



**REVENUE MEASURES PASSED
BY THE 78th
LEGISLATURE
2015 Session**

RESEARCH REPORT #3-15
August 2015

Legislative Revenue Office

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2015 REVENUE POLICY OVERVIEW

Introduction

With Oregon's economy moving into the expansion phase of the business cycle, revenue policy shifted to addressing structural property tax issues, reviewing and streamlining tax credits, modifying recent legislation and implementing the voter approved legalization of marijuana.

Revenue Policy Environment

With statewide payroll employment moving above the pre-recession 2007 level for the first time in 2015, Oregon's economy is expected to expand through the 2015-17 biennium. Growth is forecast to remain moderate as the U.S. economy begins to reach capacity limits and world economic growth continues to be relatively weak.

A frequent consequence of economic growth in Oregon's revenue system is the triggering of the 2% surplus kicker. A separate kicker calculation is required for corporate income tax revenue and all other General Fund revenue. Both are based on the difference between actual revenue received during the biennium compared to the close of regular legislative session estimate. Under Measure 85, approved by voters in 2012, the corporate kicker credit is retained in the General Fund for purposes of funding schools. For the first time since 2007, the personal income tax kicker was triggered in the 2013-15 biennium.

The May revenue forecast estimated a personal income kicker tax credit of \$477.5 million. This figure was built into the close of session revenue estimate for 2015-17. With final revenue figures for 2015-17 now available, the certified credit is \$402.4 million (roughly 6% of pre-credit tax liability). This credit will be taken by taxpayers when filing their 2015 tax returns and will have the effect of reducing General Fund revenue in the 2015-17 biennium. The corporate kicker was also triggered with a total credit of \$58.9 million. Since this revenue stays in the General Fund for purposes of K-12 education, it does not affect the 2015-17 General Fund/Lottery resource table below.

Projected General Fund/Lottery Resources

2015-17 Biennium	
<i>General Fund</i>	
Beginning Balance (millions)	\$503.6
Rainy Day Fund Deposit (millions)	(159.2)
May Revenue Estimate (millions)	17,831.9
Shared Service Fund Allocation	(86.2)
Corporate Income Tax Rainy Day Fund Allocation	(10.1)
Net Impact of Legislative Actions (millions)	214.9
Estimated General Fund Resources (millions)	18,294.9
% Change from 2013-15	11.4%
<i>Lottery (millions)</i>	
Education Stability Fund Allocation	(203.3)
Total General Fund Lottery Resources (millions)	19,242.2
% Change from 2013-15 Biennium	11.3%

The net impact of legislative actions was to increase General Fund resources by an estimated \$214.9 million for the 2015-17 biennium. A large part of this increase is due to fund shifts contained in the Legislatively Adopted Budget. These shifts are expected to add \$139 million to

the General Fund budget. The largest of these fund shifts is a \$120 million transfer from the PEBB Stabilization Fund. Other major actions include the modification of the Shared Service Fund allocation resulting from the passage of SB 129. This measure capped individual county payments at \$16 million annually. This has the effect of shifting \$53.5 million into the General Fund. General Fund revenue was also enhanced by the extension of the OLCC bottle surcharge which added \$14 million to the 2015-17 General Fund estimate. Legislative actions also included the omnibus tax credit extension/modification bill (HB 2171). The net effect of HB 2171 is to reduce 2015-17 estimated General Fund revenue by \$20.9 million compared to current law. The current law revenue forecast assumes that all credits are allowed to sunset on the date specified in statute. This means that extending only 1 of the 18 credits scheduled to sunset in 2016 would result in a net revenue loss. An alternative measure of the revenue impact is to compare HB 2171 with the cost of extending all the credits in their present form. This cost is estimated at \$64 million for the 2015-17 biennium. Using this comparison, HB 2171 increased General Fund revenue by \$43.1 million compared to the cost of extending the credits scheduled for sunset. Finally, the impact of legislative actions includes the net effect of 2013-15 budget rebalance actions. These actions do not affect revenue but they do affect the beginning balance for the 2015-17 biennium.

Combining the May revenue forecast with 2015 legislative actions leaves an estimated General Fund/Lottery resource level (after reserve fund allocations) of about \$19.2 billion for the 2015-17 biennium. This is an increase of 11.3% compared to the 2013-15 estimated level.

Key Specific Legislation

1. HB 2171--tax credit policy changes

HB 2171 is the omnibus tax credit bill for the 2015 session. It represents the combined work of numerous policy committees as well as the Joint Committee on Tax Credits. It is the third such bill following the passage of HB 2067 in 2009. HB 2067 established a biennial tax credit review process by specifying sunset dates for nearly all of Oregon's income tax credits. HB 2067 divided Oregon's tax credits into three groups with a default sunset extension period of 6 years. This means that credits extended for six years in 2011 will come up for review again in 2017 as the process begins a second round.

HB 2171 contains a number of major tax credit policy decisions. The most significant is the combination of the working family credit and dependent care credits into a single credit. This reduces overlap and sets up a smooth phase out of the credit as income rises. The net revenue impact (about \$31 million per year) is roughly neutral when compared with the expiring credits. Significant sunset extensions included in HB 2171 include the credit for individual development account donations and credits for those with severe disabilities and those with children that have severe disabilities. HB 2171 also modifies and extends the rural medical provider and the Office of Child Care contributions credits. In the former case, the credit is extended for only two years as the Legislature elected to wait for more detailed information on how the credit can be more geographically refined and work more consistently with other subsidies for rural medical providers. In addition, HB 2171 adds a new provision designed to more clearly define income tax state residency requirements for active military personnel.

As a consequence of the tax credit review process, the Legislature chose to allow a number of tax credits to expire. The most prominent of these are the TRICARE health care providers' credit and the credit for long term care insurance. In the latter case, the

sunset date was pulled forward to January 1, 2015. This had the effect of adding \$10.4 million in General Fund revenue for the 2015-17 biennium.

Finally, HB 2171 contains language disallowing the use of any tax credit against the corporate minimum tax. This provision negates the impact of a Supreme Court decision in the case of *Con-Way & Affiliates v. Oregon Department of Revenue* in 2013. Disallowing tax credits against the minimum adds an estimated \$19.2 million in General Fund revenue for the 2015-17 biennium.

2. SB 611—creates new exemptions for the intangible property of centrally assessed communications companies.

Rapid structural changes in the communications industry brought on by new technologies led to modifications in the state's policy toward centrally assessed property owned by communication companies. Because communications companies are centrally assessed under current law, their intangible property is included in their valuation for property tax purposes. The growing presence of large companies in Oregon such as Google, Apple and Face Book, all of which have a substantial proportion of their company's value in intangible property, prompted the legislature to make modifications to the state's central assessment statutes. SB 611 contains four major elements: (1) creation of an alternative value limit for all centrally assessed property at 130% of a company's historic cost, (2) establishment of a new exemption for the value of franchises, (3) creation of a new exemption for companies that make major communication infrastructure investments that meet certain criteria and (4) clarification of existing statute that data center property is not considered communications property for purposes of central assessment.

3. SB 129—revision and sunset extension of Gain Share program.

In 2007, the Legislature established the Shared Service Fund, which has become popularly known as "Gain Share". The concept behind Gain Share is to set up a mechanism for local governments who participate in the Strategic Investment Program (which caps property taxes for large investments) to share in the estimated income tax collections associated with the jobs generated by the project. The existing Gain Share statute was scheduled to sunset in 2019.

SB 129 extends the sunset on the existing program to 2024. It also substantially modifies the calculation for Gain Share revenue to the participating local governments. The new calculation maintains the current 50% split of revenue between state and local governments for the estimated income tax revenue from newly created jobs but reduces the percentage of estimated revenue going to local government for retained jobs associated with the eligible projects from 50% to 20%. SB 129 also caps the total amount going to the taxing districts in an individual county at \$16 million annually. Under prior law there was no cap. This provision has a major impact on the state General Fund in the 2015-17 biennium because nearly all of the \$86.2 million projected to be distributed through the Gain Share program was expected to go to Washington County because of a large Intel investment. The \$16 million annual cap reduces the estimated General Fund loss from Gain Share to \$32.7 million, a net increase of \$53.5 million for the General Fund in 2015-17.

4. HB 2041—implementation of tax mechanism for legalization of recreational marijuana use approved by voters.

Measure 91, approved by voters in 2014, legalized the sale and use of marijuana for recreational purposes. HB 2041 establishes a 17% tax on the retail sale of marijuana related items beginning January 1, 2016. The tax is to be collected by marijuana retailers at the point of sale and remitted to the Department of Revenue on a quarterly basis. Retailers are allowed to retain 2% of their gross collections in order to cover costs. After covering administrative costs the Department of Revenue is directed to deposit the remaining revenue in the Oregon Marijuana Account. Distributions from the account, set in Measure 91, are: 40% to the Common School Fund, 20% to mental health, 15% to State Police, 10% each to the cities and counties and 5% to the Oregon Health Authority.

With collections not expected to begin flowing in until the second year of the biennium, gross marijuana tax revenue is projected at \$10.7 million for the 2015-17 biennium, with an additional \$5.2 million coming from fee and license revenue. Revenue available for distribution, after netting out collections costs, is projected at \$4.4 million. Revenue is expected to ramp up after start up administrative costs are covered and the recreational marijuana market begins to mature. Net revenue for distribution is projected at \$59.2 million for the 2017-19 biennium.

5. SB 61—clarifying Oregon’s tax haven law.

In 2013, the Legislature enacted HB 2460. This legislation established a list of jurisdictions for which corporations are required to report income for purposes of calculating Oregon taxable income. The original list of jurisdictions was based on a Montana law that has been in effect since 2003. HB 2460 also directed the Department of Revenue to review the existing list and recommend any additions or deletions to the legislature in time for the 2015 session. The Department of Revenue recommended a number of changes to the list. Some of these recommendations were relatively minor such as changing the list to reflect changes in the names of countries and adding small jurisdictions such as Trinidad and Tobago and Guatemala. However the department’s report also recommended adding the Kingdom of the Netherlands, Switzerland and Hong Kong to the list based on the criteria they used to determine tax haven status. Both revenue committees debated the recommendations extensively, finally opting for only minor changes to the list and deciding not to add the Netherlands, Switzerland and Hong Kong to the statutory list of tax have jurisdictions.

The Legislature’s decision not to make significant changes to the listed jurisdictions resulted in SB 61 having a very small revenue impact (estimated at + \$.1 million per year). However, SB 61 did contain two provisions clarifying Oregon’s tax haven law. The first was the specification of the criteria used to determine whether a country belongs on the jurisdiction list or not. SB 61 places the criteria in statute. It is the same as that used by the Department of Revenue in their report and recommended by the Multi State Tax Commission. Secondly, SB 61 establishes a mechanism for corporate taxpayers to exclude income that is reported in a listed jurisdiction but did not originate from a U.S. source. This provision clarifies that the Legislature’s policy intent is to include only income reported in listed jurisdictions that originated in the U.S. for purposes of apportioning back to Oregon.

The remaining text of this report contains a summary of all revenue related measures enacted by the 2015 Legislature including more detail on the measures listed in the overview section.

SUMMARY OF INDIVIDUAL REVENUE BILLS

PERSONAL AND CORPORATE INCOME TAX

HB 2089 (CH 643)

Requires the Department of Revenue to report on the number and ending balance of liquidated and delinquent accounts that have been placed in suspended collection status. Requires the Department of Revenue to offer to suspend collection of an unpaid tax debt, including interest or penalties, if the department determines that the individual has income that does not exceed 200 percent of the federal poverty guidelines, has less than \$5,000 in assets, and has income solely from a source that is exempt from garnishment under ORS Chapter 18. Requires the department to continue to charge interest on the taxes for which collection has been suspended. Provides that the taxpayer may make voluntary payments of unpaid tax. Allows the department to file a lien against the taxpayers property and to resume collection if the taxpayer incurs additional unpaid tax during the period of suspended collection. Allows the department to offset any payments from state or federal government, including tax refunds against the taxes that have been suspended. Requires the department to annually review the taxpayer's eligibility for suspension and reinstate collections if the criteria for suspension are not met.

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

HB 2171 (CH 701)

Requires the Legislative Revenue Office to conduct a study on restructuring Oregon's state and local revenue system.

Combines the Working Family Child Care and the Child & Dependent Care tax credits into a single Working Family Child and Dependent Care tax credit for tax years 2016 through 2021.

Moves the sunset date for the following tax credits from January 1, 2016 to January 1, 2022:

- Oregon Veterans' Home Physicians
- Oregon Life and Health IGA Assessments

Makes policy changes to the following tax credits and moves the sunset date from January 1, 2016 to January 1, 2022:

- IDA Contributions (Expands the eligible use of funds, removes the taxpayer credit cap, allows the credit to be sold at lower rates, creates a statutory program cap of \$7.5 million in tax credits to be issued annually)
- Severe disability (limits to taxpayers with no more than \$100,000 of income)
- Child with a disability (limits to taxpayers with no more than \$100,000 of income)
- Office of Child Care Contributions (reduces credit percentage to 50% of contributions, makes other program changes)

Moves the sunset date for the Rural Medical Providers tax credit from January 1, 2016 to January 1, 2018. Sets the credit amount commensurate with the distance from an Oregon population center (\$3,000, \$4,000, or \$5,000).

Modifies the tax credit cap for certain Residential Energy Tax Credits and increases the incentive for solar thermal projects, without changing the sunset date. Moves the sunset date for the Long-Term Care Insurance tax credit from January 1, 2016 to January 1, 2015. Moves the sunset date for the Film & Video tax credit from January 1, 2018 to January 1, 2024. Declares tax credits may not be used to offset the Corporation Minimum Tax for tax years 2015 through 2020. Declares certain military active service income earned in Oregon exempt from the personal income tax. Extends the charitable property tax exemption to certain museums for four years.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Tax credit policy changes	\$10.4	-\$48.7	-\$38.3	-\$111.8	-\$124.4
Military income	-\$1.2	-\$0.6	-\$1.8	-\$0.8	-\$0.9
Corporation minimum tax	\$9.5	\$9.7	\$19.2	\$20.4	\$20.7
General Fund	\$18.7	-\$39.6	-\$20.9	-\$92.2	-\$104.6
Local Property Taxes	< \$0.05 per year		-\$0.1	-\$0.1	-\$0.1

The estimated impacts for the tax credit policy changes are based on analyses of the historical use of each tax credit as reported on income tax returns. The estimates are derived from a combination of trend analysis and policy impact analysis. Estimates for the corporation minimum tax are based on historical data on the collective use of tax credits and projections of tax credits allowed under current law. Estimates for the property tax exemption are based on the analysis of local property tax data for properties that will be affected by the changes. Estimates for the military active service income are based on assumptions regarding the number of affected taxpayers and average income levels.

Policy Purpose Statements

Working Family Child and Dependent Care: To enable low-income working families to care for young children and disabled dependents by offsetting costs so that they may be gainfully employed or attend school full-time

Individual Development Account Contributions: As provided in ORS 458.675: To fund an asset based prosperity strategy for low-income Oregonians that promotes personal financial management, investment, and savings for key assets

Oregon Veterans' Home Physician: To improve access to long-term, specialized residential care for veterans living in an Oregon Veterans' Home

Oregon Life and Health IGA Assessments: To spread the cost of paying claims against insolvent life & health insurance companies to as broad a base as possible

Severe Disability: To provide financial relief and offset costs associated with a taxpayer's/spouse's disability

Child with a Disability: To provide financial relief and offset costs associated with a child's disability

Rural Medical Providers: To improve access to certain health care providers in rural areas

Office of Child Care Contributions: To improve the quality of child care programs through education awards and quality improvement grants

Film & Video: To establish a sustainable infrastructure for this industry in Oregon for purposes of economic development

Military Active Duty: To provide tax relief to service members with an out of state address in consideration of their work and sacrifices for their state and country

Museum property taxes: To expand and clarify the existing exemption available to nonprofit history or science museums. The purpose of the underlying exemption is to provide tax relief to property owned or leased by nonprofit corporations in recognition of the social benefits such organizations provide to the public.

HB 2334 (CH 45)

Allows payment of taxes, penalties, and interest found to be deficient to be made within 30 days after an order to specially designate a complaint to the Regular Division of the Tax Court from the Magistrate. Allows the taxpayer to file an affidavit alleging undue hardship within 30 days after receiving notice of a lack of this affidavit from the court.

If the Department of Revenue finds a deficiency in taxes imposed upon or measured by net income, the tax, along with interest and penalties, shall be paid to the department on or before filing a complaint with the regular division of the Oregon Tax Court. In cases where a complaint is specially designated to the Regular Division of the Tax Court from the Magistrate Division, the measure would give the taxpayer 30 days to pay any amounts due. The complaint is considered a claim for a refund of this money. Currently, a taxpayer may file an affidavit alleging undue hardship to the Regular Division of the Tax Court with the complaint. The measure would also allow 30 days for the filing of this affidavit after the receipt of a notice of a lack of an affidavit. If the court finds undue hardship, the tax court judge can stay all or part of the payment of tax, penalty, and interest.

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

HB 2448 (CH 545)

Modifies the conservation program by requiring owners of projects with a cost of at least \$1 million to enter into a performance agreement and receive annual recertification. Requires information to be included in the recertification application. Allows the Department of Energy to inspect such projects. Applies to certifications submitted on or after September 1, 2015 and to tax year 2015 and later.

Revenue Impact: None

HB 2488 (CH 32)

Replaces penalty for substantial understatement of taxable income with a penalty for the substantial understatement of net tax. Provides for adjustment of net tax threshold amounts for

inflation. Sets the net tax understatement amount that would trigger a 20 percent penalty at \$2,400 for personal income tax and \$3,500 for corporate income tax.

Previously, the Department of Revenue issued penalties for a substantial understatement of taxable income equal to 20 percent of the amount of tax attributable to this understatement of income. Taxpayers who filed a part-year resident form were able to understate Oregon taxable income without receiving a penalty if their federal taxable income is not understated. Linking the penalty instead to an understatement of net tax circumvents this possibility. This measure changes the penalty to a penalty on the understatement of net tax. This is a more comprehensive penalty that can include an overstatement of income, an overstatement of credits, or an overstatement of subtractions. The current thresholds for the penalty were set in 1987 and not indexed to inflation. The measure also adds indexing for inflation of the thresholds for the substantial understatement of net tax.

Revenue Impact: The revenue impact of this measure is indeterminate for the following reasons:

The revenue impact of this measure is affected by its addition of the indexing for inflation. The threshold numbers for the penalty were obtained by indexing the current overstatement of income amount from 1987 to present day and translating that into a net tax using the average tax rate. The measure would require increasing that amount each year with inflation. As a result, the penalty has a higher threshold. Data from the Department of Revenue suggest that 66 percent of penalties would not have been assessed if the new number had been used. Total revenues from these penalties are estimated to range between \$1 million and \$2 million per year for personal income tax, and more for corporate income tax. This change would eliminate 66 percent of that revenue through the higher, inflation indexed threshold.

On the other hand, the change of the penalty from a penalty on understatement of income to one on the understatement of net tax means that the penalty would be more comprehensive. It would affect taxpayers who have an overstatement of tax credits or subtractions because such overstatement would affect the net tax. This increase in the comprehensiveness of the penalty would increase revenue by an indeterminate amount.

It is feasible that this increase could entirely make up for the revenue lost by indexing the penalty thresholds to inflation.

HB 2566 (CH 468)

Provides that disaster or emergency related work conducted by an out-of-state business may not be used as the sole basis for determining that the company is doing business in Oregon and therefore subject to Oregon's income tax. Similarly, out-of-state employees working in Oregon for disaster or emergency related work would not be subject to the personal income tax for related earned income.

Revenue Impact: Indeterminate

This bill would have a revenue loss because it exempts income from taxation that is considered taxable under current law. The impact is indeterminate due to inherent uncertainty regarding natural disasters and emergencies. Any potential impact depends on the magnitude, duration, frequency, and timing of declared emergencies.

HB 3016 (CH 217)

Restores capital gains tax exemption for property sales to entities that include tenants, non-profits or housing authorities. Modifies time limit for tenants to form or associate to submit purchase offer. Increases assessment fee and imposes reimbursement to county for processing. Increases mobile home park registration fee. Cancels unpaid taxes and assessment fees. Prohibits mandatory consignment sales. Clarifies rules for competing sales. Applies to tax years beginning January 1, 2015, and before January 1, 2020. Takes effect on 91st day after sine die.

House Bill 4038, passed in 2014, requires the owners of manufactured home parks to notify tenants of their intentions to sell the park. If tenants wish to compete to purchase the park, they may form an association, such as a corporation, for the purpose of negotiating the purchase, or partner with a nonprofit corporation or housing authority to make the purchase. However, the 2014 legislation failed to incorporate an existing capital gains exemption into account, available to property owners who sold their mobile home parks to residents or nonprofits. The measure restores the capital gains exemption for owners of mobile home parks who sell to tenants, and makes other modifications intended to improve the transaction process.

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

SB 36 (CH 480)

Makes technical changes to Oregon tax statutes. Modernizes language. Repeals outdated statutes including a pre-2004 limit on land that can be designated as tax exempt riparian land, and outdated references to the Multistate Tax Compact.

Revenue Impact: The measure has no revenue impact.

SB 61 (CH 755)

Modifies list of jurisdictions of incorporation for which income must be included on Oregon corporate excise tax return, if corporation is member of unitary group with Oregon corporation. Specifies that the provisions of ORS 314.667 apply to income reported in listed jurisdictions. ORS 314.667 allows the Department of Revenue to use additional methods to apportion income in those cases when application of the apportionment formula does not represent the taxpayer's business activity in the state. This statute also allows taxpayers to petition for an adjustment.

SB 61 adds Trinidad and Tobago, Guatemala and the individual countries that comprised the former Netherlands Antilles to the list of jurisdictions. It deletes Monaco and the Netherlands Antilles from the list.

Revenue Impact (in \$millions):

Source	2015-17	2017-19	2019-21
Corporate Income Tax	+\$0.1	+\$0.2	+\$0.3
General Fund	+\$0.1	+\$0.2	+\$0.3

SB 63 (CH 442)

Updates connection to the Internal Revenue Code and to other provisions in federal tax law from December 31, 2013 to December 31, 2014. Updates references in the governing statutes of the Public Employees Retirement System (PERS) to federal law that establishes taxable income, affects annual benefits payable to members, specifies rules around minimum

distribution requirements under certain circumstances, and relates to benefits and service credit for a period in the uniformed services. Updates connection to the federal code that defines shareholders in S corporations who may represent their companies in proceedings before the tax court magistrate or the Department of Revenue. Updates connection to the Internal Revenue Code to define which organizations may qualify for consideration for a charitable tax checkoff. Updates statutes governing the Oregon College Savings Plan, Individual Development Accounts, and unemployment insurance to connect to the latest version of the Internal Revenue Code as of December 31, 2014. Specifies that if a refund is due a taxpayer for a tax year beginning before January 1, 2015 due to any retroactive treatment from these federal tax law connection changes then the refund will be paid without interest and cancels the interest or penalties from any deficiencies caused by the reconnect.

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

PROPERTY TAX AND LOCAL GOVERNMENT FINANCE

HB 2083 (CH 309)

Creates exception to five-year ownership requirement of homestead for deferral, if claimants for deferral moved to homestead from a previous homestead that met all the requirements, sell existing qualifying homestead within one year of purchasing new home, satisfy lien for deferral on existing home and owe no more than 80 percent of purchase price of new application homestead. Requires homestead to be insured for fire and other casualty. Allows Department of Revenue (DOR) to purchase insurance for uninsured homestead and add cost of insurance coverage to lien. Increases county median real market value qualification limits for taxpayers that have continuously owned and lived in homestead at least 21 years. Requires Department of Revenue to electronically notify an office of Aging and Disability Resource Connection or seniors and people with disabilities division of the Department of Human Services if recertification is not received with 35 days after sending notification to taxpayer. Changes apply to property tax years beginning on or after July 1, 2016.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Change in Senior & Disabled Deferral Revolving Account Balance	0	(.34)	(.34)	(.86)	(1.03)

The measure makes four primary changes to the Senior and Disabled Deferral program. Three of the changes are expected to impact the Senior and Disabled Deferral revolving account. The changes relating to the five year ownership requirement, increase in RMV limits for certain property owners, and increased outreach of DOR and other state agencies during recertification process are expected to increase participation in the deferral program. An increase in deferral participation has two effects, the first is to increase tax deferral payments made by DOR on behalf of participants followed by a period of increased repayments reflective of the increased deferral payments. In the short run, tax deferral payments out of the revolving account are greater than increased repayments received, causing a negative impact upon the deferral account balance.

The impact upon the deferral revolving account balance resulting from changes in DOR’s ability to purchase fire and other casualty insurance is expected to be minimal.

HB 2126 (CH 507)

Adds definition of "nonresidential use" for purposes of vertical housing development zone program. Nonresidential use is defined as any use that is not exclusively residential use. Extends sunset date for new vertical housing zone designation and application for exemption to January 1, 2026. Allows any local taxing district to elect not to participate in a vertical housing development zone. Electing not to participate has the effect of allowing district to continue imposing tax on property otherwise exempt under vertical housing partial exemption. Definitional change applies to property tax years beginning on or after July 1, 2015. Allowing any local taxing district to opt out of exemption takes effect on 91st day following adjournment sine die.

Revenue Impact: No direct revenue impact.

The measure would cause the exemption to be permissible to all local taxing districts and as such has no direct revenue impact. The existing law sunset date extension applies to new zone designations and certifications only, existing property that continues to meet qualification criteria will continue to receive exemption until 10 year property limitation period is met. Extension of sunset will allow Housing and Community Services Department to continue issuing new certifications for zone designation and project certification until 12/31/2026 at the request of cities, counties (or a combination of the two) and persons seeking partial exemption. In 2014, fewer than ten properties received the exemption, it is expected that few properties will be newly certified and begin receiving exemption after the current sunset date. The measure’s defining of the term “nonresidential use” is expected to have a minimal impact upon revenues.

The *policy purpose* of this tax expenditure is to allow cities and/or counties the ability to provide partial property tax exemptions for development or rehabilitation of mixed use multiple-story buildings which subsequently encourages and supports the development, rehabilitation, and availability of mixed used property of desired density in designated areas. The tax expenditure is permissible to all local taxing districts protecting the taxing authority of all districts choosing not to participate.

HB 2127 (CH 96)

Allows authorized agent providing closing and settlement services in conveyance of real property to tax-exempt government transferee to withhold and pay to county in which property is located, property taxes on the real property as of the date of the conveyance if written instructions to do so are received from transferor. Prohibits county clerk from recording fee title of real property if certificate issued by county assessor does not accompany instrument conveying or contracting to convey fee title.

Requires a person seeking to record an instrument of sale to an exempt government transferee to pay charges against the real property. If exact amount of charges is unknown, then the assessor's estimate is paid. Any deficiency required to be paid constitutes a personal debt and is not a lien on the property and is required to be collected as delinquent personal property.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Local Government	.4	.5	.9	1.0	1.0
Local Education Districts	.3	.4	.7	.8	.8
Total Revenue Change	.7	.9	1.6	1.8	1.8

The revenue impact estimate is based upon information provided by county assessors detailing the current outstanding delinquent tax amounts related to property transactions that would fall under the purview of the measure. It is expected that the requirements in the bill would cause taxes to be paid on property conveyed to tax-exempt government transferees. Under current law, instances occur where the taxes associated with property conveyed to tax-exempt government transferee is not paid and collection efforts are unsuccessful as property is no longer subject to foreclosure. The revenue impact displays a steady positive revenue stream, however data suggests that positive revenues would be more sporadic as large property transfers with unpaid tax occur more irregularly. The revenue impact reflects an averaged impact over future biennia. While the measure results in an estimated revenue gain, it is not a measure to raise revenue. Imposed property tax liability will not change, it is the expectation of payment that otherwise would not exist that causes the increase in revenue.

HB 2128 (CH 52)

Establishes personal liability of a lessee for property taxes, as the property is leased from an exempt government (federal, state or local) entity. Provides counties with means of collecting unpaid taxes from a person and their real and personal property. Requires county clerk to immediately issue writs of attachment on application by tax collector or district attorney for the county as plaintiff.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Local Government	<.1	.1	.1	.1	.1
Local Education Districts	<.1	.1	.1	.1	.1
Total Revenue Change	.1	.1	.2	.2	.2

The revenue impact estimate is based upon information provided by county assessors detailing the current outstanding delinquent tax amounts related to property transactions that would fall under the purview of the measure. It is expected that the requirements in the bill would cause most taxes to be paid on property leased from exempt government to taxable entities. Under current law, instances occur where taxes associated with property leased from exempt government owners to taxable entities are not being paid, especially at times where a lease ends or is discontinued. At that point the property returns to exempt status leaving counties without the ability to foreclose and collect delinquent taxes.

The revenue impact displays a steady positive revenue stream, however data suggests that positive revenues would be more sporadic as large unpaid property leases occur more irregularly. The revenue impact reflects an averaged impact over future biennia.

HB 2129 (CH 97)

Allows taxpayer to petition county assessor for correction in maximum assessed value of property for the current tax year upon demonstrating that new property or improvement to property added to the tax roll in a prior tax year did not exist as of the assessment date for that prior tax year or any subsequent tax year. Requires assessor to correct maximum assessed value of property for current tax year in manner determined by assessor. Correction must reflect, in a manner determined by assessor, removal of the new property or improvements. Requires property constituting an integral part of the land or improvements that has been continuously in existence since the prior tax year and was not included in any assessment for prior tax years to be considered new property or new improvements to property.

Engrossed version of measure resolves conflicts between the measure and HB 2487 which both make changes to ORS 311.234. Amendment language applies statutory changes contained in

HB 2129, to HB 2487 (signed by Governor on April 22nd). Both measures make changes to existing law regarding how MAV is corrected in instances where actual property square footage differs from square footage contained in property tax records of assessor. Applies to property tax years beginning on or after July 1, 2015.

Revenue Impact: Minimal

HB 2130 (CH 310)

The measure as amended would allow governing bodies to establish reasonable maximum holding times for land designated for low-income housing development and would allow governing bodies to elect additional qualifying criteria. These two changes only apply to applications for exemption received on or after the effective date of the measure and the date on which the governing body adopts the reasonable maximum holding times and/or additional criteria. If a governing body chooses to establish either of these more limiting provisions, then property exempted from taxation could be reduced. Providing local governments the ability to establish more limiting provisions could also increase the likelihood of local governments allowing the partial exemption. However, as the measure does not require governing bodies to adopt the limiting provisions, and existing properties receiving exemption are unaffected by changes provided in the measure, no direct revenue impact is expected.

Revenue Impact: No impact

HB 2195 (CH 242)

Requires Multnomah County, after reimbursements are made to county general fund for costs related to management and disposition of real property, to use proceeds acquired specifically by foreclosure of delinquent tax liens or by exchange for land originally acquired by foreclosure of delinquent tax liens, for: housing placement and support of youth and families with children, rental assistance and low income housing. Clarifies that county costs to determine boundaries are reimbursable. Makes explicit that Multnomah County may convey foreclosed properties to any governmental body if not needed for public use and properties donated to government units or nonprofits for specified purposes.

Revenue Impact: No impact

HB 2482 (CH 36)

Clarifies assessment responsibilities of Department of Revenue and County Assessor offices relating to valuation of industrial property. Requires county assessor to appraise property for five consecutive years following request by county for assessment responsibility of otherwise state-appraised industrial property. Clarifies appeals process. Defines terms. Applies to assessment years beginning on or after January 1, 2015 and property tax years beginning on or after July 1, 2015.

Revenue Impact: No impact

HB 2483 (CH 37)

Clarifies appeals right, of any party to an appeal, to appeal entire unit of property value as defined in ORS 310.160(1), which consists of all contiguous property under common ownership within a single code area in a county.

Changes provided in House Bill 2483 would allow other parties to an appeal, to appeal the value as it relates to the entire unit of property which could be the summation of several accounts and their values. For example, if an appeal was brought by the property owner specific to a single tax account, other parties to the appeal such as the county assessor could appeal other tax accounts of the property so long as the accounts comprise the same unit of property.

Revenue Impact: Minimal

Revenue impact resulting from the measure is expected to be minimal. Fewer property tax appeals may potentially be filed as measure reduces incentive of selectively appealing only certain accounts within a unit of property as defined in ORS 310.160(1).

HB 2484 (CH 38)

Extends deadlines and eliminates extension for filing certain property tax returns with Department of Revenue. Applies to property tax years beginning on or after July 1, 2016. Businesses are currently required to file property tax returns detailing property information used in the valuation process. Examples of information provided on the returns includes business personal property, real and personal industrial property, when the property was bought etc. The current deadline for filing property tax returns is March 1 of each year, with the possibility of extension to April 15 if certain conditions are met including good or sufficient cause, or if the granting of an extension will enhance the accuracy of the return and increase long-term voluntary compliance. Department of Revenue statistics suggest taxpayers requesting extensions tend to have more filing issues than returns filed without extension. House Bill 2484 would change the tax return filing deadline from March 1 to March 15 while also eliminating the availability of the April 15 filing extension.

Revenue Impact: No impact

HB 2485 (CH 31)

Clarifies that refund made for correction in property taxes owed resulting from appeal is made to individual who filed the appeal. Aligns time limitation for property tax refunds with time limitation for roll corrections (five years). Increases threshold for cancelling delinquent property taxes from five to ten dollars, aligning with current threshold for refunds. Amends Enrolled Senate Bill 611 (2015) to require qualifying capital investment in communication infrastructure to enable company to offer communication services, including the capacity to provide, at least, approximately one gigabit per second symmetrical service. Modifies exemption time period to be the period during which an owner maintains and operates the qualified project.

Revenue Impact: Minimal

Changes to the time limitation of property tax refunds and increasing the threshold for cancelling delinquent property taxes are expected to have minimal revenue impacts upon local government revenues.

Modifications to SB 611 are expected to have an indeterminate effect upon revenues for local governments. If the changes provided to law in the measure as amended result in an expansion of business activity that would otherwise not occur, then the revenue impact could be positive. However, if expanded business activity is not dependent upon changes in law, then the measure could result in a loss or no impact upon local revenues.

HB 2486 (CH 368)

Removes statutory provisions relating to categorization of property tax revenue under Measure 5 that were held unconstitutional by Oregon courts. Takes effect on 91st day following adjournment sine die.

Revenue Impact: No impact

HB 2487 (CH 39)

Requires correction of maximum assessed value resulting from assessor changes in property square footage to be proportional to change in real market value of property resulting from the changes in property square footage.

The proposed changes would still give the assessor discretion in reducing MAV, but the formula used would be reflective of the market value of the square footage change. For example, a 5% reduction in square footage may only be reflective of a 3% reduction in value if that is what market rates would determine it as.

Conflicts with HB 2129 resolved in engrossed version of HB 2129. See description in HB 2129 for details.

Revenue Impact: Minimal

HB 2610 (CH 34)

Adds agricultural workforce housing to property used in relation to agricultural work that is eligible for property tax exemption.

Revenue Impact: Minimal

The changes in law resulting from HB 2610 as amended are expected to have a minimal revenue impact on local governments.

Many of the changes in the measure relate to clarifying the certification process and responsibilities related to ensuring properties meet qualifications standards in law. After receiving feedback from assessor staff of affected counties, there is little to no expectation of properties qualifying under the new language that are not currently qualifying for the exemption. Language in measure would expand qualification criteria to include agricultural workforce housing as defined in measure. While no property is expected to qualify under this expanded language that is not already receiving exemption, there is possibility that future properties could qualify under expanded language that would not otherwise qualify under current law.

The *policy purpose* of this measure is to expand the availability of low cost housing and child care facilities for agricultural workers and their families, so long as the property meets applicable safety and health standards.

HB 2635 (CH 41)

Requires ballot title for measure proposing local option tax, to state that estimated tax cost may reflect impact of early payment discounts, compression and collection rate. Takes effect on 91st day following adjournment sine die.

Revenue Impact: No impact

HB 2643 (CH 648)

Authorizes designation of enterprise zone, electronic commerce zone, electronic commerce city and reservation enterprise zone by zone sponsor or sponsors. Zone sponsor may be a city, county, port or tribal government. Designation of enterprise zone and boundary change of zone subject to determination by Oregon Business Development Department (OBDD) that certain statutory requirements are met. Requires submission of documentation to OBDD before designation, addition or change, and requires consultation with department. Eliminates numeric limit on number of enterprise zones that may be designated at any time.

Revenue Impact: No impact

The *policy purpose* of this measure is contained in ORS 285C.055:

“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.”

HB 2652 (CH 518)

Changes definition of “rural area” to mean area located entirely outside of urban growth boundary of city with population of 40,000 or more, as boundary is acknowledged on date on which application is submitted for strategic investment program. Grandfathers existing definition for current strategic investment zones and parcels of land on which eligible projects are currently located.

Revenue Impact: Indeterminate

The measure changes the definition of “rural area” to mean area located entirely outside of urban growth boundary of a city with a population of 40,000 or more as boundary is acknowledged on date on which application is submitted for strategic investment program. Changing date at which urban growth boundary is acknowledged for qualification criteria from December 1, 2002 to when application is submitted will decrease land available for qualifying as “rural”.

Changes could have an impact upon revenues but any change would be dependent upon firm location decisions. If the criteria contained within the measure had been in place throughout the history of the program, there are two companies that would not have been able to participate in the rural strategic investment program that are now participating. However, location decisions by the firms at the time could have differed had the qualification criteria been different. For this reason, impact upon revenue is indeterminate.

HB 2690 (CH 520)

Exempts from property taxation land acquired and held by a nonprofit corporation for the purpose of building on the land residences to be sold to individuals with income not greater than 80 percent of area median income as adjusted for family size. Requires nonprofit corporation, within 10 years immediately preceding filing of claim for exemption, to have sold at least one residence to individuals with income not greater than 80 percent of area median income as adjusted for family size. Requires exemption to end at time of title transfer. Absent title transfer, exemption required to end after seven consecutive years with option for three year extension if claim is filed and filing fee paid. Applies to property tax years beginning on or after July 1, 2015.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Local Government	(.1)	(.1)	(.2)	(.2)	(.2)
Local Education Districts	(.1)	(.1)	(.1)	(.2)	(.2)
Total Revenue Change	(.2)	(.2)	(.3)	(.4)	(.4)

The estimate of the loss in revenue is based upon the assumption that nonprofit corporations owning qualifying property will apply for and subsequently receive the exemption. The measure applies the exemption to tax years beginning on or after July 1, 2015, however, applications for the exemption would have been due on or before April 1, 2015. To receive the application for tax year 2015-16, a late filing fee equal to the greater of \$200 or one-tenth of one percent of RMV per application for exemption is required.

The *policy purpose* of this measure is to provide tax relief to land owning nonprofit corporations building residences to be sold to lower income individuals, thus encouraging the development and availability of low income housing.

HB 2734 (CH 631)

The measure authorizes local governments to create land bank authority. It provides land bank authority powers and responsibilities, and details authority and duties of land bank authority and composition of land bank authority board. The measure also clarifies that the authority is to exist as a legal entity separate from the local government that created it. While it defines the purpose of the authority and language related to board of directors. Clarifies that a local government may incur debt, including issuance of bonds, on behalf of an authority it creates and clarifies that all assets owned by the authority, income earned by assets, and bonds issued by the authority and their income are exempt from taxation by State of Oregon. Finally it provides method for dissolution of authority. Members of land bank authority board are required to file statement of economic interest with Oregon Government Ethics Commission. Exempts land bank authority from liability of remedial action costs or for damages of any spill or release of oil or hazardous material at facility acquired by authority under certain conditions.

Revenue Impact: Minimal

Background:

As defined in ORS 285A.185, a “brownfield” is real property where expansion or redevelopment is complicated by actual or perceived environmental contamination. Brownfields must be cleaned up before they can be reused for jobs, housing, and other community needs. This measure authorizes local governments to organize land banks, which could take ownership of brownfields with immunity from legal liability for legacy contaminations. During the period of ownership, the land bank authorities would be offered tax abatements (No longer in the bill) for brownfield clean up and redevelopment. This measure outlines the authority and duties of land bank authorities and composition of land bank authority boards.

HB 3001 (CH 92)

Allows application for determination of real market value and assessed value of property destroyed or damaged between January 1 and July 1 to be filed on or before December 31. Applies to property tax years beginning on or after July 1, 2014. Repeals redundant provision of law. Requires applications filed after the later of August 1 of the current year or the 60th day following the date on which the property was damaged or destroyed, but still filed prior to

December 31, to be accompanied by a late filing fee in amount equal to greater of \$200 or one-tenth of one percent of the real market value of property to which application relates.

Revenue Impact: Minimal

HB 3030 (CH 560)

Authorizes formation of sand control districts, not within the corporate boundaries of a city, for the purpose of controlling, moving, or removing drifting sand within the district. Details authority of sand control districts and of district boards. Authorizes districts to levy taxes and raise revenue. Authorizes districts to issue general obligation bonds within specified limits. Adds sand control district to definition of local service district and special district elections statutes. Declares emergency, effective on passage.

Revenue Impact: No Impact

The measure allows for the creation of a new local taxing district type, sand control district. As the measure only allows for the creation, but does not in it of itself create a new district imposing ad valorem taxes, there is no direct impact on local revenues. If a sand control district(s) is formed and the district levies tax, then an increase in property tax revenue would result.

HB 3082 (CH 141)

The measure provides local governing bodies the ability to elect either of two definitions of "low income" for purposes of exemption qualification under ORS 307.541, Nonprofit Corporation Low Income Housing. The definition of low income can either be at or below 60 percent of the area median income (AMI) or 60 percent of AMI for initial year of occupancy with subsequent consecutive years AMI at or below 80 percent.

Under current law, if income of any resident of a nonprofit corporation qualifying for low income housing exceeds the statutory limit, then for the property to continue receiving the exemption, the resident(s) must no longer be housed on the property. If a property receiving exemption continues to house residents above the statutory income limits, then the property no longer receives the exemption.

Revenue Impact: Minimal

The increased AMI criteria provided for in this measure could lead to an expansion of the number of properties providing low income housing and/or reduce the likelihood of existing properties being subject to taxation due to residents of the properties exceeding the AMI limits. Acceptance of the expanded AMI limits are at the discretion of local governing bodies, reductions in revenue to local districts are expected to be minimal.

HB 3125 (CH 827)

Expands existing property tax exemption for qualified machinery and equipment used in food processing to include machinery and equipment used to process grains, bakery products, dairy products and eggs. Prohibits a person engaged in business of producing marijuana or any product that contains marijuana or a marijuana extract from qualifying for exemption. Disallows exemption for qualified machinery and equipment used to process bakery products if retail sales made at processing site constitute more than 10 percent of all proceeds from sales made at processing site. Requires qualifying bakeries to have been issued a wholesale license by State Department of Agriculture. Requires qualified machinery and equipment used to process grains and bakery products to have real market value of at least \$100,000 when placed in

service in order to qualify for exemption. Applies to property tax years beginning on or after July 1, 2016.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Local Governments		(0.4)	(0.4)	(1.9)	(2.8)
Local Education Districts		(0.3)	(0.3)	(1.5)	(2.3)
Total Revenue Change		(0.7)	(0.7)	(3.4)	(5.0)

The expansion of the existing property tax exemption for food processing equipment is expected to reduce property tax revenues for local taxing districts. The exemption is available for five years for machinery and equipment newly placed into service. This five year exemption horizon causes the revenue impact to increase each biennium reflective of machinery and equipment in years one to year five of the exemption. The growth in machinery and equipment installations is based upon overall food processing industry expansion expectations. The property tax exemption is scheduled to sunset beginning with the 2020-21 property tax year. The last tax year a property may qualify for a first year exemption is tax year 2019-20, however, property may continue to qualify for the remaining years of the full five year exemption beyond the sunset date.

The policy purpose of this measure is contained in ORS 307.453:

“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.”

HB 3492 (CH 571)

Allows county, or county and city if property is within city boundaries, upon request of owner of solar project, to enter into agreement, for period not to exceed 20 years, pursuant to which property constituting solar project is exempt from property taxation and owner pays fee in-lieu of taxes. Establishes fee equal to \$7,000 per megawatt of nameplate capacity of solar project. Requires fee revenue to be distributed proportionally to taxing districts within which solar project is located based upon each affected district's proportion of ad valorem property taxes excluding taxes imposed to pay bonded indebtedness. Repeals exemption and in lieu fee for property first qualifying for exemption on or after January 2, 2022. Applies to property tax years beginning on or after July 1, 2016.

Revenue Impact: No Impact

The measure as amended would allow, but not require counties to enter into agreement providing exemption and in lieu fee for solar projects. The measure as amended is permissive, no direct revenue impact exists. If allowed, exemption and in lieu payment would result in an overall reduction in tax over the life of a solar project which is generally assumed to be 20 years. Tax reduction will depend upon a number of factors including: characteristics of individual solar projects, location of solar project, market rate and capacity for solar electricity and material and construction costs.

The *policy purpose* of this measure is to provide tax relief and tax stability to utility scale solar production property owners and developers, which subsequently encourages development of utility scale solar production.

SB 26 (CH 441)

The measure Repeals the sunset allowing the use of federal forest funds in the county road fund for patrolling.

Revenue Impact: None

Background:

SB 808 B of the 2007 session Enabled Douglas and Lane Counties to use monies described in ORS 294.060(1), for the purpose of patrolling county roads by law enforcement officials until January 2, 2014. In the 2011 session SB 443 extended the sunset to January 2, 2016. Ordinarily, the federal forest reserve moneys are split 25% for schools and 75% for the county road funds. HB 5175 A of the 2012 session made the language applicable to (Coos, Curry, Douglas, Josephine, Klamath, Lane, and Linn) bringing the total to seven counties. This allowed for the federal money to be loaned by the rest of the counties to road patrols, but specifies that it needs to be budgeted and payable in three years after the end of the current year or the current budget. The bill is permissive (enabling) legislation and does not impact state funds

SB 611 (CH 23)

Measure as amended would create and make available new exemptions to companies subject to central assessment. New exemptions relate to the value of franchises, satellites used to provide service directly to retail consumers, and an alternative exemption calculation based on a company’s historical or original cost of real property and tangible personal property multiplied by 130%. For companies receiving an exemption related to a new qualified project, Oregon allocated value will be based upon the greater of \$250 million or the real market value of real and tangible personal property located in Oregon as of the assessment date. The exemptions apply to tax years beginning July 1, 2016.

Clarifies that a company that is an owner or lessee of a data center is not centrally assessed under ORS 308.515 if certain conditions are met. The company must own, lease or use a data center as defined in 308.516. Moreover, the original cost of construction and installation of real and tangible personal property used by the company in the business of communication, unrelated to the company's data centers, does not equal more than ten percent of the original cost of the real and tangible personal property of all data centers owned, leased or used by the company in Oregon.

Clarifies that data center property of a company subject to central assessment is to be locally assessed if the total historical or original cost of the real and tangible personal property of all data centers owned, leased or used by the company in Oregon is equal to or greater than \$200 million. Clarifications related to data center property apply to property tax years beginning on or after July 1, 2015.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Local Government		(4.3)	(4.3)	(8.8)	(9.1)
Local Education Districts		(3.5)	(3.5)	(7.2)	(7.5)
Total Revenue Loss		(7.8)	(7.8)	(16.0)	(16.6)

The revenue impact includes losses in revenue for local governments derived from the exemptions provided in the bill that would reduce value and subsequent taxes levied for existing companies in Oregon. The revenue impact does not include estimates for potential companies that could receive exemption under the qualified project investment exemption. This potential loss is not included because, while the exemption will be available to companies meeting the

qualified project investment requirements, there is no assurance that an undertaking such as this will occur.

Current law provides the base from which the revenue impacts are calculated from. The result of current lawsuits residing in Oregon Tax Court could change the base from which future revenue estimates would be calculated.

The changes in the bill related to data centers could potentially affect the property tax liability of communication companies operating data centers used in their communications business if the data center property is the primary value of the communication property in Oregon, or the total value of all a company's data center property (as calculated in measure) is greater than or equal to \$200 million. No known companies are expected to be impacted as communication data centers are not currently subject to central assessment if located within an enterprise zone. Potential impacts could exist as enterprise zone exemptions expire and new data center property is built, but inclusion in central assessment would be dependent upon the data center being used for communication purposes.

The *policy purpose* of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon.

SB 927 (CH 049)

Modifies authority of metropolitan service district to acquire or construct visitor-oriented facilities.

Revenue Impact: None

Background:

Metro is currently the only existing metropolitan service district in Oregon, and it has a voter-approved district charter. This measure aligns existing law for a metropolitan service district with a charter to have the power to construct and acquire certain facilities if authorized to do so by its own charter. In 2012, Metro embarked on a public-private partnership approach to the construction of a hotel connected with the convention center. The overall project is approximately \$200 million, with over 60% of private investment; the largest public contribution will be payment of bonds from transient lodging taxes paid by guests of the hotel itself. The 2013 Legislature approved \$10 million in lottery bonds to complete the finance plan.

SCHOOL FINANCE

HB 2150 (CH 644)

Prevents additional weights that can be claimed due to double counting, when the extended weighted Average Daily Memberships (ADMw's) of public charter schools and non-charter schools are calculated independently of each other. Specifies the way the State School Fund is distributed to a school district whose public charter school ceased to operate in the previous school year. Takes effect on July 1, 2015.

Revenue Impact (in \$Millions):

This bill does not change the total available formula revenue, but does have impact on how that money is distributed among school districts based on the extended ADMw.

Currently, the extended ADMw's of public charter schools and non-charter schools are calculated independently of each other. This has allowed double counting of weight in a school district even when the overall ADMw of the school district stayed the same but students moved between charter and non-charter schools in the district. It also contributed to a higher total statewide weight for the purpose of State School Fund distributions, thus diluting the formula revenue per ADMw. The bill also specifies the way the State School Fund (SSF) is distributed to a school district whose public charter school ceased to operate or moved to another school district a year before. In particular, it addresses the distribution of the SSF for a school district of a large public charter school that will have moved to a different school district following the 2014-15 school year.

Without the change in this bill, the moving of this large public charter school following the 2014-15 school year from one school district to another would have entitled approximately 4,000 weights each to both school districts. This would increase the total ADMw by 4,000 in the 2015-16 school year. The total ADMw of 699,000 for the 2015-16 school year, estimated at the beginning of this legislative session and reflected in HB 5017, did not incorporate this impact as the relocation had not cleared all the hurdles then. The charter school's new sponsor district will receive due funding based on the newly added ADMw. Under the bill, the previous sponsor district will get funding based on the school district's General Purpose Grant per extended ADMw, multiplied by five percent of the ADM of the charter school for the previous school year. Given the available General Purpose Grants for the year, this change will likely reduce the formula revenue per ADMw by \$2, compared with the estimate at the beginning of the session. Without the change, however, the dilution of formula revenue per ADMw would have been substantially larger.

There are several other public charter schools that will have ceased to operate following the end of the 2014-15 school year. Under current law, the moving and closure of these schools would increase the total statewide ADMw by up to 4,400 in the 2015-16 school year. With changes in the bill, the impact will be much smaller and the dilution of the formula revenue per ADMw will be about \$2.20, when compared with the estimate at the beginning of the session. Without the changes, the dilution would have been around \$44 per ADMw.

The bill also establishes a contingency account that can be accessed by school districts when they face cost overruns in closing charter schools in their districts. The account will exist until June 30, 2019. The money for the account, approximately \$1 million, comes from the 2015-16 formula revenue. Any money left in the account after June 30, 2019, will be transferred to the General Fund.

HB 2405 (CH 68)

Allows the Oregon Department of Education to solicit and accept gifts, grants, donations and other moneys from public and private sources for the State School Fund (SSF). Takes effect upon passage.

Revenue Impact (in \$Millions): Indeterminate

The entire revenue raised in this effort will be a part of the SSF. There is no credible estimate at this point, of the amount of money this effort will bring in to the SSF. The bill does not change the current school formula revenue distribution scheme.

HB 2927 (CH 555)

Increases the High Cost Disabilities (HCD) Grant to \$35 million per school year. First applies to the 2015-16 State School Fund (SSF) distribution. Takes effect on July 1, 2015.

Revenue Impact (in \$Millions):

	Fiscal Year
	Every FY
State School Fund	No change
High Cost Disabilities Grant	+\$35.0
General Purpose Grant	- \$35.0

Currently the HCD is limited to \$18 million per year. The approved actual cost borne by school districts has been much higher than this limit every year. In the fiscal year 2013-14, the prorated reimbursement was about 40% of the total approved cost. The higher HCD grant under the bill is expected to increase the reimbursement rate to around 80 percent. The \$35 million is included and fully accounted for in the Co-chairs' budget framework.

HB 3497 (CH 437)

Increases the minimum general services grant for an education service district (ESD) to \$1,165,000 for the 2015-16 school year. Specifies that this minimum grant should mirror the growth of the ESD's revenue in the State School Fund distribution in future school years.

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

Currently, the minimum general services grant for an education service district (ESD) is \$1 million per school year. This bill increases that amount to \$1,165,000 in the 2015-16 school year, and directs that the growth rate of the minimum grant should be the same as that of the ESD's revenue in the State School Fund distribution in future school years.

Under the bill, the additional amount of money needed for the minimum grant increase totals \$825,000 in 2015-16 for five districts. This increase in minimum allocation will reduce the formula revenue per ADMw in the remaining 14 ESD's. The reduction for these ESD's is estimated to be about \$1.20 per ADMw in 2015-16, relative to the State School Fund budget reflected in HB 5017.

HB 3499 (CH 604)

Creates the Statewide English Language Learner Program Account to provide moneys for statewide activities related to English Language learner programs. Transfers to the account from the State School Fund, \$12.5 million each biennium. First applies to the 2015-16 State School Fund distribution. Takes effect on July 1, 2015.

Revenue Impact (in \$Millions):

	Biennium
	2015-17
State School Fund	No change
Statewide English Language Learner Program Account	+\$12.5
Formula Revenue for school districts and education service districts	- \$12.5

HB 3499 creates the Statewide English Language Learner Program Account to provide moneys for statewide activities related to English Language learner programs. The account is funded by \$12.5 million per biennium, transferred from the State School Fund.

The funding of this account is a carve-out off the top, and reduces the amount of money available for distribution through the formula.

This \$12.5 million carve-out is included and fully accounted for in the co-chairs' State School Fund budget for the 2015-17 biennium, and is reflected in HB 5017.

HB 5017 (CH 25)

Appropriates for the 2015-17 State School Fund, \$6,912.9 million from the General Fund and \$342.1 million from the Lottery revenues.

Revenue Impact (in \$Millions):

	Biennium
	2015-17
State School Fund	\$ 7,255.0
From General Fund	\$ 6,912.9
From Administrative Services Economic Development Fund (Lottery revenues)	\$ 342.1

This bill appropriates \$7,255.0 million for the 2015-17 State School Fund (SSF), with \$6,912.9 million allocated from the General Fund and the remaining \$342.1 million from the Lottery revenues. This SSF is combined with local revenues from school districts (SD's) and education service districts (ESD's) to form the total formula revenue available for distribution to SD's and ESD's.

SB 321 (CH 234)

Lowers the compulsory school age from seven to six years of age. Takes effect on July 1, 2016.

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

While this bill does not change the total formula revenue, lowering the compulsory school age may add to the total Average Daily Membership (ADM) and the total weighted ADM (ADMw), which may cause a shift in funding among school districts. The full impact on ADMw, if any, is yet to be assessed at this point, but the Oregon Department of Education (ODE) estimates that it will be limited and minimal.

SB 447 (CH 783)

Establishes the capital improvement matching grant program to provide matching fund to school districts for their capital costs. Authorizes the State Treasurer to issue and use the proceeds of Article XI-P bonds to finance the grant program. Limits the total facility grant to \$12.5 million per biennium for 2015-17, and \$9 million thereafter. Creates the Office of School Facilities (OSF) to run the capital improvement matching grant program and the facility grant program.

Appropriates to the office, specified amount from the State School Fund (SSF) per biennium. Applies first to the 2015-16 school year SSF distribution. Takes effect on July 1, 2015.

Revenue Impact (in \$Millions): This bill does not change the total formula revenue available for student weights-based distribution to school districts and education service districts.

HB 5017 (SSF budget for 2015-17 school years) assumed the facility grant of \$15 million per biennium but did not specify how the money should be used. SB 447 details dedicated uses of the money. The bill reduces the grant itself to \$12.5 million for the 2015-17 biennium and to \$9 million per biennium in the following biennia. The balances are diverted to the OSF to administer the facility grant and the capital improvement matching grant programs. This \$15 million carve-out is the same as the SSF budget assumption in HB 5017.

The capital improvement matching grant will use the proceeds of Article XI-P bonds and does not use money from the SSF. In the end, this bill does not change the total formula revenue available for student weights-based distribution to school districts and education service districts.

SB 475 (CH 671)

Broadens the scope of the Juvenile Detention Education Program (JDEP) to include the provision of educational services to youths placed in a youth care center within a detention facility.

Revenue Impact (in \$Millions): This bill does not change the total formula revenue.

While this bill does not change the total formula revenue, it may cause a shift in the State School Fund (SSF) distribution. A student in JDEP receives 1.5 weights for purposes of the SSF distribution. A student in a youth center within a detention facility currently gets a minimum weight of 1, and is taught by a school district where the youth center is located. The youth could carry a much higher weight, depending on the youth's individual characteristics. Despite potentially varying weights of individual students, the JDEP will get 1.5 weights per student when it provides educational services to the youths specified in the bill.

The transfer of responsibility under the bill could impact the total weights for the SSF distribution purpose, and consequently change the formula revenue per ADMw (weighted Average Daily Membership) to school districts. However, the impact is expected to be limited and minimal.

SB 667 (CH 299)

Moves the sunset of the law governing the small high school grant to July 1, 2020.

Revenue Impact (in \$Millions): This bill does not change the total revenue available for school districts and education service districts.

The Small School District Supplement Fund, commonly known as the small high school grant, is a carve-out off the top and is distributed based on the Average Daily Membership (ADM), to school districts that have statutorily defined small high schools. This bill authorizes the continuation of the grant for another five years.

The annual grant of \$2.5 million is included and fully accounted for in the co-chairs' budget for the 2015-17 biennium.

SB 898 (CH 803)

Prohibits school districts from receiving State School Fund (SSF) distributions for certain high school students enrolled in college level courses offered through community colleges or Oregon's public universities. Creates exceptions to this prohibition. Applies provisions to the 2015-16 school year. Repeals the prohibition on July 1, 2016. Takes effect on passage.

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

SB 898 specifies that a school district may not receive SSF distributions for a student who has satisfied the requirements for a high school diploma, remains enrolled at a school district, and has enrolled in one or more college-level courses. However, by creating exceptions to this prohibition and grandfathering in SSF distribution eligibility for certain students, the bill will have negligible impact, if any, on the 2015-16 SSF distribution.

SB 5507 (CH 837)

Establishes appropriations for the Emergency Board, finalizes the General Fund components of the statewide budget, implements budgetary changes tied to other legislations, and makes technical adjustments to agency budgets previously approved. Increases, in particular, the State School Fund (SSF) appropriation to the 2016-17 school year by \$118 million.

Revenue Impact (in \$Millions):

	Fiscal Year
	2016-17
State School Fund	+ \$ 118

SB 5507 adds \$118 million to the 2016-17 SSF. With this increase, the SSF for the 2015-17 biennium totals \$7.373 billion. The 2015-17 Co-chairs' budget SSF (HB 5017) was \$7.255 billion with 50/50 split. With SB 5507, SSF split becomes 49.2% for the school year 2015-16 and 50.8% for 2016-17.

TRANSPORTATION

HB 2266 (CH 453)

Specifies that vehicle dealers may be exempted from weight-mile taxes when operating a vehicle owned or controlled by the dealer, the vehicle is displaying dealer plates, and is being operated for test driving purposes while unloaded.

Background:

Under current law, persons or organizations licensed as vehicle dealers in Oregon are required to pay a license tax of 30 cents per gallon for fuel used or dispensed in the operation of vehicles offered for sale by the dealer. However, in cases where the vehicle offered for sale is a tractor-trailer combination which, when operating commercially, will be required to pay the alternative weight-mile tax, the dealer is required to remit taxes via the weight/mile system. House Bill 2266 specifies that vehicles operated while under ownership and/or control of the vehicle dealers in an unloaded condition and is being used for test driving purposes may remit taxes in the same manner as for passenger and light-duty vehicles.

Revenue Impact: Minimal Revenue Impact

HB 2075 (CH 700)

Increases aircraft fuel taxes. Jet fuel, avgas and mo-gas by 2 cents each starting 1/1/2016 then sunsets the increase by 1/1/2022.

Revenue Impact: In millions is shown in the table.

	BI 15-17	BI 17-19	BI 19-21
Avgas	\$0.08	\$0.12	\$0.12
Jet Fuel	\$5.20	\$7.43	\$7.61
Mo Gas	\$0.04	\$0.05	\$0.05
Total Revenue	\$5.32	\$7.61	\$7.77
Distributions and dedications			
Admin @ 5%	\$0.27	\$0.38	\$0.39
Grants Match 50%	\$2.53	\$3.61	\$3.69
Rural Air service 25%	\$1.26	\$1.81	\$1.85
Airport Safety&infra 25%	\$1.26	\$1.81	\$1.85

Impact Explanation:

The rate increase for the jet fuel, avgas and mo-gas takes effect on 1/1/2016 and sunsets on 1/1/ 2022. Establishes a mechanism for projects and grants to be funded, and delegates the funding to a review committee while introducing a prioritization criterion. The measure allows the department of aviation to use 5% of the revenue for administering these programs. 50% of the remaining revenue will be used for airport assistance and grant matches (including FAA matches). Grants for emergency preparedness according to the Oregon Resilience Plan, and grants for essential aviation services. Additionally it can be used for development with the priority for projects which bring in a bigger match. 25% of the revenue for commercial air service to rural Oregon, and the last 25% to state airports for safety and infrastructures projects. The measure finally requires robust and comprehensive reports every session and once in the interim.

HB 2459 (CH 627)

Increases certain fees related to registering and titling boats, floating homes and boathouses.

Revenue Impact: In millions is shown in the table.

	BN	2015-17	2017-19	2019-21
Other Funds				
Annual Paying Boats		\$3,856,263	\$4,481,459	\$4,660,649
Other Registration		\$33,511	\$37,537	\$38,725
Boat Titles		\$795,773	\$912,351	\$945,492
Other Titles and Plates		\$107,741	\$122,483	\$127,019
Gas Tax Revenues no Increase				
Change in biennium revenues		\$4,793,288	\$5,553,830	\$5,771,885

Impact Explanation:

The measure as amended is the fee bill for the Oregon Marine Board and would increase statutory fees to generate revenue sufficient to maintain Boating Safety and Boating Facility programs.

The bill amends the following fee amounts as follows:

Sail Boats 12 feet and all Motor Boats per foot fee \$ 3 to \$4.50

Boat Rentals Business of 5 boats biennial setup fee \$55 to \$90

Boat Rental biennial per-boat fee \$ 6 to \$10

Title original or transfer \$30 to \$50

Duplicate Title with no changes \$15 to \$25

Duplicate Registration, Decals or Certificate of Number \$10 to \$15

Dealer Biennial setup fee \$28 to \$45

Dealer biennial per-boat fee \$ 6 to \$10

Floating Home or Boathouse Certificate of Title original or transfer or Location change \$20 to \$100

Floating Home or Boathouse Identifying Plate Duplicate Title \$20 to \$50

HB 2730 (CH 806)

Provides for the creation of Portland Trail Blazers vehicle plates. Imposes surcharge of \$20 per year of registration and directs moneys to Trail Blazers Foundation. In the same fashion, the measure provides for creation of Breast Cancer Awareness plate. Imposes surcharge of \$20 per year of registration and directs revenue to Oregon Health Authority Fund. Specifies that neither plate may be created or issued until ODOT receives amount necessary to cover costs of initiating plate program.

Revenue Impact:

Assuming strong promotion by the sponsoring entities, the likely market for those to plates is a space of about 5,400 plates a year. This would generate about \$216,000 a year in revenue for the funds. The division between the Blazers and Breast Cancer Awareness will depend on many drivers' responses to advertisement and popularity. If everything is the same, it would be expected to divide the revenue in half and each fund getting about \$108,000 annually.

Assuming the startup costs will be covered, DMV costs will have to be deducted first then the net revenue transferred to the respective funds.

Impact Explanation:

The specialty plate program seems to have a stable portion out of the total plate market. It seems that the introduction of any new plate (depending on success) will potentially slice away a piece of that make share. This new introduction of two new plates is expected to get to 450

plates per month. This profile was modeled after the existing specialty plate programs and the space they seem to span. The marketing and advertisement will make the impact on who establishes and slices a bigger market share. The measure also gives DMV the ability to change the specialty plate program by rule which might be a further defining factor for that segment of the plate market. The startup costs of about \$88,000 for each plate type, and the ongoing costs of about \$61,000 would have to be covered before the transfer occurs. The Trail Blazers plate might benefit from a strong marketing and promotional environment allowing it to slice a bigger share of the market.

SB 254 (CH 448)

Increases fee on motor vehicle fuel metering instrument or device in accordance with graduated schedule

Revenue Impact: This fee increase on about (31,116 Devices) is shown in the table.

	Cumulative Increase in Revenue
FY 17	\$31,116.
FY 18	\$62,232.
FY 19	\$124,464.
FY 20	\$155,580.

Impact Explanation:

The Oregon Department of Agriculture’s Motor Fuel Quality Program (MFQP) was established in 1997 in order to ensure that the 2.1 billion gallons of motor vehicle gasoline, diesel and biofuels sold in Oregon annually meet national standards and specifications for quality. This fee bill is attempting to recover costs of administration and regulation that are currently not met by the current fee of \$5. The increase occurs on July 1, of the years 2016, 17, 18, and 19. The increase from the current \$5 dollars consecutively goes to \$6, \$7, \$9, and ends up at \$10 for fiscal year 2020 and beyond.

This bill is intended to raise the revenue commensurate to the program costs; however, the authorization to expend will still have to go through the budget process

SB 269 (CH 450)

Increases pilot registration fees.

Revenue Impact: This measure raises revenue for an assortment of projects, uses, and purposes beyond cost recovery.

	Increase in 2015-17 Revenue	Increase in 17-19 Revenue	Increase in 19-21 Revenue
Pilot Registration Fee Increase	\$62,830	\$78,747	\$79,141
Aircraft Registration	\$151,435	\$202,257	\$203,268
Public Airports Registration	\$5,020	\$5,020	\$5,045
TOTALS	\$219,285	\$286,024	\$287,454

Impact Explanation:

The measure increase several fees in three main categories: (1) Pilot Registration fee category by about 100%; (2) Aircraft Registration fee category by an average of 40%. (3) Airport licensing fees on new schedule to reach more than 120%.

The pilot registration fees cover program costs and costs of search and rescue by counties and OEM. While Aircraft registration is meant to cover 105 for administration, 22% for federal match, and 68% for airport maintenance. Finally the airport fees are meant to cover multiple services performed for those airports.

This measure seems to be a major revenue raiser for the department of aviation, where the categories and fees generate 45% revenue increase form current fees.

SB 472 (CH 390)

Increases maximum number of Pacific Wonderland registration plates that may be issued.

Revenue Impact:

	2015-17	2017-19	2019-21
Gross Revenue from plate sales	\$782,500	\$1,520,000	\$1,520,000
Less: processing cost	(\$5,295)	(\$9,120)	(\$9,120)
Revenue Available for Transfer	\$777,205	\$1,510,880	\$1,510,880
Capitol Foundation @ 50%	388,602.5	755,440	755,440
Oregon historic Society @ 50%	388,602.5	755,440	755,440

Impact Explanation:

The 2009 Oregon Legislative Assembly recreated a limited edition of Oregon’s historic Pacific Wonderland plate In recognition of Oregon’s 150th birthday. The Pacific Wonderland registration plate is a limited edition plate with only 40,000 sets manufactured. There is a one-time surcharge of \$100 per set of plates paid at issuance, in addition to the \$24 plate fee and regular registration fee. There will not be any ongoing renewal registration fee. Proceeds of the surcharge will be divided in half between the Oregon State Capitol Foundation and the Oregon Historical Society. Highway Funds may not be used for implementation costs resulting from SB 472 (Oregon Constitution, Article IX, Section 3a). This analysis assumes that the agency’s implementation costs will be paid by revenues raised by current sales of Pacific Wonderland plates which still have about 10,000 to be issued.

Using the monthly rate of sales for FY 2015-16 (about 612 sets per month), FY 2015-16 sales from the new authorization (after the initial 40,000 authorization is exhausted) would be 1,225 plate sets or \$122,500 in gross surcharge revenue, \$660,000 in FY 16-17 and \$1,520,000 in the 2017-19 biennium.

MARIJUANA / OLCC TAXES AND REVENUE

HB 2041 (CH 699)

The measure imposes 17 percent tax on marijuana items sold by recreational marijuana retailers (retailers) at point of retail sale starting January 1, 2016. Requires Oregon Liquor Control Commission (OLCC) to enter into agreement with Department of Revenue authorizing

Department to implement, administer and enforce rules and procedures for collection of tax. Requires retailers submit tax return on or before last day of January, April, July and October of each year for each previous calendar quarter. Allows retailer to deduct and retain 2 percent of taxes collected. Describes process for collection by Department for any delinquent tax. Allows and requires medical marijuana dispensaries selling to non-medical marijuana cardholders to collect 25 percent tax on all sales starting on or after January 4, 2016 until December 31, 2016. The measure also allows Department to use revenue for administration and enforcement of Act. Cities and counties that pass ordinances prohibiting any kind of medical or recreational marijuana facility or site are prohibited from receiving any funds raised through taxation of marijuana.

Revenue Impact:

The table below represents the impact of taxing marijuana. The difference from the current law estimate of Measure 91 is lower net revenue in 2015-17 by about \$5 million and higher in 2017-19 by about \$18 million.

The early start by medical dispensaries is expected to provide \$2 to \$3 million in revenue (at 25% rate) assuming no major implementation difficulties. This however remains a major risk and needs to be monitored not to further disrupt the unfolding of the legal commercial system.

		FY 2016	FY 2017	FY 2018	FY 2019	BN 15-17	BN 17-19
Revenue			\$10.75	\$30.37	\$32.04	\$10.75	\$62.42
collection costs			(\$11.56)	(\$6.84)	(\$6.94)	(\$11.56)	(\$13.78)
Fee & License revenue			\$5.17	\$5.24	\$5.30	\$5.17	\$10.54
Net Revenue			\$4.36	\$28.77	\$30.40	\$4.36	\$59.17
Revenue Distribution							
Common School Fund	40%		\$1.74	\$11.51	\$12.16	\$1.74	\$23.67
Mental Health	20%		\$0.87	\$5.75	\$6.08	\$0.87	\$11.83
State Police Account	15%		\$0.65	\$4.31	\$4.56	\$0.65	\$8.88
Cities	10%		\$0.44	\$2.88	\$3.04	\$0.44	\$5.92
Counties	10%		\$0.44	\$2.88	\$3.04	\$0.44	\$5.92
Oregon Health Authority	5%		\$0.22	\$1.44	\$1.52	\$0.22	\$2.96

Impact Explanation:

This measure changes the tax from a harvest tax (\$35/Oz) on producers to a point of sale tax (17%) on retailers and allows 3% for local governments, those chooses to impose a local tax. As a result of changing the point of taxation the price to consumers is likely to be lower benefiting from lower markup of the harvest tax and less product price impact from the effects of the IRC 280 E. Thus, the legal market is able to carve a bigger niche and to supply a larger segment of the existing marijuana demand. Revenue will increase in the coming biennia as prices, quality and safety of the product improves. These results are contingent on the ability of the regulation regime to establish control on the legal market from production and processing to distribution and retailing. Furthermore it is assumed that the medical system will continue to be strictly isolated from the commercial market. Taxes on edibles and other extracts are expected to be about 10% of the total revenue and users from out of state about an equal percentage. New users enticed by legalization are expected to reach 6.4% of the legal market.

The legal market however will probably need about a decade with strong enforcement tools before it is able to dislodge the gray market and become the dominant supplier of marijuana in the state. However, Risks are numerous and they are all bounded by federal policy and its impacts on enforcement mechanisms, tax policy and delisting from the drug schedules. The movement of federal policy in either direction will have a significant impact on marijuana

taxation and revenue. Furthermore the implementation of the marijuana policies on the local level and the construction of a solid system on the state level are paramount on future direction of success in dominating the markets. The early start amendment might delay that transition and pose a further risk to the intended system.

HB 2480 (CH 60)

The measure establishes application fee for Oregon Liquor Control Commission processing of certain license applications.

Revenue Impact (in Millions):

	15-17 BN	17-19 BN	19-21 BN
General Fund	\$193,384	\$279,333	\$286,316
Cities	\$117,412	\$169,595	\$173,835
Counties	\$34,532	\$49,881	\$51,127
Total	\$345,329	\$498,808	\$511,278

Impact Explanation:

HB 2480 would allow the Commission to establish a fee for the initial license application to sell or serve alcohol. The fee is only applied to classes of licenses with annual license fees. The proposed fee is up to \$150 and would be nonrefundable unless the Commission does not propose that a license be granted, granted with conditions, or refused on or before 75 days after a completed application is submitted. The estimated revenues are driven by the anticipated number of new applicants. There were approximately 3500 new license applicants during FY2014. The Commission anticipates that there will be between 3500 to 4500 licensees affected. With 4,500 new applicants, some refunds, and a two-tiered fee structure, the fee is expected to generate approximately \$345,000 in additional revenue for the (18 months in) 15-17 biennium, and about half a million in the biennia after that.

The General Fund gets 56% of this revenue, with 34% distributed to cities and 10% to counties.

The OLCC indicates that the Implementation is possible within existing FTE allocations. Which essentially allows this fee to cover and pay for a function previously subsidized by liquor revenue. This frees up the revenue originally targeted for administration to be channeled for distribution.

SB 460 (CH 784)

Allows medical marijuana dispensaries to sell up to one quarter ounce of dried leaves and flowers and four immature marijuana plants to persons at least 21 years of age starting October 1, 2015. Requires Oregon Health Authority (OHA) to create rules implementing measure. Allows local governments to pass ordinances prohibiting sales. Sunsets December 31, 2016.

Revenue Impact:

The early start by medical dispensaries is expected to provide \$2 to \$3 million in revenue (at 25% rate provided for in HB 2041) assuming no major implementation difficulties. This revenue will result in the period following January 2016. This early start however, remains a major risk and needs to be monitored not to further disrupt the unfolding of the legal commercial system.

Impact Explanation:

This measure activates the early start section in HB 2041-A. The early start has no tax before January 2014, and a rate of 25% from January till the end of 2014.

The construction of a well regulated market will take some time and a synchronized process to become effective and operational. The early start option might complicate, delay or affect emergence of the regulated regime and pose a further risk to the envisioned system. The control of the supply of the product is an essential assumption in this regulatory regime, thus it will be important to monitor how the allowance of the medical suppliers to ramp up their production will have further impacts on the evolving system.

TOBACCO TAX**HB 2489 (CH 46)**

Removes expiration of cigarette tax stamps following tax increases in January 2016 and January 2018. Limits distributor purchases of cigarette tax stamps in two months prior to each scheduled tax increase to no more than 150 percent of six-month average beginning May 1, 2015 through October 31, 2015 for tax increase scheduled in 2016 and six-month average beginning May 1, 2017 through October 31, 2017 for tax increase scheduled in 2018. Directs department of Revenue to determine six-month average purchase of tax stamps for each distributor.

Revenue Impact: Minimal

The measure is expected to have a minimal revenue impact in FYs 2016 and 2018. Under current law, Oregon's cigarette tax is scheduled to increase by \$0.01 per pack on January 1st 2016 and 2018 respectively. Under current law, cigarette stamps issued prior to each tax change will expire the 31st of January following each tax increase and any cigarette packs with affixed expired stamps will be contraband and subject to seizure and criminal/civil penalties if held for sale following the expiration date.

In response to the current law expiration of stamps, it is expected that retailers and particularly cigarette distributors would be forced to reduce inventories leading up to the January 1 tax increases. This would be followed by an increase in stamp purchases directly following the tax increase. The elimination of the tax stamp expiration in this measure will eliminate the need for retailers and distributors to reduce inventory. This is expected to reduce the number of stamps sold directly following the tax increases causing a slight reduction in tax receipts.

Eliminating the expiration of the stamps, along with the absence of a floor tax could create an opportunity for distributors to purchase more stamps prior to the tax increase. This could result in a loss of revenue as more stamps are purchased at a price \$0.01 lower. Measure places limitations on the amount of stamps distributors may purchase prior to tax increases, and as such, revenue loss is expected to be minimal.

BONDING AND DEBT

HB 2492 (CH 548)

This measure authorizes the issuance of pass-through revenue bonds for projects outside of the State of Oregon. It defines term “within this state” relating to the construction of structures by institutions eligible to receive pass-through financing under the authority of the Oregon Facilities Authority. Clarifies measure does not prohibit financing more than one structure

Revenue Impact: No Revenue Impact

Background:

The Oregon Facilities Authority was established in 1989. It is a government institution that assists charities of all sizes to secure low cost financing for remodeling, expanding, construction or purchase of new facilities through the use of tax-exempt revenue bonds. The bonds are repaid through revenues generated by the project itself and the bonds are issued by the State Treasurer based on recommendations of the Authority, which consists of seven members.

HB 2278 (CH 815)

The measure modifies schedule and conditions for issuance of lottery bonds to pay costs of Coos Bay Channel Project.

Revenue Impact: The measure modifies the schedule and conditions for issuing \$15 million in lottery bonds. If that occurs in the 17-19 biennium debt service will reduce lottery revenue available for other uses by about \$1.2 million a year.

Background:

The measure allows for lottery bonds to be considered if other conditions occur. The \$15 million in net proceeds will be used for deepening the Coos Bay Channel. The bonds and the project will be considered in the 17-19 biennium. If that happens then bond proceeds will be considered as new revenue and debt service costs and reserves as reductions in revenue in the years following.

HB 3199 (CH 828)

The measure rewrites and modifies the authority for issuance of state bonds for the benefit of universities with governing boards.

Background:

Because the public universities are now independent public bodies, and as a result of SB 270 (2013 session), Oregon’s seven public universities (defined in ORS 352.002), University of Oregon, Oregon State University, Portland State University, Oregon Institute of Technology, Western Oregon University, Southern Oregon University, Eastern Oregon University, may continue to request the Legislative Assembly authorize the issuance of Bonds to finance projects of the universities. However, it is necessary to verify compliance by the public universities with the requirements of the State Constitution before the State issues Bonds that have been approved by the Legislative Assembly. The measure establishes a process to ensure

compliance with the requirements of the State Constitution and federal tax law requirements so that the State can issue the Bonds for the benefit of the public universities. Article XI-F (1) of the State Constitution, and similarly Under Article XI-G of the State Constitution, the amount of any debt issued by the State in any biennium those articles have a set of requirements to be observed. With the dissolution of the Oregon University System and the Board or higher education as state agencies, that left the connection between the bonds and the universities missing a link. The HECC is the new entity proposed by this measure to make that connection and ply the role of the link between.

Revenue Impact: No Impact

HB 3526 (CH 831)

Establishes Oregon Main Street Revitalization Grant Program within State Parks and Recreation Department for purpose of awarding grants to acquire, rehabilitate and construct buildings in designated downtown areas statewide and to facilitate community revitalization.

Revenue Impact: The Oregon Main Street Revitalization Grant Program is anticipated to be supported by the issuance of \$2.5 million in lottery bonds, which will be authorized in the Lottery Bond bill (HB 5030). The bond sale is expected to take place in the spring of 2017, which pushes debt service to the 2017-19 biennium.

Impact Explanation:

The bill establishes the Oregon Main Street Revitalization Grant Program within Oregon Parks and Recreation Department (OPRD) for the purpose of awarding annual competitive grants for preservation-based community revitalization and economic development. OPRD would also be required to provide regular updates to other state agencies that have an interest in the implementation and administration of the grant program, including but not limited to the Oregon Business Development Department and the Department of Transportation. Other Funds expenditure limitation to pay cost of issuance for the lottery bonds related to this legislation, and to pay for grant awards, will be added in the Emergency Board financial administration bill (HB 5507). Administrative costs for the program are anticipated to be absorbed by the Agency.

HB 5005 (CH 685)

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

Revenue Impact (In millions):

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

	Program Designation	Total Issuance 2015-17	Debt Service 2015-17	Debt Service 2017-19
	GENERAL OBLIGATION BONDS			
Article				
	General Fund Obligations			
XI-G	Higher Education Coordinating Comm. - PU	\$92.5	\$0.0	\$11.3
XI-G	Higher Education Coordinating Comm. - CC	\$53.3	\$0.0	\$7.7
XI-G	Oregon Health and Science University	\$200.0	\$8.5	\$28.9
XI-M	Oregon Business Development Dept.	\$176.9	\$4.1	\$28.7
XI-N	Oregon Business Development Dept.	\$30.4	\$0.0	\$4.9
XI-P	Oregon Department of Education	\$126.2	\$0.0	\$20.5
XI-Q	Department of Administrative Services	\$369.6	\$12.4	\$77.5
XI (7)	Oregon Department of Transportation	\$35.5	\$0.0	\$5.1
	Subtotal General Fund Supported GO Bonds	\$1,084.5	\$25.0	\$184.7
	Dedicated Fund Obligations			
XI-A	Department of Veterans' Affairs	\$100.0	\$20.0	\$40.0
XI-F(1)	Higher Education Coordinating Comm. - PU	\$71.0	\$0.0	\$9.2
XI-H	Dept. of Environmental Quality	\$10.0	\$2.0	\$4.0
XI-I(1)	Water Resources Department	\$30.5	\$1.2	\$4.9
XI-I(2)	Housing and Community Services Dept.	\$25.0	\$5.0	\$10.0
XI-J	Department of Energy	\$25.0	\$5.0	\$10.0
	Subtotal Other Fund Supported GO Bonds	\$261.5	\$33.2	\$78.1
	Total All General Obligation Bonds	\$1,346.0	\$58.2	\$262.8
	REVENUE BONDS			
	Direct Revenue Bonds			
	Housing and Community Services Department	\$300.0	\$60.0	\$120.0
	Department of Transportation Highway User Tax	\$393.2	\$78.6	\$157.3
	Oregon Business Development Department	\$30.0	\$6.0	\$12.0
	Department of Energy	\$20.0	\$4.0	\$8.0
	DAS Lottery Revenue Bonds	\$201.8	\$0.0	\$35.9
	Total Direct Revenue Bonds	\$945.0	\$148.6	\$333.1

Impact Explanation:

The detail of the bonding revenue and payments as well as the projects can be found in the LFO budget report. The Lottery bonds are also authorized in this bill but they are detailed in HB 5030. The estimates here include issuance costs.

SB 5030 (CH 812)

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

Revenue Impact (In millions):

\$201,795,000 of lottery revenue bonds are authorized in HB 5005 to generate the proceeds for the approved projects and to pay associated bond-related costs. All lottery revenue bond issues that are authorized for the 2015-17 biennium are authorized in this bill. Proceeds are shown as revenue in agency budgets and debt service payments as reducing future revenue available for other uses. Cost of issuance is assumed to occur in 2015-17.

Million \$\$	PAR	PROJECT	COI	Reserves	Debt Service	
					2015-17	2017-19
TOTAL	201.8	180.2	-3.4	18.2		-35.9

Impact Explanation:

This measure authorizes a total of \$180,167,157 of lottery bond proceeds for projects funded in the Department of Administrative Services, Oregon Business Development Department, Housing and Community Services Department, Water Resources Department, Department of Veterans' Affairs, State Parks and Recreation Department, Higher Education Coordinating Commission, and Department of Transportation budgets. Authority to spend the proceeds for projects, and to pay for the cost of issuing the bonds, is included in individual agency budget bills and in the budget reconciliation bill (SB 5507). The cost of issuance included in agency budgets for the bonds authorized in this bill total \$3,443,267 lottery Funds. Debt service payments are assumed to start in the 2017-19 biennium.

JUDICIAL SYSTEM AND COURT FEES

HB 2316 (CH 623)

HB 2316 Increases fee amounts charged by justice courts for various filings, and create process for taking perpetuation deposition for material witnesses.

Revenue Impact:

This measure increases court fees for the Justice (county) courts. The revenue impacts represent an increase to local courts.

	2015-17	2017-19	2019-21
Revenue Increase	\$247,227	\$330,803	\$332,715

Impact Explanation:

This measure increases the fees for civil filings in justice courts. For example it increases a variety of fees the first appearance of the parties will increase from \$40 to \$90. Fees for filing a small claim will increase from \$28 to \$35 in 2015 and from \$35 to \$37 in 2018. Miscellaneous

fees increase from \$6 to \$9. Small fees for taking affidavits or taking depositions are removed. Trial fees for small claims trials by jury are \$125, and other trial fees are increased to \$75 per day, payable by the plaintiff. Trial fees for small claims trials are prohibited. The second section of the measure deals with the issue of detention of a material witness. House Bill 2316 creates a process for taking the deposition testimony of a material witness. The petition for deposition must be granted or denied within 30 days of filing. The amendment specifies that the deposition of a material witness does not invalidate or otherwise affect the material witness order, but may be considered in connection with an application to vacate or modify an order.

HB 2361 (CH 365)

The measure prohibits court from charging Long-Term Care Ombudsman (LTCO) or Disability Rights Oregon (DRO) fee for filing objection to petition or motion in protective proceeding. Applies to protective proceedings commenced on or after the effective date.

Revenue Impact: No Revenue Impact

Background:

The Long-Term Care Ombudsman (LTCO) provides free services to residents of long term care facilities. The services include complaint investigation, advocacy, and consultations. Additionally, the LTCO is responsible for oversight of the newly created Office of Public Guardian, which will provide guardianship services to those who have no suitable guardian or conservator amongst friends or relatives and cannot afford a professional guardian. Disability Rights Oregon (DRO) is a non-profit law office that provides advocacy and legal services to people with disabilities. Under current law, a court may not charge a respondent or a protected person a fee for filing an objection to a guardianship petition or any other motion in the protective proceeding. House Bill 2361A prohibits courts from charging the LTCO and DRO a fee for filing a motion or objection to a petition in a protective proceeding.

HB 2621 (CH 721)

The measure authorizes the City of Portland to operate photo radar on urban high crash corridors.

Revenue Impact (in millions):

		2015-17	2017-19	2019-21
Criminal Fine Account		\$16.1	\$30.2	\$33.7
City of Portland		\$6.6	\$12.3	\$13.8
Total Revenue		\$22.6	\$42.5	\$47.4

Impact Explanation:

The permanent photo-radar units are composed of a pair of cameras one for each direction. The roll out of these units in the high-crash corridors will be mostly in 2016, 2 cameras on 1/1/16, 2 more on 4/1/16, 2 more on 7/1/16, and 2 more cameras on 10/1/16. Two additional cameras on January 2017 will bring the total to 10 cameras. Additional 10 unites (for total of 20 cameras) will be installed by 7/1/2018. Data from the city of Portland biennial reports suggest that the current

mobile-camera, which is time limited (4-hours), averages around 13 citations per hour (2009-2013). This average is proportioned for the time of day (4 hours at the same average) and 11 hours at 25% of the average, while the rest of the day at 10%. This apportionment results in base estimate of about 4.1 citations an hour or slightly less than 100 a day for each of the new stationary cameras. However, the 2016 rate will quickly go through an 11% reduction to become 3.7 citations per hour for the six months in FY 2016. The analysis fashions reductions in speeds and citations to the experience of both Portland and Seattle. This assumes a 61% reduction in violations by year 2021 in those corridors as a result of changing behaviors of drivers. The citations are likely to have a 67% final collection (the same as current rate) which filters into the final revenue stream at that rate. A pivotal assumption for this revenue analysis is that the radar systems will perform with a very high reliability, and the courts be well funded and staffed to be able to process all the new cases that come in to the court system. Those transactions are about 217 thousand a year as the radar units all are installed quickly and brought on line and into operation.

HB 2700 (CH 2)

Directs 50 percent of unclaimed or unpaid damages awarded in class action proceeding to Oregon State Bar for funding of Legal Services Program. Directs 50 percent of unclaimed or unpaid damages to entity that court determines has direct relationship to action or is directly beneficial to interest of class members. Specifies court may approve process for payment of damages, including use of claim forms. Removes requirement that class members needs to affirmatively indicate desire to share monetary award prior to determination of judgment amount. Requires court to specifically identify individuals who request exclusion from class and to generally describe remaining class. Applies to actions in which appeals have not been exhausted or expired.

Revenue Impact: Indeterminate

House Bill 2700 establishes a cy-pres rule within ORCP 32. In class action suits, after a judgment has been entered and award distributed, there may be money remaining from uncashed checks or unclaimed funds. In many states, this money is directed to another entity or purpose, and is not returned to the defendant. This principle is called "cy pres." Oregon does not have a cy-pres rule and any unclaimed moneys at the conclusion of a class action are returned to the defendant.

HB 2700 directs 50 percent of unclaimed or unpaid moneys be directed to the Oregon State Bar for the sole purpose of funding the Legal Services Program. The remaining 50 percent is distributed to any entity that the court determines is directly related to the class action or is directly beneficial to the class. It changes ORCP 32 so that courts may determine the claims process on a case by case basis and removes the "opt-in" mechanism for individual recovery from the judgment. HB 2700 takes effect upon passage and applies to those class actions in which a final judgment has been not been entered or, if final judgment has been entered the time to appeal has not expired, as of the effective date.

The State of Oregon currently provides, in the Oregon Judicial Department budget, \$11.9 million of Other Funds court fee revenues to the Legal Services Program each biennium. Any funds from unclaimed damages would be paid directly to the Oregon State Bar and be in addition to the state's support. The Oregon State Bar is not a state agency but legal aid is established in ORS 9.572, however, the unclaimed damages awarded to the program would not be included in the state budget or revenue stream and are not required to be continuously appropriated.

The revenue from these lawsuits and cases are not known with any certainty. What amounts might be generated, and in which frame of time is unknown. At the same time, there is likely to be revenues going to the Legal Aid fund in more than one future biennium as a result of this bill. However, it is not possible to project when that may occur.

FINANCIAL AND TAX ADMINISTRATION

HB 2490 (CH 33)

The measure changes the end date to August 31 from September 9th for the purpose of calculating the CPI that adjusts the amount invested in the local government pool.

Background:

This measure fixes the problems associated with SB 351 from the 2013 session. That bill allowed tribal governments to invest in the local government investment pool. The bill rewrote ORS 294.810 in a way that makes it difficult for Treasury to implement. ORS 294.810 always had a September 9th date for CPI calculations, but SB 351 took what was just a date in time and made it a point of calculation. Treasury is not required to use CPI data for end dates of September 9th. The bill simply moves the date to the end of the month so that Treasury can calculate the data as intended

Revenue Impact: No Impact

HB 2493 (CH 40)

The measure modifies meeting schedule for State Debt Policy Advisory Commission to annually from every six months. It also establishes the long-term forecast for the state's borrowing capacity targets to be at least for six years, and to make it consistent with the revenue forecast of the Oregon Department of Administrative Services.

Background:

ORS 286A.250(7) requires SDPAC to meet at least twice a year. Meeting twice a year has not been the practice, and the commission as operated with annual meetings. The duties of the commission (SDPAC) are stipulated in 286A.255 Functions and duties of commission. The State Debt Policy Advisory Commission shall advise the Governor and the Legislative Assembly regarding policies and actions that enhance and preserve the state's credit rating and maintain the future availability of low-cost capital financing. In carrying out this function, the commission shall at least annually prepare a report showing the consolidated bond profile of this state. The report must include:

- (1) The total amount of outstanding bonds for the most recently concluded fiscal year.
- (2) A six-year forecast of the state's borrowing capacity targets by repayment source based on the policies and actions established under this section.
- (3) A calculation of the state's net remaining borrowing capacity by repayment source.

Revenue Impact: No Impact

SB 161 (CH 444)

Measure allows county tax collectors to electronically file warrants of delinquent property taxes on business personal property with the Secretary of State (SoS) which is required to mark, hold, and index filed warrants in accordance with provisions of Universal Commercial Code (UCC). SoS is permitted to charge fee for filing in UCC and county tax collectors are permitted to add amount of SoS fee to amount due on property tax warrant. SoS provided public testimony that suggests any fee would be levied as a flat fee to each county in amount not to exceed \$500. If all 36 counties choose to file with SoS and each county chooses to pass on the \$500 fee, total increase in fees would be no more than \$18,000.

This measure provides that under certain conditions included in the bill, purchaser of business personal property may qualify as bona fide purchaser. A bona fide purchaser is not liable for property taxes that were delinquent on the date of the purchase transaction in which bona fide purchaser acquired the business personal property. This is expected to have a minimal impact upon property tax collections.

The measure permits tax collector to accept agreed upon compromise payment of tax from purchaser of business personal property, under certain conditions. This is expected to have a minimal impact upon tax collections.

Revenue Impact: Minimal

STATE FINANCE

HB 2719 (CH 723)

Increases share of moneys retained by Oregon Racing Commission from payments received by commission from gross receipts of mutual wagering recorded by totalizator system.

Revenue Impact:

General Fund reduction of \$190,040 in 2015-17, and \$372,990 in 2017-19

Impact Explanation:

This bill would change the percentage of distribution of revenue from Advanced Deposit Wagering Companies (ADW'). The current distribution directs 66 2/3% to the benefit of the industry and 33 1/3% to the General Fund (GF). The new distribution under the amended bill would be 75% to the benefit of the industry and 25% to the General Fund. This would result in a decrease in GF distributions.

HB 3542 (CH 641)

HB 3542 requires the chief sponsor of a proposed bill involving new or expanded tax credits to submit a purpose statement. The bill also directs the Legislative Revenue Office to prepare an analysis of any previously enacted tax credits in which the revenue impact exceeds the original estimate. The bill further specifies that committees on revenue hold public hearings on those credits in which the revenue impact has exceeded the estimate by more than 10%.

Revenue Impact: None

HB 5029 (CH 811)

Maintains and reserves lottery revenues available to benefit public purposes during biennium beginning July 1, 2015, in Administrative Services Economic Development Fund.

Revenue Impact: Reduced General fund revenues (\$7.1 million).

The measure allocates the May forecast lottery revenue for the 2015-17 biennium, and leaves \$16 million in the ending balance. The CFA is also adjusted to a lower transfer to the general fund in the 2015-17 biennium. The General fund is expected to receive \$44.32 million which is \$7.1 million less than the amount assumed in the May forecast.

Impact Explanation:

ORS 137.300 establishes the CFA and identifies program priorities, but does not specify a funding level for the programs. Programs receiving CFA allocations are established in the appropriation bills for the various receiving agencies. Revenues remaining in the CFA after the different programs receive their allocations are deposited into the General Fund.

The revenue forecast for the CFA for the 2015-17 biennium totals \$116.8 million, allocations to agencies totaled \$72.5 million, leaving \$44.3 million to be deposited into General Fund. Those are different amounts for the assumed general fund transfer in the May forecast.

SB 80 (CH 767)

This measure abolishes Oregon University System, office of the Chancellor of the Oregon University System and State Board of Higher Education. It states that all public universities have institutional governing boards. Aligns the higher education structure by abolishing several accounts. Those accounts are: the Oregon University System Fund and subaccounts, Higher Education Donation Fund, Higher Education Academic Modernization Account, Oregon University System Capital Construction, Deferred Maintenance, and Capital Repair Project Fund. The measure transfers moneys remaining in accounts or funds to Public University Fund. Limits use of transferred moneys to purposes listed in original funds or accounts. Adds the Higher Education Coordinating Commission to the list of entities authorized to take action with respect to the Western Interstate Commission for Higher Education, and specifies that the Higher Education Coordinating Commission replaces the references to the State Board of Higher Education.

Revenue Impact: None

Background:

Senate Bill 270 (2013) established governing boards for the University of Oregon and Portland State University, while providing a process for other universities in the Oregon University System (OUS) to also establish independent institutional boards. This restructuring of university governance ultimately led to the dissolution of OUS and State Board of Higher Education (SBHE), but numerous references to OUS, SBHE, and the OUS Chancellor remain in statutes. At the request Interim Committee on Education and Workforce Development, an informal work group met three times to review all relevant statutes that reference OUS, SBHE, and/or OUS Chancellor. The work group included involved parties including representatives from the office of Legislative Counsel, Higher Education Coordinating Committee, and OUS. Senate Bill 80 addresses higher education governance, and is intended as a vehicle to address references in current statute to entities that dissolved as a result of Senate Bill 270 .

SB 129 (CH 757)

Retains 50-50 split of personal income tax revenue from newly created jobs attributed to eligible Strategic Investment Program projects. Reduces local tax district share of income tax revenue attributed to retained jobs to 20%. Caps individual county revenue at \$16 million annually. Extends sunset on program from 2019 to 2024. Changes allocation mechanism from a separate shared services fund to a direct allocation by the Department of Revenue.

Revenue Impact (in \$millions):

Impact on General Fund and Local Taxing Districts				
		2015-17	2017-19	2019-21
Local Taxing Districts	Current Law	\$86.2	\$57.8	\$0
	SB 129 B	\$32.7	\$33.0	\$33.1
Impact on General Fund		+\$53.5	+\$24.8	-\$33.1

SB 800 (CH 797)

Establishes Task Force on Reserve Funds to study performance of Education Stability Fund (created in 2002) and Oregon Rainy Day Fund (created in 2007). SB 800 directs task force to make recommendations to 2017 Legislature. The bill further directs Legislative Fiscal Office and Legislative Revenue Office to staff task force.

Revenue Impact: None

UNEMPLOYMENT INSURANCE

HB 2440 (CH 103)

Allows an unemployed individual who is eligible for unemployment insurance benefits, to be still eligible for the benefits when the individual travels outside the normal labor market for job interviews. Takes effect on passage.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Unemployment Insurance Trust Fund	-\$0.06	-\$0.06	-\$0.12	-\$0.13	-\$0.13

Source: Oregon Employment Department

The bill allows an unemployed individual who is eligible for Unemployment Insurance (UI) benefits, to continue to be eligible for the benefits when the individual travels outside the normal labor market for job interviews. Under current law, the individual has to stay within the individual's normal labor market to be continuously eligible for benefits. This change will increase benefit payment, negatively affecting the UI Trust Fund.

SB 242 (CH 529)

Makes changes in the Oregon State Statutes to conform to federal requirements in the Oregon Employment Department’s participation in the U.S. Treasury Offset Program (TOP) and work share eligibility practice. Takes effect on passage.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Unemployment Insurance Trust Fund	-\$0.01	-\$0.01	-\$0.02	-\$0.13	-\$0.20

This bill makes several changes to bring the Oregon State Statutes in conformity with federal requirements governing the Oregon Employment Department’s participation in the TOP and work share practice. Non-conformity would result in Oregon employers paying additional \$1.11 billion per biennium in Federal Unemployment Insurance taxes. Two changes have impact on the flow of the Unemployment Insurance (UI) Trust Fund.

First, the bill expands the set of individuals and businesses that are bound by the TOP referrals, which will bring in additional proceeds to the UI Trust fund. The Oregon Employment Department (OED) estimates the revenues from this change to be \$470,000 for the 2015-17 biennium and \$386,000 for the 2017-19.

Second, the bill removes the provision that disqualifies individuals from receiving shared work benefits under certain conditions. Under this change, the portion of work share benefits paid back by employers become covered benefits by the UI Trust Fund, necessitating the Fund to increase UI benefit payment. OED projects that this change will lead to a net outflow of \$490,000 from the Fund for the 2015-17 biennium and \$513,000 for the 2017-19.

SB 243 (CH 530)

Provides that an individual who is paid unemployment insurance (UI) benefits to which the individual is not entitled is liable, in certain circumstances, to have the amount deducted from any future benefits otherwise payable under the law of another state. Extends UI benefits overpayment recovery period from three to five years. Takes effect on passage.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Unemployment Insurance Trust Fund	\$0.10	\$0.11	\$0.21	\$0.27	\$0.30

This bill makes two changes to enhance the capacity of the Oregon Employment Department (OED) to recover overpaid UI benefits. First, it provides that the OED has the authority to request another state to offset UI benefits otherwise payable to an individual when the individual has an outstanding UI benefits overpayment in Oregon, even when the individual was not at fault for causing the overpayment. Second, the bill extends overpaid UI benefits recovery period from three to five years. These changes will result in a net addition to the UI Trust Fund over time.

MISCELLANEOUS

HB 2395 (CH 16)

Moves the sunset of the hospital assessment from September 30, 2015, to September 30, 2019. Takes effect on passage.

Revenue Impact (in \$Millions):

	Biennium	
	2015-17	2017-19
Hospital Assessment	\$880.0	\$1,060.0
Federal Match	\$2,412.0	\$2,906.0
Total	\$3,292.0	\$3,966.0

The Oregon Health Authority estimates that the total anticipated revenue for the 2015-17 biennium is \$3,292.0 million (\$880.0 million from the hospital assessment matched by the federal funds of \$2,412.0 million). The total anticipated revenue for the 2017-19 biennium is \$3,966.0 million, with \$1,060 million coming from the assessment and the rest from the federal matching funds. The assessment is set to sunset on September 30, 2019.

HB 2455 (CH 714)

HB 2455 levies a privilege tax on the harvesting of merchantable forest products harvested on forestlands. The measure sets the effective rates for two calendar years. Rates are applied to the harvested products per thousand board feet, with the first 25,000 board feet harvested annually by any taxpayer excluded. There are four individual rates contained in the measure providing funding for Oregon State University forest research, fire suppression activities, administration of the Forest Practices Act, and Oregon State University professional forestry education

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-2017	2017-2019	2019-2021
Forest Research and Experiment Account	\$1.50	\$3.00	\$4.50	\$2.67	\$0.00
Oregon Forest Practices Act Administration	\$1.84	\$3.68	\$5.52	\$3.28	\$0.00
Oregon State University College of Forestry Professional Education	\$0.17	\$0.33	\$0.50	\$0.30	\$0.00

The measure would set levels of various forest products harvest taxes for harvest in years 2016 and 2017. Impacts would be realized in the 2015-17 and 2017-19 biennia. The measure establishes a tax of \$0.90 per thousand board feet to be allocated to the Forest Research and Experiment Account, \$1.1037 per thousand board feet to the administration of the Oregon

Forest Practices Act, and \$0.10 per thousand board feet to the Oregon State University College of Forestry for professional forestry education.

HB 3257 (CH 187)

The measure extends sunset on collection of certain moneys from electric companies or Oregon Community Power for purposes related to low-income electric bill payment assistance.

Revenue Impact: \$10 million in other funds for the 2015-17 biennium. The revenue collected will be for only one biennium, the surcharge sunsets at the end of 2017.

Impact Explanation:

Senate Bill 863 (2011) directed the Public Utility Commission to collect \$5 million per year for the low-income assistance program (bill payment) in the event certain criteria were met as of January 1, 2014. This measure was set to sunset on January 2, 2014. House Bill 2004 (2013) extended the sunset date to January 2, 2016. This measure (House Bill 3257) would extend the sunset date until January 2, 2018. The Oregon Low-Income Home Energy Assistance Program (LIHEAP) is federally-funded through the U.S. Department of Health and Human Services and is designed to help low-income households with home heating costs. To be eligible to receive assistance, a household's income must be at or below 60 percent of Oregon's median income, based on household income and household size. Recipients must also have documented energy costs. The program in Oregon is administered by the Department of Housing and Community Services (OHCS).

SB 324 (CH 004)

Repeals sunset on provisions related to low carbon fuel standards. Mandates the adoption of rules (by Environmental Quality Commission) for low carbon fuel standards. Requires standards to reduce average carbon intensity per unit by 10 percent by year 2025. Authorizes use of liquefied petroleum gas to meet low carbon fuel standard. Removes requirement for Commission to issue exemptions and deferrals to mitigate cost of complying with low carbon fuel standards based on comparisons with PADD 5 region. Requires Commission to adopt rules for managing and containing costs of compliance with standards, including but not limited to ensuring people may obtain and trade credits for fuels used as gasoline or diesel substitutes. Requires Commission to exempt person who imports less than 500,000 gallons of gasoline and diesel in a year. Establishes standards for biodiesel to be considered an alternative fuel. Exempts fuel that is demonstrated to be used in motor vehicles used primarily for construction, watercraft and railroad locomotives. Requires Department of Environmental Quality to report.

Revenue Impact: The revenue impact of this measure is indeterminate:

The net effect of interactions of the following impacts is highly uncertain and equally likely.

Highway fund impacts: Revenues to the highway fund might be impacted negatively as a result of the price increases due to the costs added to the fuels at the consumer level. These increased costs are due to biofuels blending into conventional gasoline or diesel for consumption in the existing vehicle fleet. However, the level of the price increases are not known to a degree that allows for evaluation and forecasting of the price elasticity or impacts on demand. On the other hand, advanced vehicle technologies can be deployed, which consume alternative fuels such as natural gas, electricity, or hydrogen. However, due to constraints on how quickly the vehicle fleet can be turned over and the speed of deployment of advanced

vehicle technologies which are able to consume those fuels without losing fuel efficiency and MPG levels, the assumption of higher demand on fuel will result and persist. This higher demand on fuel might produce enough new revenue to offset the loss due to the price elasticity, but that level of offset is not clear at this point. Data from DEQ seem to suggest the same conclusion where the proposed standards/rules require a 10 percent reduction in average carbon intensity from 2015 to 2025, but it does not get to reduce the GHG emission by 10%.

Fines and Civil Penalties: The program centers on the idea of capping the intensity of the fuel and trading credits to achieve offsets for the importers/producers who couldn't comply. The program implies a market trading mechanism regulated by DEQ but without governmental fees. However, there are a number of civil penalties that can result from noncompliance. The structure and revenue from these penalties is also not clear at this time.

Personal income or other taxes: There can be additional impacts on the fuel and transportation industry and other tax revenue streams. The general idea assumes that the introduction of the clean fuel requirements can be a significant incentive for production of alternative fuels which might increase investment, employment, and income with all the associated tax revenue. It could on the other hand expand the reliance on out of state imports of fuel blends, consequently reducing investments, employment, and income and the associated tax revenues.

In conclusion, the net effect of interactions of these forces is highly uncertain and equally likely, which leads to the indeterminate revenue impact designation of this measure.

SB 864 (CH 301)

The measure clarifies the definition of real property to include in-state property for the purpose of finding the ratio of natural resource property to in-state property value when computing and considering the natural resource credit against the estate tax. The clarification applies to tax years 2015 and beyond.

Background:

Prior to the 2003 Oregon legislation, legal opinions indicated that Oregon had not adopted either the Taxpayer Relief Act (TRA97) or the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001. The primary purpose of HB 3072 was to codify in law the connection to the Taxpayer Relief Act of 1997 (TRA97) for prior tax years 1998-2001. For deaths occurring in 2002, the gross estate value filing threshold was \$1 million, the same as the federal filing threshold under EGTRRA. Another important objective of the 2003 legislation was to clarify that Oregon's estate tax connection is to the federal law under the Taxpayer Relief Act of 1997 for deaths occurring in 2003 and beyond. Oregon is not connected to 2001 federal estate tax law changes contained in the Economic Growth and Tax Relief Reconciliation Act. The 2007 session attempted to preserve family owned farms, fishing business and small forest owners, by increasing the threshold for these estates to \$7.5 million. However, HB 3201 faced difficulties in the implementation phase. The February 2008 session, introduced a credit schedule for the small family owned natural resource properties. The credit increases proportionally in HB 3618 to reach the maximum at tax amount due for the \$7.5 million properties, then declines gradually to \$0 at the \$15 million mark. The 2011 legislative session approved (HB 2541) a major revamp of the estate tax. Oregon confirmed the tax to be an estate tax, and constructed a standalone system that only uses federal definitions. Oregon now uses the definitions from the most recent federal tax code and adds some of its own while the new standalone rate schedule (ORS 118) builds a smooth ramp up in rates, which avoid the bubble up in marginal rates caused by increasing the threshold while using the old (federal) pickup schedule that existed for much

lower thresholds. The law established a gradually increasing tax rate schedule for estates starting from \$1 million value at tax rate 10%, to a marginal rate of 16% at values higher than \$9.5 million. The new rate table was to insure revenue neutrality relative to the previous rates which were based on 2000 Federal law. The credit also Defines and allows for an operating allowance (15% or \$1 million) for natural resource property, ensuring that farm, forest and fishing businesses are taxed properly on true assets

Revenue Impact: Minimal