and maintained as 6% of the federal credit. The credit was expanded indirectly through connection to the

federal definition which was modified in the 2013 federal tax package. The combination of the reconnect and the sunset extension is expected to reduce General Fund revenue by $42.2 million in the 2013-15 biennium and $75.2 million in the 2015-17 biennium.

HB 3367 also contains policy decisions related to tax expenditures but not related to the 2014 tax credit sunsets. The first is an increase in the annual cap on the film and video tax credit from $6 million to $10 million starting with the 2014 tax year along with a modification of reimbursement policy for the credit. The bill also makes a slight modification to the senior medical deduction by specifying that only medical expenses for age eligible taxpayers (62 and over) are deductible. Under current law medical expenses of any individuals reported on the return, including spouses under age 62 and dependents can be deducted. This change is expected to increase General Fund revenue by $3 million in the 2013-15 biennium. HB 3367 also specifies that married filing separate taxpayers are treated as single filers for purpose of calculating the phase out for the federal tax subtraction. This adjustment brings treatment of the phase out in line with the way married filing separate taxpayers are treated in other sections of Oregon tax law. This change is expected to increase General Fund revenue by $ 4 million in the 2013-15 biennium. The subtraction allowed for capital gains resulting from the sale of a mobile home parks is extended by six years. Though not technically a tax credit, this policy was considered in conjunction with the credit allowed for expenses associated with a mobile home park closing, which was also extended. Finally, HB 3367 prohibits the use of biomass tax credits for the production of canola in the Willamette Valley.

In addition to the tax expenditure related policy changes described above, HB 3367 makes a number of other technical modifications to tax credits and other tax expenditures. Many of these changes are clarifications to previous legislation.

The net revenue impact of HB 3367 is largely driven by the extension of the tax credits, especially the earned income tax credit. Overall the bill is expected to reduce General Fund revenue by $53.2 million in the 2013-15 biennium and $98.3 million in the 2015-17 biennium.

2. Extending the sunsets on key taxes: HB 2216 and HB 3317

HB 2216 makes modifications and extends the sunset on two key health related funding sources. The hospital assessment, scheduled to sunset 10-1-13, is extended for two years at the current of 4.32% of total net hospital revenue. An additional 1% is added to the assessment for purposes of funding the Hospital Transformation Performance Pool. The two components are expected to generate $745 million in revenue for the Oregon Health Authority in the 2013-15 biennium. This revenue is expected to be matched by over $1 billion from the federal government during the biennium.

HB 2216 also extends the sunset on the long term care facility assessment. This assessment is scheduled to sunset 7-1-14. The assessment is based on the gross revenue of long term care facilities. In addition to extending the sunset through 6-30-20, HB 2216 removes a previous exemption for certain facilities thereby expanding the base going forward. The extension of the sunset and the expanded base is expected to generate $61.5 million in the 2013-15 biennium and $127.7 million in the 2015-17 biennium. The long term care assessment will be used in combination with matching

federal funds, expected to total nearly $100 million in the 2013-015 biennium and $218 million in the 2015-17 biennium.

Oregon's emergency communications tax is imposed on communication services with access to the 911 emergency reporting system. The tax was scheduled to sunset 1-1-14. HB 3317 extends the sunset to 1-1-22. The extension is expected to generate $58.1 million in the 2013-15 biennium and $76.8 million in the 2015-17 biennium.

The Legislature spent much of the 2013 session discussing the most efficient way to ensure that revenue from pre-paid phone services are captured in the tax base. Pre-paid services are legally part of the current base according to Legislative Counsel but the best method to ensure their collection is problematic for states like Oregon and Montana that do not have a general retail sales tax. The Legislatures in both states extensively debated the imposition of a point-of-sales collection method to capture the prepaid phone purchases. However, in both instances no action was taken (In Montana's case, point of sale legislation was vetoed by Governor Bullock). In Oregon, HB 3317 extended the tax without mentioning how to address the issue of ensuring collection from pre-paid sales.

3. Capturing corporate income reported in tax haven jurisdictions: HB 2460

Since the mid-1980s Oregon has operated under a water edge's definition for purposes of apportioning net corporate income to the state. Since that time, the state has been connected to the federal definition of what constitutes water's edge income. HB 2460 maintains the water's edge definition but adds net income reported in specified tax haven countries. HB 2460 is patterned closely after a similar law in effect in Montana since 2003. West Virginia and Alaska also have statutes capturing corporate income in tax haven jurisdictions. Like the Montana law, HB 2460 lists a number of jurisdictions that are regarded as tax havens for purposes of reporting income to be apportioned. Income reported in these jurisdictions is to be added to water's edge income and apportioned back to Oregon according to the state's single sales formula.

Countries listed as tax havens in the bill are based on a large body of research over the past twenty years. The framework for determining tax haven status was developed by the Organization for Economic Co-operation and Development (OECD). The OECD framework is based on three principal purposes of tax havens and four identifying factors.

Tax haven purposes:

a. Location for holding passive investments.
b. Location to book profits unrelated to local economic activity.
c. Location where bank accounts can be maintained and shielded from tax authorities in other countries.

Tax haven identifying factors:

a. Either no taxes or very low taxes on income reported in the jurisdiction.
b. Lack of effective information.
c. Lack of transparency.
d. No substantive economic activity in the jurisdiction such as sales or capital investment.

HB 2460 lists a set of jurisdictions from which income must be reported to Oregon tax authorities. Under the bill, the Department of Revenue is to review the list on a biennial basis and recommend any changes to the Legislature based on their findings.

Due to lack of Oregon specific data, the revenue impact for HB 2460 is subject to considerable uncertainty. The estimates are based on the Montana data (Montana collected $7.9 Million in the 2011-12 fiscal year), scaled to Oregon's tax base and adjusted for the different apportionment formulas used by the two states. HB 2460 becomes effective with the 2014 tax year, meaning that essentially one year of collections will be captured in the 2013-15 biennium. That figure is estimated to be $18 million. For the 2015-17 biennium with two full years of collections, the revenue estimate for HB 2460 is $42 million.

4. Modifying the Senior Property Tax Deferral program: HB 2489 and HB 2510.

In 2011, the Legislature was forced to make significant changes to the deferral program due to large projected deficits. The 2011 legislation (HB 2543) restricted eligibility by tightening income reporting requirements, establishing a length of residency requirement and imposing a wealth limit. However, it was the exclusion of participants with a reverse mortgage that had by far the largest impact on program eligibility. In 2012, the Legislature reinstated program participants who had applied for the program but been rejected solely due to having a reverse mortgage with the passage of HB 4039. The reinstatement of these participants was for two property tax years.

With the 2 year extension for participants with reverse mortgages running out, the Legislature passed HB 2489 early in the session. HB 2489 extended indefinitely the ability to participant in the program for those who had been disqualified solely due to having a reverse mortgage, who were in the program in 2011 and had submitted an application for the 2011-12 property tax year. HB 2489 is expected to allow about 1,500 participants to remain in the program.

Participation in the program was expanded further with the passage of HB 2510 late in the session. HB 2510 allows participants who did not re-apply for the program because they had a reverse mortgage or did not meet the 5-year residency requirement to rejoin the program in 2014. The number of new participants from this change is limited to 700 for the property tax year beginning July 1, 2014.

HB 2489 and HB 2510 both increase participation in the deferral program. This will have the effect of increasing Department of Revenue payments to the counties and reducing the fund balance in the short term. Despite the increased payments, the fund is expected to maintain a positive balance of $3.3 million in November of 2013 (after payment of property taxes) and $4.5 million in November of 2014.

5. Confirming Oregon's corporate apportionment process: SB 307

SB 307 repeals the Multistate Tax Compact for Oregon statutes and then re-instates the compact language with the exception of provisions related to the apportionment of corporate income. The action was a defensive step in response to a court case in California (Gillette Co. et. al. v. California Franchise Tax Board). Based on the California

court decision, a corporation could “elect” the method by which their income is apportioned if the state is a member of the compact and has a statutory apportionment formula that differs from the three equally weighted factors proscribed by the Multistate Tax Compact. A similar court case (Heath Net Inc. and Subsidiaries v. Oregon Department of Revenue) is in the early stages in the Oregon court system.

Oregon adopted the Multistate Tax Compact in 1967 with the passage of what became ORS 305.655. The intent of joining the compact was to facilitate proper identification of corporate income for multi-state tax filers and promote uniformity, compatibility and compliance across states. In 1991, Oregon moved from an equally weighted three factor formula (property, payroll and sales) to one in which sales were double weighted. In 1993, the Legislature adopted language (ORS 314.606) to clarify that the statute adopting the double weighted sales formula (ORS 314.606) took precedence over the compact language regarding apportionment. In 2001, the Legislature moved to a formula that gave sales an 80% weight. In 2005, the Legislature moved all the way to a 100% sales weighted formula.

SB 307 does not change Oregon’s current law regarding the apportionment of corporate income. It is intended to clarify that the current sales only formula applies to all corporations unless otherwise stated in statute.

The remaining text of this report contains a summary of all revenue related measures approved by the 2013 Legislature including measures highlighted in the overview section.

SUMMARY OF INDIVIDUAL REVENUE BILLS

PERSONAL AND CORPORATE INCOME TAX

HB 2060 (CH 260)

Allows the Attorney General to issue an order disqualifying a charitable organization from receiving contributions that otherwise would be tax deductible under the Oregon income or corporate excise taxes. Issuance of such an order would also disqualify the organization from a property tax exemption under ORS 307.130, which exempts charitable organizations from the property tax. Such an order would be contingent upon the finding that the organization failed to spend at least 30 percent of its total annual functional expenses on program services when averaged over the most recent three fiscal years for which the Attorney General has relevant information. Requires organizations to disclose that such an order has been issued when making solicitations in Oregon. Requires the Attorney General to publish the identity of such organizations on the Internet and elsewhere, and file an annual report with the Department of Revenue. Requires individual and corporate taxpayers to include in taxable income the amount of contributions made to such organizations if made 30 days after the public notification.

Revenue Impact: Revenue gain to the General Fund of less than $50,000 per biennium. Revenue gain to local taxing districts of less than $50,000 per biennium.

The General Fund revenue impact is based on the assumption that taxpayers are unlikely to change their behavior in such a way that their total amount of charitable contributions is significantly altered. Most taxpayers who would have made a contribution to an organization affected by this policy would likely make a similar contribution to a different charitable organization. The small revenue gain is based on the assumption that a few taxpayers would not simply redirect their contribution.

A revenue impact on local taxing districts would result from any such organizations losing their property tax exemption for Oregon property. It is difficult to predict with certainty which organizations with Oregon property would be affected by this proposed law; however, the revenue impact is not expected to be significant. The magnitude of any revenue impact would depend on Department of Justice enforcement actions and the value of Oregon property own by affected organizations.

HB 2230 (CH 194)

Reorganizes statutes pertaining to the income tax subtraction for military pay.

Revenue Impact: Revenue loss of less than $50,000 per biennium.

The intent of the bill is to clarify the existing statutes pertaining to this income tax subtraction. The minimal revenue impact estimated here is due to the possibility that a clearer statute could lead to some increase in usage. However, such an impact is not expected to be large.

HB 2316 (CH 270)

Removes the consideration of pension accounts valued at $60,000 or less from the definition of "lower income household" for individuals to qualify as account holders for the Oregon Individual Development Account Initiative.

Revenue Impact: None

HB 2460 (CH 707)

Revenue Impact:
2013-15: +$18 million
2015-17: +$42 million
2017-19: +$49 million

HB 2460 requires corporations that file an Oregon tax return that includes a corporation that is a member of a unitary group and incorporated in certain listed countries that are considered tax havens to include net income for those countries on their Oregon return. Requirement first applies to the 2014 corporate tax year. The bill directs the Department of Revenue to report to the Legislature every other year on potential changes to the list of countries.

The revenue impact estimate is based on actual collections in Montana (where a similar provision has been in effect since 2003), adjusted for Oregon's tax base and the different apportionment formulas used by the two states.

HB 2464 (CH 734)

Creates penalties for all businesses that fail to file informational reports. Applies to payments made in tax years beginning on or after January 1, 2013.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2013-14	**2014-15**		**2013-15**	**2015-17**	**2017-19**
Penalties	$0.41	$0.28		$0.7	$0.4	$0.3
Income Taxes	$0.05	$0.25		$0.3	$0.8	$1.0
General Fund	**$0.46**	**$0.53**		**$1.0**	**$1.2**	**$1.3**

The estimated revenue impact on income taxes is based on the theory that increased informational return reporting will increase tax compliance. The new penalties contained in this bill are assumed to have the impact of increased reporting. A 2009 Department of Revenue report on tax compliance included estimates for the rate of noncompliance for different sources of income. The misreporting percentage for wage and salary income was 1.2 percent. The policies contained in this bill are assumed to decrease that noncompliance rate by one percent. The increased compliance factor is applied to the projected tax liability from wages and salaries as per the May revenue forecast. Also, a phase-in period of two years is assumed before the full one percent decrease in noncompliance occurs. The penalty provisions are assumed to result in a filing compliance rate of 98 percent in the first year that gradually increases to 99.5 percent, resulting in declining revenue from penalties over time.

HB 2492 (CH 377)

Generally updates Oregon's date of connection to certain federal laws from December 31, 2011 to January 3, 2013. The exception is that for purposes of the earned income tax credit, the connection date remains December 31, 2011. (The connection date for the earned income tax credit is updated in HB 3367.)

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-17	2017-19
General Fund	-$0.3	-$0.4		-$0.7	-$0.4	$0

The only revenue impact is due to Oregon's dependent care tax credit, which is a certain percentage of eligible expenses. These expenses are defined in federal law. Without the passage of ATRA (2012) the amount of eligible expenses would have been reduced. Because this bill ties to federal law that includes larger amounts of eligible expenses, Oregon's dependent care credit will be slightly larger than it would have been otherwise. This impact reduces to zero over time because the Oregon tax credit is scheduled to sunset on January 1, 2016.

HB 2511 (CH 123)

Revenue Impact: None

HB 2511 directs the Department of Revenue to modify refunds for 2% kicker credits only for those years in which the kicker credit applies. In 1995, the Legislature converted the personal kicker credit into a refund. The 2011 Legislature restored the personal income kicker to a credit. HB 2511 is intended to be clean-up language for the 2011 bill that made the change (HB 3543).

HB 2763 (CH 744)

Increases the maximum amount of qualified low-income community investments eligible for the tax credit from $4 million to $8 million. Establishes a five-year carryforward for the tax credit. Makes technical changes to the timing of issuing the investment for environmental projects. Ignores the Qualified Equity Investment tax credit when applying the amount of corporate taxes used in the calculation of the retaliatory tax. Requires the Oregon Business Development Department to disclose certain information related to the issuance of the tax credits. The changes to the investment cap and carryforward apply to tax years beginning on or after January 1, 2014. The change pertaining to environmental projects applies to investments made on or after July 1, 2012. The change affecting the retaliatory tax applies to tax years beginning on or after January 1, 2013.

Revenue Impact: A minimal revenue gain or loss of less than $100,000 per biennium.

This bill does not change the total amount of tax credits allowed to be granted. The tax credit program includes a cap on the amount of tax credits that may be issued and the current law revenue forecast, released in May 2013, includes the assumption that the full amount of tax credits will be awarded by the end of 2014. The increase in the investment cap could change the number of qualified projects under the existing program, but does not change the program's tax credit cap. The change to the retaliatory tax is expected to affect which types of entities would be claiming the tax credit. Insurance companies pay the retaliatory tax and this bill is expected to make these investments, and thus the credit, more appealing to these taxpayers.

HB 2871 (CH 583)

Requires the Department of Revenue to prepare a report on its progress in implementing the occupational licensee pilot project. Requires that the report include a plan to further develop and improve the program based on the department's experience with the pilot project. Requires the department to recommend methods by which the pilot project may be extended to other state agencies. Requires the report to be completed by February 1, 2014.

Revenue Impact: None

HB 3069 (CH 467)

Excludes expenses paid to a foreign corporation without U.S. nexus from the Oregon addition for expenses paid to a related member for the use of intangible property. Declares that nothing in ORS 314.296 shall prohibit the Department of Revenue from administering ORS 314.295. Applies to tax years 2010 through 2012. Repeals ORS 314.296 effective January 1, 2013.

Revenue Impact: Minimal

HB 3367 (CH 750)

The House Revenue and Senate Finance & Revenue committees had before them 13 income tax credits (existing in current law) for review during the 2013 Session. Four were allowed to sunset at the end of the year; seven were extended without modification, and two were extended with some modifications. The bill also included changes tax credits that were not part of the scheduled review process as well as changes to tax policy unrelated to tax credits.

Seven tax credits simply had their sunset date extended to January 1, 2020:

1. Earned income
2. Cultural Trust
3. Pension income
4. Rural EMT
5. Employer provided scholarships
6. Farmworker housing construction (including non-tax credit housing program changes)
7. Manufactured home park closure

Two tax credits were modified and had their sunset extended:

1. Political contributions: The tax credit was extended to January 1, 2020 and limited to joint filers with income below $200,000 and non-joint filers with income below $100,000.
2. Rural medical providers: The tax credit was extended two years (to January 1, 2016) in addition to the following three policy changes. First, eligible providers must provide

qualifying services for an average of 20 hours per week. Second, eligible providers must be willing to accept Medicare and medical assistance patients in the same percentage as such populations within the county, up to caps of 20 percent (Medicare) and 15 percent (medical assistance). Third, the Coos Bay hospital is included in the program.

Six other tax credits were modified to some extent, with four such changes being technical:

1. Biomass: This tax credit was made unavailable for canola grown in the Willamette Valley.
2. Film & Video: The annual credit cap was increased from $6 million to $10 million (along with reimbursement policy changes).
3. Technical: The Research & Development was modified to prevent a deduction and tax credit for the same expenses. The University Venture Development Fund was clarified so that the three-year structure of the credit is not affected by the sunset date. The credit for livestock killed by wolves was modified so that funds are available for the refundable portion of the credit. The workers' compensation assessment tax credit was sunsetted (as intended by the 2011 Legislature).

Four policies generally unrelated to tax credits were also included in the bill:

1. The additional medical deduction is limited to the expenses incurred by taxpayers age 62 or older.
2. The federal tax subtraction for married-filing-separately taxpayers is limited to half of the amount allowed for joint filers.
3. The subtraction for payments received by tenants resulting from the closure of a manufactured home park is extended to January 1, 2020.
4. Revenue Impact statements issued by the Legislative Revenue Office pertaining to tax expenditures must include estimates for three biennia and a public policy purpose statement. Any tax expenditure enacted after January 1, 2014 will have a six-year sunset unless otherwise indicated.

Revenue Impact ($Millions):

Section(s)	Policy	Biennium		
		2013-15	2015-17	2017-19
1-3	Earned income	-$42.2	-$75.2	-$75.8
4-5	Additional medical deduction limited to age 62 and over	$3.0	$5.0	$6.0
4-5	Federal tax subtraction for married-filing-separate	$4.0	$5.0	$5.0
6-7	Political contributions (with income cap of $100k/$200k)	-$6.3	-$15.5	-$13.7
8	Cultural Trust	-$3.3	-$6.6	-$6.8
9	Pension income	-$0.9	-$1.7	-$1.7
10-13	Rural medical provider (with 20 hrs/wk, Medicare percentage, and Coos Bay hospital)	-$1.0	-$3.6	-$2.9
14-15	Deleted by amendment			
16	Rural EMT	-$0.2	-$0.3	-$0.3
17	Employer provided scholarships	$0.0	-$0.1	-$0.1
18-32	Farmworker housing construction (with Ag worker changes)	-$0.2	-$0.6	-$0.9
33-35	Manufactured home park closure	$0.0	-$0.1	-$0.1
36-37	Manufactured home park gains subtraction	$0.0	-$0.1	-$0.1
38-39	R&D double deduction prohibition	$0.0	$0.0	$0.0
40-41	Prohibit biomass tax credits for canola grown in the Willamette Valley	$0.0	$0.0	$0.0
42-43	Clarify structure of the University Venture Development Fund credit	$0.0	$0.0	$0.0
44-45	Revenue impact statement requirements and default 6-year sunset on all tax expenditures	$0.0	$0.0	$0.0
46	Sunset the workers compensation assessment credit	$1.5	$3.0	$3.0
47	Wolf credit refundability technical fix	$0.0	$0.0	$0.0
48-51	Increase film & video credit cap to $10 million/year and reimbursement policy changes	-$7.6	-$7.6	-$3.8
52	Effective date			
	Net Revenue Impact:	-$53.2	-$98.3	-$92.1

The estimated impacts from the tax credit sunsets are based on the historical use of the tax credits. Future use is either trended forward – including any cyclical patterns – or tied to the May 2013 economic and revenue forecast. The estimate for the earned income tax credit includes the impacts from both extending the sunset date and updating the federal connection date.

HB 3477 (CH 614)

Removes the provision of law that enables entities that engage in limited mortgage activities to be exempt from the Oregon corporation excise tax.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-17	2017-19
General Fund	**$0.5**	**$0.5**		**$1.0**	**$1.0**	**$1.0**

The revenue impact is based on a review of tax returns of corporations for tax years prior to the year in which they became eligible for this exemption. Extrapolating from that information, the revenue impact could range between $100,000 and one million dollars per year. The impact shown in the table here reflects a mid-point of those estimates.

HB 3495 (CH 392)

Eliminates the sunset date on statutes pertaining to the regulation of exchange facilitators, who are intermediaries in the process of like-kind – also known as 1031 – exchanges.

Revenue Impact ($Millions): None

SB 183 (CH 298)

Allows the Department of Revenue to give notice by methods other than regular mail if such an agreement is reached between the department and the taxpayer.

Revenue Impact: None

SB 184 (CH 472)

Allows statutorily required items, such as a notice of garnishment, to be sent by first class mail or by alternative means if agreed upon by the garnishee. Prohibits a government agency from seeking sanctions against a noncompliant garnishee unless the required items, including the notice of garnishment, are delivered to the garnishee in person or via certified mail. Declares emergency and is effective on passage.

Revenue Impact ($Millions): None

SB 185 (CH 405)

Creates two exceptions to the garnishment statutes for the Department of Revenue functions. Removes the requirements that a warrant be attached to the notice of garnishment and that notices of garnishment be hand-signed.

Revenue Impact: Potential revenue gain of less than $50,000 annually.

There is no revenue impact from the changes made to the garnishment process. The Fiscal Impact Statement indicates a revenue savings of roughly $200,000 in 2013-15 and $300,000 in

2015-17. Depending on whether or not these savings are retained and repurposed by the Department of Revenue, there could be a minimal revenue gain.

SB 307 (CH 407)

Clarifies existing law by repealing the Multistate Tax Compact in its entirety and reinstating the compact without Articles III and IV, which pertain to income subject to apportionment. The bill takes effect on the 91st day following adjournment sine die. The adoption of the new tax compact is operative on the day following the effective date of the Act.

Revenue Impact ($Millions): None

SB 583 (CH 774)

Makes two changes to the transportation projects tax credit. First, it adds the acquisition of an alternative fuel vehicle fleet to the definition of projects that are eligible for the tax credit. Second, it redirects $3 million of transportation project tax credits (for the 2013-15 biennium) to a credit that will be auctioned. Establishes the tax credit for tax years 2013 and 2014. The proceeds from this tax credit will be deposited into the Alternative Fuel Vehicle Revolving Fund, which is also created in this bill.

Revenue Impact: None

Under current law, there is a $20 million biennial cap on tax credits to be issued by the Department of Energy for transportation projects. The May 2013 revenue forecast incorporates the assumption that these tax credits will be issued. Because this bill does not change the cap, there is no revenue impact. The addition of alternative fuel vehicle fleets to the definition of transportation projects and the redirection of the $3 million in tax credits (for the 2013-15 biennium) to the Alternative Fuel Vehicle Revolving Fund will change the nature of which tax credits will be issued but are not expected to change the total amount of tax credits issued.

MEDICAL PROVIDER TAXES

HB 2216 (CH 608)

Extends the sunset of an assessment on the net revenue of certain hospitals for two years until September 30, 2015, to provide healthcare services to eligible individuals. Extends the sunset of an assessment on long term care facilities for six years, until June 30, 2020. Removes provider assessment exemptions for all currently exempt long term care providers but the Oregon Veterans' Home, on January 1, 2014. Takes effect on the 91st day after adjournment sine die.

Revenue Impact (in $Millions):

(1) Hospital Assessment

	Biennium	
	2013-15	**2015-17**
Oregon Health Authority (Hospital Quality Assurance Fund)	**$ 745.0**	**$ 110.7**
Hospital Assessment (4.32 percent assessment)	**$ 600.0**	**$ 90.0**
Hospital Transformation Performance Pool (1 percent assessment)	**$ 145.0**	**$ 20.7**

Data Source: Oregon Health Authority

(2) Long Term Care Facility Assessment

	Fiscal Year		Biennium		
	2013-14	**2014-15**	**2013-15**	**2015-17**	**2017-19**
Long Term Care Facility Quality Assurance Fund	**$ 3.9**	**$ 57.6**	**$ 61.5**	**$ 127.7**	**$ 142.0**

Data Source: Oregon Department of Human Services

(1) Hospital Assessment
Certain large hospitals in Oregon have been paying this assessment on their net revenues to help support the Oregon Health Plan (OHP) since 2004. The assessment, with the sunset extension, is expected to raise about $600 million for the OHP in the 2013-15 biennium, assuming the current assessment rate of 4.32 percent on the total net revenue. This revenue will be distributed back to the hospitals based on certain procedures established by the Oregon Health Authority. This $600 million in turn will be matched by $1.014 billion in federal funds.

There is an additional one percent assessment over the current assessment rate. The revenue from this additional assessment will be distributed back to hospitals based on each hospital's achievement of certain performance metrics. The estimated revenue from this additional assessment is $145 million in the 2013-15 biennium. This revenue will be matched by $245 million in federal funds.

The assessment rate is set by the director of the Oregon Health Authority in consultation with representatives of hospitals. In total, the estimated revenue of $745 million from the assessment will bring in $1.259 billion in federal matching funds during the 2013-15 biennium.

(2) Long Term Care Facility Assessment
This bill allows the Oregon Department of Human Services to continue to collect assessment on gross revenues of long term care facilities for six more years. Under current law, the assessment is set to expire on June 30, 2014. Collected assessments leverage matching federal funds. The bill also facilitates efforts in reducing excess capacity in long term care facilities.

This bill removes provider assessment exemptions for all currently exempt long term care providers except for the Oregon Veterans' Home, on January 1, 2014. When assessment exemptions are removed, there will be an additional assessment collection of $3.9 million in the second half of the fiscal year (FY) 2013-14, which will leverage $6.7 million in matching federal funds. The extension of the assessment sunset makes possible additional collections beyond FY 2013-14. $57.6 million in the FY 2014-15 will be matched by $98.8 million in federal funds.

The assessment of $127.7 million for the 2015-17 biennium will bring in $218.0 million in leveraged federal funds.

HB 3458 (CH 698)

Establishes the Oregon Reinsurance Program to be administered by the Oregon Medical Insurance Pool Board. Ends the program on December 31, 2016. Closes the Oregon Medical Insurance Pool on December 31, 2013. Takes effect on passage.

Revenue Impact (in $Millions):

	Biennium	
	2013-15	**2015-17**
Oregon Reinsurance Program	**$ 104.2**	**$ 72.2**
Oregon Medical Insurance Pool	**-$ 101.0**	**$ 0**

Data source: Oregon Health Authority, Oregon Department of Consumer and Business Services

When the federal Affordable Care Act starts on January 1, 2014, more Oregonians will have access to health insurance plans in the individual insurance market. With the law in effect, health plans are expected to cost more for certain Oregonians. The Oregon Reinsurance Program is a temporary reinsurance program that pays a portion of high claims costs and helps to stabilize individual market premiums. The program spreads a portion of exceptional claims costs for about 2,100 high-risk Oregonians to large and small employer groups as well as individuals. The program will be funded by an annual assessment on all insurers defined in the bill for calendar years 2014, 2015, and 2016. The assessment will be at a rate that is expected to produce revenues meeting the needs of reinsurance payments. However, the maximum amount of total assessment for any given calendar year is specified in the bill.

The predecessor to the Oregon Reinsurance Program is the Oregon Medical Insurance Pool (OMIP). It was scheduled to close in June, 2014. The revenue impact captures the expected revenue loss due to an early closing of the program.

PROPERTY TAX AND LOCAL GOVERNMENT FINANCE

HB 2227 (CH 193)

Repeals certain little-used property tax exemptions, beginning with July 1, 2017 tax year. Creates consistent deadlines for application for certain property tax exemption programs. Eliminates application requirement for property owned by state or federal government, Indians or Indian tribe where leased, subleased or possession granted to state or federal government or Indian tribe. Creates 10-year clawback provisions for nonprofit corporation low income housing exemption program and vertical housing exemption program, consistent with other housing exemption programs. Requires applicant to obtain verifications required for farm labor camp and child care facility exemption programs. Adds application requirement to exemption for property held or operated by housing authority.

Revenue Impact ($Millions): No revenue impact.

HB 2349 (CH 426)

Extends tax exemption for single unit housing to property constructed before January 1, 2025. Removes requirement for affordable housing to be located in distressed areas and the 20 percent limit on area of a city that may be designated as distressed. Requires that a city with more than 40% of the tax rate gain county approval before approving the single unit housing exemption in an area.

Revenue Impact ($Millions):

		Fiscal Year			Biennium		
		2013-14	2014-15		2013-15	2015-17	2017-19
Sunset Extension Impact	**Local Government**	-$ 0.19	-$ 0.19		-$ 0.38	-$ 1.85	-$ 3.01
	Local School Districts	-$ 0.13	-$ 0.13		-$ 0.26	-$ 1.23	-$ 2.01
Impact of Geographic Expansion from Distressed Areas to Entire City	**Local Government**	-$ 0 to -$0.065	-$ 0.0 to -$0.065		-$0 to -$0.13	-$0 to -$0.26	-$0 to -$0.40
	Local School Districts	-$ 0 to -$0.04	-$ 0 to -$0.04		-$0 to -$0.08	-$0 to -$0.17	-$0 to -$0.27

The impact of the measure is divided into two parts. The first is the sunset extension from a July 2015 construction deadline to a July 2025 deadline. The second is the geographic expansion of areas where properties may receive the exemption from distressed areas only to city-wide. Impacts here are given in a range from no increase in new property per year limit to a doubling of the limit.

The single unit housing property tax exemption is currently only granted in Portland in particular distressed areas. Through a collaborative process with the taxing districts involved, there has been established a limit of 100 new properties per year that may participate in the program. This limit, however, is not in statute. The measure would open the program to more land area within any city that adopts it. To date, Portland is the only city that has adopted this exemption. While the measure significantly expands the available land area for housing to receive this exemption, the limit of 100 new properties each year would apply for the immediate future. There are 1,800 properties participating in the exemption. Any expansion of the program or the number of properties that may qualify would be part of the collaborative process between the Portland Housing Bureau and affected districts Furthermore, the measure requires county approval in cases where the city makes up 40 percent or more of the assessed value on a property.

Purpose Statement: The Legislative Assembly finds it to be in the public interest to encourage homeownership among low and moderate income families.

HB 2480 (CH 684)

Allows a change in the use of facilities constructed with certain general obligation bonds without causing the expenditure to be an improper expenditure that must be refunded. Requires that proceeds from the change in use of the facilities be used to reduce taxes imposed to pay bond-related costs. Allows a transfer of use for the Wapato Jail for a purpose other than corrections.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Local Government	$ 0	$ 0.06		$ 0.06	$ 0.13	$ 1.46
Local School Districts	$ 0	$ 0.04		$ 0.04	$ 0.09	$ 0.97

The Wapato Jail's construction was funded with a general obligation bond approved in 1996. There is slightly less than $15 million left to pay back on the bond before it is complete in 2016. A portion of the bond is attributable to the Wapato Jail. Multnomah County is seeking to lease or sell the jail to a private entity. The measure requires that proceeds of the sale or lease go to defer the taxpayer costs associated with the service of this bond. Revenue from property tax payments would be replaced by payments from the entity leasing the jail. It is estimated that the lease payment would be $1.1 million per year. If the entity leasing the jail is a private firm or individual, the jail becomes taxable, and would be put on the property tax rolls. There is a positive revenue impact to this aspect of the measure.
The value of the jail for property tax purposes is not known. The building encompasses 170,000 square feet. Evaluation of warehouse properties of similar sizes yields an estimate that the property would be worth $12 million. Uses other than a jail or movie set would likely require significant remodeling of the property. The property tax associated with this amount is estimated to be $103,872 in the first year, applying the commercial CPR of 0.541 and a tax rate of $16/$1,000 in assessed value.

HB 2489 (CH 31)

Extends the ability to participate in the Senior and Disabled Property Tax Deferral Program to those who have been in the program prior to the changes in 2011 and who have been disqualified solely due to a reverse mortgage. Extends ability to participate in the program for participants who had been disqualified in 2011 solely due to having a reverse mortgage, who had already been in the program, and who had completed an application in 2011. Makes technical changes to clarify various aspects of the operation of the program, including:

-Clarification that the applicant for the senior deferral program must be 62 years of age on or before April 15th of the year in which the claim is filed.
-Clarification that the claim for deferral must be filed between January 1 and April 15th preceding the property tax year for which the deferral is claimed.
-Clarification that the grant of deferral can be made for an eligible homestead for an individual who failed to respond to a request for certification of eligibility if the individual reapplies and qualifies in a subsequent year. Removes language that only refers to income as a disqualifying factor as the new language covers all factors that can result in disqualification.
-Clarification that the Department of Revenue may only collect as much as is left from the real market value of the homestead after subtracting the value of all liens prior to the department's.
-Provision for a notification to transferees and a process by which objections to the notice of liability may be handled.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Senior and Disabled Deferral Account	-$ 2.65	-$ 2.65		-$ 5.3	-$ 4.2	-$ 2.7

The measure would extend the ability to participate in the Senior and Disabled Property Tax Deferral Program to approximately 1,500 individuals who were disqualified due to having a reverse mortgage. It results in additional tax payment obligations for the program as well as additional repayments in the future by these individuals. The net of these positive and negative revenue effects is above.

HB 2510 (CH 494)

Allows participants in the Senior and Disabled Property tax deferral program who were disqualified in 2011 solely due to having a reverse mortgage, or not meeting the 5-year residency requirement, or both to participate in the program again for the tax year beginning July 1, 2014. Limits the number of new participants from this change to 700 for the property tax year beginning July 1, 2014, and growing by five percent each year thereafter until all participants who qualify and desire to be reactivated are. Corrects technical error associated with the sorting of applicants to comply with the 5 percent growth per year in the number of new applicants.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Senior and Disabled Deferral Account	-$ 0	-$ 1.36		-$ 1.36	-$ 2.85	-$ 0.5

HB 2632 (CH 579)

Removes local option levies approved by voters after January 1, 2013 from the division of tax revenue for standard rate urban renewal plans. Provides for an option in which an urban renewal agency may issue an impairment certificate if the removal of new local option levies from the consolidated billing tax rate impairs the ability to meet contractual obligations with bondholders. Puts changes in effect for tax years beginning on or after July 1, 2014.

Revenue Impact (in $Millions): No revenue impact.

HB 2676 (CH 205)

Eliminates sunset for mandatory cancellation of property tax assessment for manufactured structures with total value less than $12,500, indexed to inflation from 2002, in counties with a population of more than 340,000.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Local Government	$ 0	-$ 0.5		-$ 0.5	-$ 1.0	-$ 1.1
Local School Districts	$ 0	-$ 0.32		- $ 0.32	-$ 0.7	-$ 0.7

The property tax exemption is currently scheduled to sunset for the tax year beginning July 1, 2014. It applies to properties worth less than $15,000 in fiscal year 2011, indexed to inflation, in counties which have more than 340,000 people (currently Clackamas, Lane, Multnomah, and Washington.) $800,000 in annual property tax revenue to counties is associated with these properties in the 2013-15 biennium. If the exemption were allowed to sunset, property tax payments would be collected on these properties beginning in November 2014. When the sunset is removed, these payments are not made, so the revenue impact is -$800,000 in 2013-15, growing by 3% per year thereafter. There may be difficulty in recovering costs from a foreclosure on these homes and any nonpayment of taxes is not reflected in this revenue impact estimate.

Policy Purpose:
To reduce administrative costs associated with processing personal property accounts with low value. It is also to provide tax relief to low-income homeowners living in inexpensive structures.

HB 2735 (CH 210)

Extends sunset for property tax exemption for food processing equipment. Requires that the first tax year of property tax exemption begin prior to July 1, 2020. Allows food processor to apply for exemption for the tax year beginning July 1, 2013 by submitting the required application to the Department of Revenue by December 31, 2013.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Local Government	-$ 0.835	-$ 0.835		-$ 1.7	-$ 1.7	-$ 1.8
Local School Districts	-$ 0.55	-$ 0.55		- $ 1.1	-$ 1.2	-$ 1.2

Newly acquired equipment that is used for food processing is exempt from property taxation for the first 5 years.

Policy Purpose: The policy purpose is in statute. The Legislative Assembly declares that a property tax exemption for qualified real property machinery and equipment encourages continued operation and expansion of the food processing industry in this state (ORS 307.453).

HB 2788 (CH 319)

Includes donation of farm products to local food bank or school as farm use for purposes of property tax special assessment. Applies to property tax years beginning on or after July 1, 2013.

Revenue Impact (in $Millions): This measure has a minimal revenue impact.

HB 2904 (CH 213)

Extends sunset for property tax exemption for cargo containers to the tax year ending June 30, 2020. This exemption applies to containers owned by domestic companies only; containers owned by foreign companies are not taxable.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Local Government	$ 0	-$ 0.2		-$ 0.2	-$ 0.5	-$ 0.5
Local School Districts	$ 0	-$ 0.2		- $ 0.2	-$ 0.4	-$ 0.4

Purpose Statement:
The purpose is to treat all domestic and foreign owned cargo containers similarly to help Oregon ports remain competitive with Washington and California, which exempt all cargo containers.

HB 2981 (CH 385)

Allows exemption from ad valorem property taxation under Rural Renewable Energy Development Program if governing body of zone sponsor adopts resolution waiving requirements and if $5 million investment is made.

Revenue Impact (in $Millions):
The measure has an indeterminate revenue impact. This measure would waive the employment requirement for a business included in the Rural Renewable Enterprise Zone property tax exemption program that makes a $5 million investment. The exemption is in effect for three to five years. There is interest by the solar power industry to participate and make some of these investments, but the extent to which this will be used is unknown. Central and eastern Oregon, in particular, are the areas where the interest lies. Under current law, Rural Renewable Energy Development Zones are anticipated to have $2.2 million in revenue impact for the 2013-15 biennium. To the extent that structures would not have been built but for this exemption, there is not a revenue impact. If structures would have been built regardless, there is an impact to this extension.

Purpose Statement:
To stimulate and protect economic success…throughout all regions of the state, but especially in those communities at the center of or outside major metropolitan areas for which geography may act as an economic hindrance…by providing tax incentives for employment, business, industry and commerce and by providing adequate levels of complementary assistance to

community strategies for such interrelated goals as environmental protection, growth management and efficient infrastructure. (ORS 285C.055)

HB 3112 (CH 386)

Exempts from property taxation property of political subdivision used or intended to be used for affordable housing or leased or rented to persons of lower income. Clarifies jurisdiction requesting tax exemption under the statute annually certify that property meets exemption requirements. Requires application. Applies to property tax years beginning on or after July 1, 2013.

Revenue Impact (in $Millions):

This measure has an indeterminate revenue impact. The measure allows counties and local governments to receive a property tax exemption on housing provided to low income individuals beginning with the tax year beginning July 1, 2013. The property in Portland that will first be affected by this measure has an annual tax bill of $52,512, so the biennial revenue impact from that property will be $104,000, growing by 3 percent per year. If other local governments undertake low income housing projects in response to this measure, the revenue impact would be larger. The size of the impact would depend on whether new property was constructed that would not otherwise have been, or if property was taken off the roll from a taxpaying entity to provide these services. In the case of the latter, there would be a revenue impact, but would depend on the extent of that effect.

Purpose Statement:
The purpose of this tax expenditure is to provide cities and local governments with the ability to acquire property to build and maintain adequate low-income housing.

HB 3276 (CH 287)

Exempts certain property of port from property taxation for tax years beginning on or after July 1, 2012. Provides for a refund without interest of taxes for the tax year beginning July 1 2012 upon filing of an application with the county assessor. Waives these taxes if they have not been paid. Exempts from property taxation property of a port with a Governor-appointed board of commissioners in a county with a population less than 450,000 that is used by a person pursuant to an agreement to provide common carrier rail freight service to shippers. Adds a 10-year sunset for the property tax year beginning July 1, 2023. The measure would exempt from property taxation property owned by the Oregon International Port of Coos Bay but held or used by a common carrier rail freight service provider.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Local Government	-$ 0.15	-$ 0.15		-$ 0.43	-$ 0.30	-$ 0.32
Local School Districts	-$ 0.10	-$ 0.10		- $ 0.28	-$ 0.20	-$ 0.21

The measure exempts property that is owned by the Port of Coos Bay and operated under an agreement by a taxable railroad from property tax. Currently, this is the only port that meets the criteria to receive the exemption. The property is made up of taxable real and personal property of the railroad, including railroad tracks and buildings (centrally assessed by the Department of

Revenue) as well as the land underneath it (locally assessed by county assessors.) The measure first applies to the tax year beginning July 1, 2012, so that portion of the impact is factored into the 2013-15 impact.

Purpose Statement:
The purpose of this tax expenditure is to encourage infrastructure investment and operating agreements by ports in Oregon that help to retain and improve competitive multimodal transportation connections for Oregon communities and businesses. The investments would lay the groundwork for future economic development related to industrial and natural resource commodity movement.

SB 261 (CH 336)

Exempts from property tax property leased to the United States that is used for a high-voltage electricity transmission system in the Pacific Northwest and that may be purchased by the United States for a nominal price after the expiration of the lease or lease-purchase agreement if the debt incurred by the person to acquire the property has been paid. Applies to transmission infrastructure of the Bonneville Power Administration (BPA.)

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Local Government	$ 0 or -$2.35	$ 0 or -$2.35		$0 or -$4.7	$0 or -$2.7	$0 or -$0.6
Local School Districts	$0 or -$ 1.55	$0 or -$1.55		$0 or -$3.1	$0 or -$1.8	$0 or -$0.4

The Bonneville Power Administration (BPA) has increasingly been using third-party financing to finance transmission equipment and facilities. In cases where the third party is not an exempt governmental entity, the Department of Revenue has determined that these facilities and equipment are subject to property tax. A case is pending in property tax court in which a determination is sought on whether certain third parties owe taxes on these facilities. BPA would ultimately bear the cost of these taxes through its lease payments. Taxes have not been assessed pending a final court decision. BPA is increasingly building capacity through this third-party financing. Estimated taxes associated with these structures have been growing in recent years, and the amount of property tax at issue is $5.3 million through 2013 cumulatively for facilities that have been built since 2008. If the court determines that the facilities are not taxable, this measure would have no revenue impact. This is the reason that one possibility for impacts is $0 in the above chart. In 2012, BPA began entering into lease financing agreements with the Port of Morrow. The port's property is exempt from taxation. The amount financed by taxable third parties is anticipated to decline. The property tax associated with transmission facilities leased from taxable entities is below.

Potential Property Tax Associated with
BPA Transmission Facilities Under a Third-Party Lease
(If leased from a taxable entity)

2008	14,000
2009	187,000
2010	751,000

2011	978,000	
2012	1,280,000	
2013	2,130,000	
2014	2,500,000	Projection
2015	3,000,000	Projection
2016	1,500,000	Projection
2017	1,000,000	Projection

Purpose Statement:
The purpose of this tax expenditure is to treat leased property as property of the United States government if it is used for electricity transmission by a federal agency. The purpose is also to expand energy transmission infrastructure in Oregon.

SB 505 (CH 447)

Provides for a refund of the difference between the property tax on assessed value and tax on the specially assessed value for taxpayer who requested disqualification from special assessment while acting on advice from the county that was subsequently found to be in error. Requires taxpayer to notify the county assessor of error in writing within 90 days after the effective date of the act. Extends the refund to property tax years beginning on or after July 1, 2007 and before July 1, 2014. Repeals the language providing for the refund on January 2, 2015.

Revenue Impact (in $Millions):

The measure would only affect one known individual, and the revenue impact is therefore minimal.

SB 549 (CH 343)

Extends sunset for tax exemption for federal land used by recreation facility operators under permit. Applies retroactively beginning with property tax year beginning on July 1, 2012. Provides for refund for property tax year beginning on July 1, 2012. Requires application with assessor along with $200 filing fee to receive refund for the 2012-13 tax year's property tax payments. Sets sunset to July 1, 2024.

Revenue Impact (in $Millions):

The exemption applies to the land under recreation facilities operated on federal property. This land has not been assessed, but estimates of value have been made based on communications with the Forest Service on the facilities, locations, and permit fees of permit holders.

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Local Government	-$ 0.5	-$ 0.5		-$1.0	-$1.0	-$1.1
Local School Districts	-$ 0.3	-$ 0.3		-$ 0.6	-$0.7	-$0.7

Purpose Statement:
The policy purpose of this measure is to acknowledge the fees paid by permit holders to the Forest Service, 25 percent of which is returned to counties. It is also to avoid the administrative difficulty of valuing federal land with restrictions on land use.

SCHOOL FINANCE

HB 2098 (CH 641)

Revises, for purposes of assigning additional weights in the State School Fund (SSF) distribution, the data collection method of identifying students in poverty families. Specifies that the weights from the revised method first apply to the SSF distribution in the 2014-15 school year. Specifies that certain foreign exchange students continue to be considered resident students until June 30, 2015.

Revenue Impact: This bill does not change the total formula revenue available for distribution to school districts and educations service districts in a given school year.

The new data collection method to be adopted under the bill will facilitate better identification of students in poverty families. It will incorporate information from the U.S. Census Bureau, student data provided by local school districts and other relevant sources. The new method will most likely result in aggregate weights attributed to students in poverty families that are different from those calculated under the current method. The method is yet to be developed and the extent of aggregate weight change is yet to be known. The resulting change in aggregate weights, if any, will lead to redistribution of formula revenue. While this bill does not change the total formula revenue available for distribution to school districts and educations service districts in a given school year, the new method enhances the probability that the money follows students in need, as it uses more timely and readily updateable information.

The bill also specifies that certain foreign exchange students continue to be considered resident students until June 30, 2015, for purposes of the State School Fund distribution. 57 students in five school districts (Paisley, Burnt River, Ukiah, Mitchell, and Spray) are identified to qualify for this provision.

HB 2501 (CH 735)

Continues the Small School District Grants for two more fiscal years. Repeals the law governing the grants on June 30, 2015. Specifies that transportation for a student enrolled in an eligible day treatment program be provided by a school district where the student is a resident. Takes effect on passage.

Revenue Impact: This bill does not change the total revenue available to school districts and education service districts in a given school year.

The amount of the Small School District Grants is $2.5 million per school year. Since it is a carve-out from the State School Fund before applying the distribution formula, the award of the grants reduces by $2.5 million per school year, the amount of revenue available for formula-based distribution to school districts and education service districts. Consequently, there will be a redistribution of revenue from school districts that do not have eligible small high schools to those that do. In the 2012-13 school year, 81 school districts in 31 counties received their prorated shares of the grants.

HB 2506 (CH 577)

Establishes the Task Force on School Funding. Requires the task force to submit a report with recommendations to the legislature by October 1, 2014. Abolishes the Office of Regional Educational Services and the Regional Educational Services Account. Reduces the Facility Grant by $5 million to $20 million per biennium. Specifies that the Network of Quality Teaching and Learning (NQTL) be funded at $33 million per biennium. First applies this change to the 2013-14 State School Fund distribution. Takes effect on passage.

Revenue Impact ($ million):

	Biennium
	2013-15
Network of Quality Teaching and Learning (NQTL)	**+$ 33.0**
State School Fund	**- $ 33.0**
State School Fund (off-the-top)	**- $ 5.0**
School Districts	**- $ 14.0**
Education Service Districts	**- $ 14.0**

This bill is directly tied with the companion bill, HB 5519, which identifies the sources and amount of the State School Fund (SSF). The money in the SSF ($6.55 billion for the 2013-15 biennium) is combined with Local Resources (estimated $3.224 billion for 2013-15) to form the total formula revenue available to school districts and education service districts.

This bill reduces by $33 million per biennium, the total revenue available for distribution to school districts and education service districts. First, the total revenue available for formula-based distribution is reduced by $5 million per biennium, the amount to be diverted to fund the Network of Quality Teaching and Learning (NQTL). At the same time, school districts and education service districts are required to contribute $14 million each from their respective shares to the NQTL per biennium.

HB 2747 (CH 655)

Specifies that a student in a long term care facility or a skilled nursing facility be considered a resident of a school district in which such facilities are located. Applies to the 2013-14 school year. Takes effect on July 1, 2013.

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

While this bill does not change the total formula revenue available to school districts and education service districts, it will cause a shift of formula revenue among school districts. The bill changes the residency of a student in a long term care or a skilled nursing facility, from the district where the student’s parent or guardian resides to the district where the facility is located. 31 students are identified to be affected by this residency change.

HB 3401 (CH 751)

Requires a certain education service district, upon request by its component school district, to distribute a certain percentage of its respective formula revenue to the school district. First applies to the 2014-15 school year. Takes effect on July 1, 2013.

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

This bill allows a school district that belongs to one of the education service district in Regions 1, 5 or 9, to request and receive a certain percentage of its prorated share of that ESD's formula revenue. While it leaves intact the respective shares of the formula revenue between school districts and education service districts, the bill sanctions, up to certain limits, a redistribution of formula revenues among specified education service districts and their component school districts.

SB 24 (CH 358)

Specifies that the moneys of the Common School Fund determined by the State Land Board to be available for distribution to school districts, be credited to the Distributable Income Account within the Common School Fund. Stipulates that all proceeds derived from the investment of the Common School Fund moneys become part of the Common School Fund.

Revenue Impact: None

Current law (ORS 273.105) specifies that the income derived from the investment of the Common School Fund be credited to the Distributable Income Account (DIA) within the Common School Fund. The moneys in the DIA are to be distributed to school districts in accordance with the distribution decision by the State Land Board. Under current law, moneys in the DIA could dry up when the DIA is not replenished sufficiently in case of poor returns on the investment of the Common School Fund. The change in the bill will make sure that the moneys to be distributed will be available from the Common School Fund corpus.

SB 529 (CH 13)

Allows any school district to withdraw from the education service district in which the school district is a component school district. Takes effect on passage.

Revenue Impact: This bill does not change the total formula revenue distributable to school districts and education service districts. A school district that opts out of the education service district in which the school district is a component school district will receive ninety percent of its prorated share from the education service district.

SB 5519 (CH 638)

Appropriates for the State School Fund (SSF) of the 2013-15 biennium, $6,235.5 million from the General Fund, $314.5 million from the Lottery Funds, and $0.4 million from miscellaneous ODE revenues.

Revenue Impact (in $Millions):
(1) Overall

	Biennium
	2013-2015
State School Fund	**+ $ 6,550.4**
General Fund	**- $ 6,235.5**
Lottery Funds	**- $ 314.5**
Other Funds (ODE)	**- $ 0.4**

(2) Formula revenue distribution details for School Districts and Education Service Districts are available in the Oregon Legislative Information System (OLIS) and the link is provided here: https://olis.leg.state.or.us/liz/2013R1/Downloads/MeasureAnalysisDocument/21179. The formula revenue distribution combines the legislations in this bill and the companion bill HB 2506.

The total state contribution to the State School Fund (SSF) is $6,550.4 million. Together with expected Local Revenues of $3,224.0 million, the total formula revenue available for distribution amounts to $9.774.4 million for the 2013-15 biennium.

TIMBER TAXATION

HB 2051 (CH 639)

Extends privilege taxes on merchantable forest products harvested on forestlands. Will set harvest tax rates for calendar years beginning January 1, 2014 and January 1, 2015. The measure extends privilege taxes on merchantable forest products harvested on forestlands. It includes 97.27 cents per thousand board feet for administration of the Forest Practices Act. The rate for the prior two years was $1.2953 per thousand board feet. The projected volume is 7,195,622 thousand board feet. This part of the tax supports $4.38 million in expenditures for 2013-15.

Changes the rate for the Forest Research Laboratory at Oregon State University from 87.39 cents to 84.39 cents per thousand board feet. At this rate, the expected revenue is $6.07 million, assuming the projected harvest of 7,195,622 thousand board feet in the two year period. This amount is equal to the General Fund appropriated for the lab. The amendment also adds a rate of 10 cents per thousand board feet for use by Oregon State University for the purposes of making investments in professional forestry education at the College of Forestry.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-2017	2017-2019
Other Funds – Forest Research and Experiment Account ($0.8439/thousand board feet)	$ 0.95	$ 2.85		$ 3.80	$ 2.60	$ 0
Other Funds – Oregon Forest Practices Act Administration ($0.9727/thousand board feet)	$ 1.1	$3.28		$ 4.38	$ 3.00	$ 0
Oregon University System Fund Subaccount for Professional Forestry Education ($0.10/thousand board feet)	$ 0.11	$ 0.34		$ 0.45	$ 0.31	$0

TRANSPORTATION

HB 2435 (CH 648)

Exempts diesel fuel blended with at least 20 percent biodiesel derived from used cooking oil from fuel excise tax. Exemption does not apply to fuel used in motor vehicles with gross vehicle weight of 26,001 pounds or more. Applies to fuel sold after January 1, 2014 and before January 1, 2020. The bill restricts the facilities eligible for exemption to commercial/retail establishments (no card locks and fleet services). Adds geothermal to eligible forms of energy for net metering.

Background:
Vehicle fuels are currently subject to a fuels excise tax of 30 cents per gallon. Biodiesel can be produced using cooking oil sourced from restaurants and other facilities. This measure would exempt such biodiesels from the fuel tax when used in vehicles below 26,000 lbs. Vehicles with weights greater than 26,000 don't pay diesel tax but pay the weight mile tax.

Revenue Impact:

The exemption would result in a revenue loss from the amounts of fuel tax collected by ODOT.

	State	Counties	Cities	Total
2013-15	(0.52)	(0.22)	(0.15)	(0.89)
2015-17	(0.70)	(0.31)	(0.20)	(1.21)
2017-19	(0.72)	(0.31)	(0.21)	(1.24)
2019-21	(0.74)	(0.32)	(0.21)	(1.27)

Impact Explanation:

The diesel fuel is taxed at 30 cents per gallon when it is used in vehicles that don't pay the weight mile tax. This measure will exempt from fuel taxes the diesel fuel that has been blended with 20% used cooking oil. The amendment gives that exemption only to fuel sold through retail establishments. This takes out of consideration the card-locks, bulk and fleet fuels.
The base year estimates shows 1.97 million gallons ($581,500) of B20 (cooking oil) blended fuel for all eligible vehicles. 87% of that is in in the basic weight class, and 251,000 gallons ($75 thousand) used by the medium heavy vehicles. This impact is reflective of about 388,000 gallons of cooking-oil-diesel blended with about 4 gallons of regular diesel.

Creates Tax Expenditure:
A tax expenditure to encourage the conversion of used cooking oil to use-fuel.
13% of the tax expenditure will come from Heavy vehicles (10,000 to 26,000 lb.), while basic vehicles contributions will be 87%.

SB 810 (CH 781)

Senate Bill 810 establishes a voluntary program to phase in implementation of a new road user fee. The fee will be a mileage-based road user charge (RUC) of 1.5 cents per mile to be imposed on vehicles in the program. The program is limited to no more than 5,000 vehicles at one time. The vehicles in this program will pay the road user charge and not the Oregon Fuels Tax. The 5,000 vehicles will be allocated among three fuel economy categories: Up to 1,500 vehicles in the category rated at 17 miles per gallon or less, up to 1,500 vehicles to be in the category of 17 and 22 miles per gallon, and the remainder will be vehicles rated to be greater than 22 miles per gallon.

Background:
The Road User Fee Task Force (RUFTF) was established by the 2001 Legislative Assembly through House Bill 3946 to study revenue options and recommend a replacement for the current road tax system, which consists of a combination of motor vehicle fuel taxes and weight-mile taxes. RUFTF was created to study alternatives to the gas tax as a declining revenue source over the long term, exacerbated by the introduction of high-mileage hybrid electric vehicles, as well as plug-in electric vehicles that use no gasoline and will not pay road usage charge under the current system. The Oregon Department of Transportation (ODOT) conducted a year-long pilot project to study a possible electronically collected mileage fee; the Department conducted a follow-up pilot project in 2012-13 to test the feasibility of an open technology platform alternative to the original pilot project, where drivers have the ability to select a third-party provider for in-vehicle technology, invoicing and payment. This voluntary program (SB 810) is the latest pilot to test the mechanism of allowing an alternative road fee to the gas tax.

Revenue Impact: The measure has an indeterminate Impact but likely to be small to minimal.

Impact Explanation:

The mileage fee on high MPG vehicles is highway fund dedicated revenue. The mileage fee is evaluated using the highway cost allocation model and was determined to be 1.55 cent per mile. This revenue will be distributed among the state, counties and cities (50%, 30%, and 20%). The program was initially designed for a 5000 cars that choose to be in a pilot program to pay the road user charge (RUC) instead of tax on fuel (through a refund mechanism). The revenue impact under the initial unconstrained design is shown in the table below.

Biennium	***2015-17***	***2017-19***	***2019-21***
Net Impact of Volunteer Program before constrained design	($0.21)	($0.45)	($0.69)

The operative date for the mileage charge is July 1, 2015 (FY16) and applies to program participants divided into three different categories. The ceilings of the categories impose restrictions on the participation of program by specifying that no more than:
* 1,500 vehicles with a fuel economy of less than 17 mpg
* 1,500 vehicles with a fuel economy greater than 17 mpg but less than 22 mpg
* 2,000 vehicles with a fuel economy of greater than 22 mpg
If the assumptions for the three different categories are average fuel economy at 13.5 mpg, 19 mpg and 25.6 mpg, then the revenue impact will be curtailed significantly. These restrictions have the effect of limiting the less fuel efficient vehicles from taking all the available spots, as it offers them a discount on road taxes. Limiting that imbalance reduces the impact of the revenue loss as a result of the program, yet allows the testing of paying RUC in place of fuel-tax. However, the limits might be reached in one category and not the other, and it is still not clear if all 5,000 allowed openings will be filled under this three-tier program design.

TRANSIENT LODGING

HB 2656 (CH 610)

Requires transient lodging provider and transient lodging intermediary to collect and remit transient lodging taxes computed on total retail price, including all charges other than taxes, paid by person for occupancy of transient lodging.

Background:
Transit lodging tax is defined and detailed in ORS 320. The providers of transient lodging (hotel, motel, conference rooms, condominium for rent, and other temporary rental facilities) are meant to collect the tax and receive 5% compensation. This measure changes the definition of who is the tax collector, and introduces the definition of the intermediary who along with the previously defined providers becomes the tax collectors. The measure also identifies the point of taxation to be at the retail level which in essence allows the new tax collectors (internet service companies) to pay the tax based on their sale price(retail price to consumer) not the (net or wholesale) price they were charged by the lodging provider (hotel/motel). The measure also explains the base of the tax to be inclusive of all fees and charges other than taxes.

Revenue Impact:
Revenue increases as a result of enhanced collection of revenue based on the current law language and definition of the tax base.

	20**13-15 BN**	**2015-17 BN**	**2017-19 BN**
State	$ 0.65	$ 0.83	$ 0.89
Local	$ 5.51	$ 7.03	$ 7.86
Total	$ 6.16	$ 7.53	$ 8.42

Impact Explanation:

The passage of this measure will obligate Department of Revenue to interpret and enforce the current statutes relating to the Transient Lodging Tax as applicable to the retail price of lodging. This price is different than the de-facto wholesale price used today by the industry. The wholesale (base) price used today does not include services and fees. The retail price (as the bill enforces current law) will be inclusive of all (non-optional) fees and services included in the rental price. Eighty four cities and fifteen counties in Oregon levy a locally administered transient lodging tax. Online Travel Companies (OTC) will have to collect the tax based on the final price that the consumer pays.

BONDING AND DEBT

HB 2800 (CH 4)

The measure declares that it is in state's interest to undertake Interstate 5 bridge replacement project. Limits outstanding bonds for project financing to $450 million at any one time and outlines conditions that must be met before bonds may be issued.

Revenue Impact: **In millions**

	2013-15	2015-17	2017-19
Bond Proceeds	$450.0		
Issuance Cost	$4.1		
Bond Reserve & Admin	$11.3		
Total Bond issuance	**$465.3**		
Bond Admin	($0.1)	($0.2)	($0.2)
Debt Service	($28.6)	($57.1)	($57.1)
Total Revenue Increase /(Reduction)	**$436.6**	**($57.3)**	**($57.3)**

Impact Explanation:

It is assumed, for purposes of this statement, that the conditions for issuance of bonds specified in the amended bill will be met by early 2014 and that $450 million in debt will be issued in the second quarter of calendar 2014. Debt service would be about $28.6 million per year (30 year nontaxable bonds at 4.5% rate). The first debt service payment would be made in FY 2014-15 (one payment in the 13-15 biennium, $57.1 million in the biennia thereafter). Bond administration costs (arbitrage liabilities, rating agency fees, trustee, fiscal agent and Oregon State Treasury debt monitoring fees) estimated to be $100,000 in the 2013-15 biennium (one year), and $200,000 in 2015-17 and thereafter.
The above debt service and interest rate estimates are subject to change based on market conditions and the type of bond to be used (General Obligation or Revenue Bonds). Additionally, the department may meet the debt service requirements using federal funds (GARVEE Bonds). These funds are made available annually by formula to Oregon and are available for variety of uses as well as debt service. This may result in a shorter payback period

and a higher debt service payment resulting in a lower level of state highway, bike/ped and public transportation program. Federal funds reimburse state expenditures and are budgeted as Other Funds.
Details of the projects and their individual costs can be found in LFO Report on this measure.

SB 547 (CH 491)

The measure authorizes cities and counties to incur exempt bonded indebtedness to finance capital costs. It further defines capital construction by aligning it to capital costs and capital improvements as an acceptable use of the proceeds of bonded indebtedness. The bill also Introduces language to align the ORS to the constitutional definitions.

Background:
In May of 2010, the Oregon voters amended the Oregon Constitution to allow for local governments to issue general obligation bonds for "capital costs." Previously, all general obligation bond proceeds had to be used for "capital construction" or "capital improvements" as defined in Article XI, Section 11(13). Those terms were difficult for local governments to figure out how to adhere to the law when spending general obligation bond proceeds.
The Municipal Debt Advisory Commission (MDAC) proposes to update the statutory references of "capital construction" and "capital improvements" to include the term "capital costs" to mirror the Constitution. ORS 287A has many references to "capital construction" and "capital improvements" but now should include "capital costs."

Revenue Impact: No Impact

SB 5506 (CH 705)

Limits the maximum amount of bonds and third party financing agreements state agencies may issue and the amount of revenue state agencies may raise from such issuance.

Revenue Impact: In millions

General Fund Obligation	Total Issuance 2013-15	Debt service 2013-15	Debt service 2015-17
XI-G Education (OUS)	117.86	0	(16.7)
XI-G Education (CC&WD)	125.08	0	(17.75)
XI-M/N OR Bus Dvlp Dept. (seismic)	30.00	0	(4.27)
XI-Q DAS for mult departments &OUS	426.05	(7.31)	(80.56)
All GF Bonds	**699.00**	**(7.31)**	**(119.29)**
Dedicated Fund Obligations			
XI-I (7) ODOT	453.73	(16.10)	(64.39)
XI-A Veterans Affairs	60.00	(2.13)	(8.51)
XI-F (1) Higher Education (OUS)	390.98	(13.87)	(55.48)
XI-I (1) Water Resources Dept.	10.235	(0.36)	(1.45)
XI-I (2) Housing &Community	25.00	(0.89)	(3.55)
XI-J Energy	60.00	(2.13)	(8.51)
Other funds GO Bonds	**999.94**	**(35.47)**	**(141.90)**
Direct Revenue Bonds			
Department of Transportation			
Highway User Tax	846.69	(60.08)	(120.15)
Toll-Backed Revenue Bonds	663.00	(47.04)	(94.08)
Oregon Business Dev. Dept	35.00	(2.48)	(4.97)
Total Revenue Bonds	**1,594.69**	**(113.15)**	**(226.29)**

Impact Explanation:

The detail of the bonding revenue and payments as well as the projects can be found in the LFO budget report.

SB 5533 (CH 786)

This measure authorizes the issuance of lottery revenue bonds for specified projects. All lottery revenue bond issues that are authorized for the 2013-15 biennium are authorized in this bill. A total of $141,250,000 of lottery bonds proceeds are authorized to be spent. A total of $157,557,715 of lottery revenue bonds are authorized in SB 5506 to generate the proceeds for the approved projects and to pay associated bond-related costs.

Revenue Impact: In millions

Lottery			bond Issuance PAR 2013-15	DEBT SERVICE 2015-17		DEBT SERVICE 2017-19
	Projects	Costs/ Reserve				
Revenue Use	141.25	16.33				
Bond Amounts & Cost			$157.58	(26.86)		(27.15)

Impact Explanation:
The bonds are assumed to be sold towards the end of the biennium with a 5% rate and 25 years maturity.

Details of the projects and their individual costs can be found in LFO Report on this measure.

JUDICIAL SYSTEM AND COURT FUNDING

HB 2562 (CH 685)

HB 2562 allows Chief Justice of Supreme Court to adopt rules governing use of electronic applications for all state court records. The measure also contains various provisions governing fines imposed by justice and municipal courts for criminal actions.

Revenue Impact:
Due to the order of distribution, the reduction will have a negative impact on state revenue. However, it might not be exactly equivalent to positive impacts on locals.

	2013-15	2015-17	2017-19
Unitary fee Going to $45	($8,289,282)	($8,455,749)	($8,625,563)
Parity impacts on collection	($940,005)	($958,882)	($978,139)
Total reduction to State Revenue (CFA)	($9,229,287)	($9,414,631)	($9,603,702)
	10-1-2013 through 6-30-2014		
Increase some state court filing fees by %5	$1.5		

Impact Explanation:

The revenue impacts of this measure come from the following sources:

- Reduces the amount of a criminal fine collected by a justice or municipal court that must be paid to the Criminal Fine Account prior to any other distribution of the fine revenue, from $60 to $45. It is important to keep in mind that although this will be a negative impact for the state it might not be exactly equivalent to the positive impacts on locals.
- Modifies the application of partial fine payments in justice and municipal courts to provide for an equal split in amounts collected (above the first $45) in situations where a fully-paid fine is split between the state and a local jurisdictions. Assuming the overall collection rates of 70% and partial amounts of another 21%, then the reduction in revenue is around 9% of current amounts.
- Provides that if a fine is paid in full that the last $15 of the amount collected is to be paid to the county to be used for drug and alcohol programs, correctional programs and facilities, and local court security. The lower order of this payment will reduce the amount going to counties.
- Increases specified state court fees by approximately five percent on October 1, 2013, and sunsets those increases on June 30, 2014.

911 TAX

HB 3317 (CH 749)

The Measure extends sunset date for the emergency communications tax from January 1, 2014 to January 1, 2022. The bill also deletes an obsolete section of law related to provider tax remittance.

Background:
The tax is collected by phone companies and wireless providers each month and then remitted to the Department of Revenue. There is presently a 75 cent per month tax on every subscriber who has telecommunication services with access to the 9-1-1 emergency reporting system with the exception that federal, state, and local governments are tax exempt. This tax is collected by the service provider from the subscriber. There have been six sunset extensions of this tax since 1981. The tax rate is set in statute and has been unchanged at $0.75 since 1995. The program collects about $39 million a year, but is set to expire on January 1, 2014. This measure extends the tax till 2022.
The tax is used to pay for the Department of Revenue's collect costs (up to one half of one percent), the Military Department's - Office of Emergency Management program's administrative costs and 9-1-1 training conducted by the Department of Public Safety Standards and Training (up to 4%); and statewide equipment and circuit charges (35%). The remaining revenue is distributed primarily to cities and counties on a quarterly basis to fund over 45 Public Safety Answering Points across the state (60.5%). Funds are distributed on a per capita basis; however, each county must receive a minimum of one percent of the net account balance.

Revenue Impact (in $millions):

	FY 14	FY 15	FY 16	FY 17	Biennium		
					13-15	15-17	15-18
Sunset extension Extend Revenue	$19.44	$38.68	$38.51	$38.34	$58.12	$76.84	$76.51
Collection allowance extension 0.5%	**($0.10)**	**($0.19)**	**($0.19)**	**($0.19)**	**($0.39)**	**($0.29)**	**($0.38)**
Net Revenue From Extension	$19.34	$38.49	$38.31	$38.14	$57.83	$76.46	$76.13

Impact Explanation:

There is presently a 75 cent per month tax on every subscriber who has telecommunication services with access to the 9-1-1 emergency reporting system. This tax is collected by the service provider from the subscriber. The program collects about $39 million a year, but is set to expire on January 1, 2014. This measure extends the tax until 2022. The last four fiscal years of collections are shown in the table.

	Revenue	Change
2008-09	40.26	2.1%
2009-10	39.64	-1.5%
2010-11	39.54	-0.3%
2011-12	39.27	-0.7%

By extending the sunset date the bill continues the 75 cents tax for 911 services.

FINANCIAL AND TAX ADMINSTRATION

HB 2229 (CH 117)

Allows Department of Revenue (DOR) to disclose information related to tax on tobacco products to government entities that regulate tobacco products or enforce laws related to tobacco products. The measure also modifies provisions governing the department disclosure of information related to tax on cigarettes.

Background:

ORS 323.250, was created in 1965 and has not kept up with the changes in the tobacco industry. It is limited to cigarette tax information (does not include OTP) and only allows DOR to share information with governments outside of Oregon that administer tobacco taxes. The regulation of Tobacco products has significantly increased at both the federal and state levels. Those regulations often have a direct or indirect impact upon (the determination or the collection of) tobacco taxes. DOR's ability to exchange information with agencies that regulate (but do not administer) tobacco is limited under this law. DOR needs the ability to share and receive information (that may or may not be directly tax related) about both tobacco and cigarette regulation to maximize partnerships in the administration and compliance efforts. Oregon's state and local agencies, other states' (tax and non-tax) state and local agencies, and various federal agencies are among the agencies to share information with.

Revenue Impact: No Impact

SB 16 (CH 468)

Deletes the limitation on reappointment of members of Oregon Investment council.

Background:
The Oregon Investment council (OIC) consists of five voting members. Four are appointed by the governor and the state treasure is the fifth. The director of PERS is the sixth nonvoting (ex officio) member. The appointed members are confirmed by the senate and can serve multiple four year terms up to 12 years. This measure removes the limitation.
OIC functions, as described on the Treasury web site, include:
(a) Coordination with the Oregon Public Employees' Retirement System, State Accident Insurance Fund, Department of State Lands, Board of Higher Education, and other agencies, on matters of joint concern.
(b) Definition of investments consistent with statutory authority contained in ORS 293.
(c) Approval of due diligence processes.
(d) Receipt and review of periodic reports from staff, consultants, investment managers and other experts.
(e) Action on matters resulting from (d).
(f) Action on legislative and or regulatory matters that impact the investment portfolio or decision-making process.
(g) Oversight and management of legal matters that impact the investment portfolio or decision-making process, which are not otherwise reserved by the Department of Justice.
(h) Making recommendations to the Treasurer on staffing plans, incentive compensation, and the budget for all investment activities under the purview of the OIC.
(i) Approving all major personal service and consulting contracts related to investment activities under the purview of the OIC.
(j) Adopting best and responsible practices and innovations for the OIC, from the investment management community, when making and implementing policy.

Revenue Impact: No Impact

LOCAL FINANCE

HB 3453 (CH 753)

Revenue Impact: Indeterminate

HB 3453 provides that the Governor may proclaim a public safety fiscal emergency for one or more counties where fiscal conditions compromise county ability to provide a minimally adequate level of public safety services. In meeting their 50% funding requirement under such an agreement, counties may impose a tax on personal and corporate income. The tax would apply to residents and those having economic nexus in the county. The county entering such an agreement may also raise the required revenue through the imposition of a local tax on telecommunications services or any assessment the local governing county has the authority to impose.

The revenue impact to a county entering into a public safety fiscal emergency agreement is dependent on the specifics and timing of the agreement. A surcharge percentage on personal income in the county could be estimated by dividing the needed revenue agreed to with the state by the estimated liability of personal income taxpayers in the county. The Department of Revenue reports estimated tax liability by county annually. However, estimating the amount of corporate income attributed to economic activity in the county would be more problematic due to lack of data at that level.

SB 817 (CH 420)

Revenue Impact: None

SB 817 makes technical adjustments to local budget law statutes. Local budget law provides the framework in which counties, cities, education districts and special districts develop and execute their budgets. In 2011 the Legislature approved a comprehensive rewrite of local budget law (HB 2425). SB 817 is a follow up to the 2011 bill, making some corrections and updating sections that were missed.

STATE FINANCE

HB 2002 (CH 676)

Revenue Impact: None

HB 2002 requires the Legislative Revenue Officer (LRO), in consultation with the Department of Revenue, the Legislative Fiscal Officer, and any affected agency, to prepare and submit a report each biennium detailing each income or excise tax credit that is scheduled to expire in the next year. The bill requires the report to cover an enumerated list of public policy, public benefit, optional outcome, background, effectiveness, efficiency, and comparative analyses for each of the tax credits.

The LRO anticipates that the research, review, and analytical capacity required to fulfill the requirements of the measure would necessitate the establishment of a new lead economist position at a biennial cost of about $210,000 General Fund plus an additional $25,000 General Fund in the 2013-15 biennium for initial services and supplies costs. In conjunction with the explicit reporting requirements of the bill, the position would serve as staff to the Joint Committee on Tax Credits and as a resource for policy committees dealing with tax credits, sunsets, and extensions during legislative sessions.

HB 2325 (CH 733)

Revenue Impact: None

HB 2325 directs the Legislature to appropriate an amount equal to any future 2% corporate surplus corporate kicker calculation to the State School Fund, consistent with the language in Measure 85. HB 2325 further specifies that the amount appropriated is in addition to the amount the Legislature would have appropriated to the State School Fund in the absence of a corporate kicker. The bill also makes technical changes to the corporate kicker statute to conform with Measure 85 approved by voters in November 2012.

HJM 18

Revenue Impact: None

HJM 18 urges Congress to exempt certain sellers from potential federal legislation that requires them to collect and remit sales and use taxes to the state of the purchaser in the case of remote sales. The exemption applies only if seller is located in a state that does not impose a general sales and use tax. Currently five states do not impose a general retail sales tax: Oregon, Montana, Alaska, Delaware and New Hampshire.

SB 306 (CH 770)

Revenue Impact: None

SB 306 directs the Legislative Revenue Officer to prepare a report for the Legislature on the feasibility of imposing a clean air fee or tax on a statewide basis. The bill specifies content of the report and requires the Legislative Revenue Officer to provide a preliminary report to the Legislature no later than December 1, 2013 and a final report no later than November 15, 2014. SB 306 authorizes the Legislative Revenue Officer to contract with third parties if necessary to prepare the report. The Legislature added $200,000 to the LRO's 2013-15 budget for the purpose of contracting out to prepare the report on the feasibility of a clean air fee or tax.

UNEMPLOYMENT INSURANCE

SB 191 (CH 703)

Authorizes the Director of the Oregon Employment Department (OED) to impose a penalty of up to 30 percent on overpayment of Unemployment Insurance benefits made due to a false statement, misrepresentation or nondisclosure of material facts. Directs payment of the existing 15 percent penalty to the Unemployment Insurance Trust Fund and any amount of the penalty exceeding that level to the Employment Department Special Fraud Control Fund. Applies to overpayment decisions of the Director issued on or after October 1, 2013. Increases from 52 weeks to five years the period during which the Director may recover benefits paid in error. Takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-2017	2017-2019
Unemployment Insurance Trust Fund	$ 0.5	$ 0.6	$ 1.1	$ 1.4	$ 1.4
Employment Department Special Fraud Control Fund	-$ 0.2	-$ 0.2	-$ 0.4	-$ 0.5	-$ 0.5

Data Source: Oregon Employment Department

The bill directs the existing 15% penalty for individuals whose fraudulent acts result in an overpayment of unemployment insurance (UI) benefits to be deposited into the UI Trust Fund. Under the current law, the penalty is being deposited to the Employment Department Special Fraud Control Fund. This change is needed to conform state law to federal law. According to the OED, not conforming to federal law would result in financial sanctions against the OED administrative grants (up $109 million per biennium) and additional federal unemployment taxes to Oregon Employers (up to $1.1 billion per biennium).

The bill permits imposition of up to another 15% penalty for fraudulent acts that would go into the Employment Department Special Fraud Control Fund. It also increases the period within which the Department may recover benefits paid in error from 52 weeks to five years.

SB 192 (CH 704)

Makes changes to bring state law into conformity with federal law in relation to overpayment of Unemployment Insurance benefits, the Work Share program, and the Self Employment Assistance program.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-2017	2017-2019
Unemployment Insurance Trust Fund	$ 0.3	$ 0.3	$ 0.6	$ 1.0	$ 1.0

Data Source: Oregon Employment Department

By conforming to the federal laws, the benefits that would have been paid out to the Work Share program out of the Unemployment Insurance (UI) Trust Fund will be paid for by federal funds through August 15, 2016. The revenue impact shows interest earnings by these anticipated savings in the UI Trust Fund. According to the Oregon Employment Department, not conforming to federal law would result in financial sanctions against the OED administrative grants (up $109 million per biennium) and additional federal unemployment taxes to Oregon Employers up to $1.1 billion per biennium).

SB 252 (CH 595)

Increases to $100, the minimum penalty for late filings of payroll and tax reports, and up to $100, the penalty for continued late filings of zero payroll reports. Takes effect on the 91st day after adjournment sine die.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-2017	2017-2019
Other Funds (Employment Department Special Administration Fund)	$ 0.10	$ 0.08	$ 0.18	$ 0.16	$ 0.14

Data Source: Oregon Employment Department

Oregon employers are required to file quarterly payroll and tax reports with the Oregon Employment Department (OED). ORS 657.663 specifies that employers who do not file timely reports get a written warning. If they are late again within three years of the written warning, OED may assess a penalty. If the report shows that the employer had no payroll for the calendar quarter, the penalty is currently $5. If the employer did have payroll, the penalty amount is set by a statutory formula. For 2013, the minimum penalty for such employer is $85 but the actual penalty is determined based on the number of employees and their payroll. In 2012, approximately 5,000 employers were assessed either the $5 penalty, or the minimum penalty ($85) for employers that were repeatedly late with their filings and did have payroll information to report.

This bill increases the minimum penalty assessed for repeated late filings of these reports up to $100. Increasing the late filing penalty will result in higher total penalties assessed in the near term. However, higher minimum penalties are expected to bring about improved compliance with reporting requirements over time, leading to fewer assessments and less penalties.

SB 259 (CH 45)

Authorizes the Director of the Oregon Employment Department (OED) to enter into an intergovernmental agreement with the federal government to seize federal tax refunds and apply those funds to certain Unemployment Insurance debts owed to OED. Authorizes the Director to pay a fee charged by the federal government for processing such seizure and pass that fee on to the debtor. Authorizes the Director to pass on to a debtor a fee the Oregon Department of Revenue charges OED for applying a state tax refund to a debt that person owes to OED. Takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-17	2017-19
Unemployment Insurance Trust Fund	$ 4.1	$ 3.9	$ 8.0	$ 7.6	$ 7.0
Employment Department Special Fraud Control Fund	$ 0.18	$ 0.18	$ 0.4	$ 0.4	$ 0.4

Data Source: Oregon Employment Department

According to the OED, Oregon currently has over 14,000 accounts related to Unemployment Insurance (UI) debts including, among others, overpayments and delinquent taxes that could be referred to the TOP for collection, totaling approximately $55 million. There are 20 states already using the TOP to recover UI debts. In 2012, these states have recovered an average of 11.3% of the UI debts they referred to the program. While $55 million of debts will be referred to the TOP in the first year of participation, collectible amount in subsequent years will decline as debts are collected. In Oregon, 68 percent of the debts to be collected are on state UI debts that will flow back to the state UI Trust Fund and the rest are on federal UI debts to be returned to the Federal Trust Fund. Reimbursing employers will receive a portion of the collected UI debts as refund for overpayment. The revenue impact takes into consideration increasing interest earnings on collected debts and reduction in refunds to reimbursing employers.

The bill also authorizes the Director to pass on to a debtor a fee the Oregon Department of Revenue charges OED for applying a state tax refund to offset a debt that person owes to OED. Such collected fee will be deposited to the Employment Department Special Fraud Control Fund.

SB 849 (CH 311)

Excludes from the definition of employment, service performed for a corporation by an individual with a substantial ownership interest in the corporation who is the sole corporate officer and director of the corporation. Specifies that the exclusion first applies when Oregon is in Unemployment Insurance Tax Schedule IV or lower.

Revenue Impact: None

While this bill creates an exclusion from Unemployment Insurance (UI) coverage, the exclusion does not kick in until Oregon’s UI Trust Fund reaches a more healthy funding level that triggers the UI Tax Schedule IV or lower. Oregon Employment Department does not expect that Oregon will enter such tax schedule until the 2017-19 biennium at the earliest.

MISCELLANEOUS

HB 2084 (CH 191)

Increases the rate of gross premium tax paid by insurers on fire insurance policies. Applies to gross premium taxes paid on or after January 1, 2014. Takes effect on the 91st day after adjournment sine die.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-17	2017-19
Net Revenue	**$ 0.1**	**$ 0.2**	**$ 0.3**	**$ 0.5**	**$ 0.6**
Fire Insurance Premium Tax	**$ 0.5**	**$ 1.2**	**$ 1.7**	**$ 2.5**	**$ 2.8**
General Fund (Total Impact)	**-$ 0.4**	**-$ 1.0**	**-$ 1.4**	**-$ 2.0**	**-$ 2.2**
Corporate Excise Tax	**-$ 0.1**	**-$ 0.3**	**-$ 0.5**	**-$ 0.7**	**-$ 0.7**
Retaliatory Tax	**-$ 0.3**	**-$ 0.6**	**-$ 0.9**	**-$ 1.3**	**-$ 1.5**

Data Source: Insurance Division, Oregon Department of Consumer and Business Services

The bill increases the rate of fire insurance premium tax from one percent to 1.15 percent of gross premium. While there will be an increase in fire insurance premium taxes, there will be a reduction in the General Fund revenue, resulting from lower corporate excise taxes and lower retaliatory taxes.

The Oregon law allows a tax credit to an insurer for the gross premium tax paid on fire insurance premium tax. Consequently, an increase in the premium taxes leads to a decline in corporate excise taxes. At the same time, higher insurance premium taxes in Oregon will result in lower retaliatory taxes paid by out-of-state insurers. A retaliatory tax is an equalization tax intended to keep Oregon domicile insurers on an equal footing with out-of-state counterparts. Other states have similar taxes. When Oregon increases an insurance premium tax, there will be a decline in the amount of excess taxes, or retaliatory taxes, paid to other states by Oregon’s domicile insurers for the operation in these states. In return, Oregon will see lower retaliatory taxes paid by out-of-state insurers.

HB 2101 (CH 314)

Consolidates provisions relating to the Oregon Health Licensing Agency's authority and fees over certificates, permits, licenses and registrations. Specifies limits on fees. Makes other modifications to provisions relating to the Oregon Health Licensing Agency, and boards and councils administered by the agency. Becomes operative on January 1, 2014. Takes effect on passage.

Revenue Impact: None

This bill streamlines the Oregon Health Licensing Agency (OHLA) program standards, regulations and requirements. It also ensures uniformity in licensing cycles, fees, continuing education and administration within OHLA's authority.