REVENUE MEASURES PASSED BY THE 2003 LEGISLATURE

RESEARCH REPORT # 4-03

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INDEX BY BILL NUMBER

INDEX BY SUBJECT AREA		Page
Personal and Corporate Income Tax		
SB 220	Establishes a definition of resident funeral trust.	15
SB 221	Allows the Department of Revenue the discretion to extend the time period in which taxpayers have in which to pay their taxes if there is a state-declared emergency or action by the Internal Revenue Service.	15
SB 292	Extends the sunset date for corporate income and excise tax credit for donations of certain computer and scientific equipment to 2010.	15
HB 2043	Allows a corporate tax credit for insurance companies that provide auto insurance policies based on the number of miles traveled or time-based rating insurance plans.	15
HB 2152	2003 Revenue Plan. Includes a temporary graduated personal income tax assessment from 0% - 9%.	11, 16, 35
HB 2166	Changes to the farmworker housing corporate excise tax credit.	17
HB 2185	Establishes a date certain for foreign nonresident personal income taxpayers to file for personal income tax refunds.	17
HB 2186	Establishes December 31, 2002 as the connection date to the Internal Revenue Code for Oregon taxable income. Removes the rolling reconnect to federal tax law pertaining to taxable income for 3 years and reinstates the rolling reconnect to federal law for federal law changes after Dec. 31, 2005.	13, 18
HB 2664	Allows unused contributions to the Oregon college savings network to be claimed as a deduction for 4 subsequent years.	19
HB 2747	Establishes several health care provider taxes. Establishes a new film and video corporate or personal income tax credit.	13, 19
HB 3023	Changes the length of time state agencies are allowed to collect on delinquent accounts.	20
HB 3051	Allows insurance companies the ability to assess property and casualty policy holders a new tax in order to recoup the Oregon Insurance Guaranty Association (OIGA) assessments.	21
HB 3183	Expansion of the research and development corporate tax credit. Increase of the sales factor in the corporate apportionment formula. Increase in the mass transit districts' payroll taxes.	14, 22
HB 3184	Changes to the Child Care Division contribution tax credit.	22
Property Tax and Local Government Revenue		
SB 222	Corrects inconsistency in determining maximum assessed value for property tax purposes when new property or new improvements to property are added to roll.	23
SB 223	Excludes intergovernmental entities and councils of governments from Local Budget Law, unless they impose property tax.	23
SB 224	Limits authority of Department of Revenue to add omitted centrally assessed property to assessment and tax roll to no more than five years.	23
SB 225	Changes value on which payments in lieu of property taxes are based to real market value. Freezes annual growth in maximum assessed value of farm and forest homesites and open space land. Clarifies AV	24

INDEX BY SUBJECT AREA		Page
HB 2027	Conforms list of persons to whom certain refunds of property taxes may be made to list of persons who may appeal property values.	27
HB 2029	Modifies property tax record keeping requirements to reflect changes in technology.	27
HB 2030	Modifies requirements receipts of certified mail. Authorizes county to establish property tax bankruptcy account. Requires tax collector to report to all taxing districts on bankruptcy collection efforts.	28
HB 2187	Requires urban renewal revenues raised through special levy or through division of tax to be categorized as general government for purposes of constitutional limitation on property taxes.	28
HB 2283	Exempts from ad valorem property taxes buildings or other improvements located on land that is used as golf course and for discharge of wastewater or sewage effluent.	28
HB 2298	Modifies requirements business firms need to meet in order to qualify for small city business development income tax exemption.	28
HB 2299	Revamps the enterprise zone property tax exemption program. Changes investment needed to qualify for rural SIP, and nonurban enterprise zone. Grants authority to Commission to establish criteria for projects that are eligible for exemption. Establishes and provides procedures property tax exemption for renewable energy facilities. Modifies electronic commerce income tax credit.	29
HB 2339	Eliminates certain annual filing requirements for tax-exempt property held by housing authority.	29
HB 2380	Expands the exemption program under housing assistance contract to older rental buildings of multiple-unit low income housing.	29
HB 2454	Expands property tax exemption to airport property owned or leased by airport districts.	29
HB 2489	Modifies where notice of action by board of property tax appeals may be sent. Includes person holding general power of attorney to represent owner.	30
HB 2535	Extends sunset date for property tax exemption for low income housing owned by nonprofit corporations.	30
HB 2589	Exempts sensitive financial information submitted to urban renewal agency from disclosure under public records law.	30
HB 2625	Extends period during which cargo containers are exempt from property tax. Eliminates obsolete provision.	30
HB 2671	Modifies requirements for eligibility for long-term nonurban enterprise zone tax incentives. Exempts certain electricity generating facilities in enterprise zone from ad valorem property tax.	31
HB 2857	Allows certain cities in southwestern Oregon to withdraw unserved portion of city from transportation district	31
HB 3062	Suspends for 2003-2005 biennium requirement for public libraries, in order to be eligible for state financial assistance.	31
HB 3616	Establishes property tax special assessment program for wildlife habitat. Allows State Fish and Wildlife Commission to designate land as wildlife habitat special and remove designation in cooperation with county or city governments. Permits homesite assessment of land	31

2003 SESSION OVERVIEW

<u>The Revenue Situation</u>

The 1990s Boom

Oregon's General Fund revenue grew 118.7% between the 1989-91 and 1999-2001 biennia. Revenue growth exceeded the inflation rate by a wide margin. The price level rose 38.7 % between 1990 and 2000. This contrasts with the prior decade when General Fund revenue increased 77.2% while prices rose 58.6%. The inflationary 1970's were characterized by very rapid revenue growth and inflation. The strong revenue growth accompanied by modest inflation that characterized the 1990s boom was reminiscent of the 1950s and 1960s. Table 1 shows revenue growth and inflation by decade.

Table 1
GENERAL FUND REVENUE GROWTH BY DECADE

DECADE	GENERAL FUND REVENUE GROWTH	INFLATION*
1990s	118.7 %	38.7 %
1980s	77.2 %	58.6 %
1970s	284.2 %	112.4 %
1960s	116.9 %	31.1 %
1950s	126.4 %	22.8 %

* Change in the U.S. consumer price index over 10-year period.

Oregon's revenue situation is dominated by the ups and downs of income tax collections. Personal income tax revenue comprised 83.3 % of General Fund revenue in the 1989-91 biennium. Corporate income and excise tax revenue made up another 6.4 %. Buoyed by strong wage growth and the booming stock market, personal income tax revenue surged 126.7% for the decade. Corporate profits rose sharply in the mid-1990's before tapering off in the latter part of the decade. Corporate income tax revenue increased 130.1 % between the 1989-91 and 1995-97 biennia. Corporate income tax revenue increased 153.8% for the decade as a whole.

The 2001 Recession and 2001-03 Revenue

The General Fund revenue situation changed dramatically in the 2001-03 biennium. The state experienced its first biennium-to-biennium General Fund revenue decline in the post World War II era and its largest percentage decline since the 1933-35 biennium. General Fund revenue fell 7.5 % below its 1999-2001 level. This decline occurred despite legislative actions that added revenue. Excluding these actions, General Fund revenue declined 12.9 % between the 1999-2001 and 2001-03 biennia. Personal and corporate income tax revenue, the reason for surging General Fund revenue in the 90s, were responsible for the sharp decline. Personal income tax collections for the 2001-03 biennium were 11.9 % below the previous biennium. Corporate income tax revenue plunged 44.9 % over the same period.

Although considerably slower revenue growth was forecast for the 2001-03 biennium, an outright decline in revenue was not anticipated at the time the Legislature adopted the 2001-03 budget. General Fund resources, revenue plus the beginning balance, fell 15.2 % below the estimate used for the legislatively adopted budget. Excluding legislative actions taken during special sessions and the regular 2003 session to rebalance the budget, resources fell 20.6 % below the 2001 regular session (COS) forecast.

Table 2
DETERIORATING REVENUE CONDITIONS

	GENERAL FUND RESOURCES (IN MILLIONS)	CHANGE FROM 1999-2001 (IN MILLIONS)	CHANGE FROM 2001 COS (IN MILLIONS)
2001-03 ACTUAL	$9,729.0	-731.0 (7.5%)	-1,738.7 (15.2%)
2001-03 ACTUAL MINUS LEGISLATIVE ACTIONS	$9,107.5	-1,352.5 (12.9%)	-2,360 (20.6%)

This deteriorating revenue situation dominated state revenue policy through the interim between the 2001 and 2003 legislative sessions and throughout the 2003 regular session. Shortly after release of the March 2003 revenue forecast, which showed a further $245 million decrease in the estimate for 2001-03, the Legislature approved SB 856. This measure authorized the State Treasurer to issue $450 million in appropriation credit bonds. The proceeds from the bond sale were deposited in the General Fund. SB 856 states that the Legislature intends for the bonds to be repaid from payments to the state under the national Master Settlement Agreement with the major tobacco companies. This will require a debt payment estimated at $77.6 million in the 2003-05 biennium.

The 2003-05 Revenue Package

Decreases in the 2001-03 revenue forecast were generally carried forward to declines in the 2003-05 projection as well. The May 2001 revenue forecast for the 2003-05 biennium showed General Fund revenue at $12,406.1 million. By May of 2003, the forecast for 2003-05 revenue had declined to $9,765.5 million, a drop of more than $2.6 billion.

Table 3 outlines the major components of the 2003-05 revenue package assembled by the 2003 Legislature. An explanation of the expenditure components to the 2003-05 legislatively approved budget can be found in Budget Highlights: 2003-05 Legislatively Adopted Budget available from the Legislative Fiscal Office.

Table 3
REVENUE PACKAGE
REVENUE IMPACT IN MILLIONS FOR 2003-05 BIENNIUM

	REVENUE	BILL
PERSONAL INCOME TAX		
GRADUATED INCOME TAX ASSESSMENT*	544.6	HB 2152
MEANS TEST ELDERLY MEDICAL DEDUCTION	42.0	HB 2152
SUV DEPRECIATION ADDBACK	4.7	HB 2152
CORPORATE INCOME TAX		
INCREASE CORPORATE MINIMUM TAX	73.5	HB 2152
REDUCE CORP SUBSIDIARY DIVIDEND DEDUCTION*	38.4	HB 2152
DISCONNECT FROM EXTRATERRITORIAL INCOME	18.0	HB 2152
20% REDUCTION IN CORPORATE CREDITS*	16.4	HB 2152
PROPERTY TAX		
REDUCE EARLY PAYMENT DISCOUNT TO 1.5%	43.0	HB 2152
LOTTERY		
TRANSFER EDUCATION STABILITY FUND REVENUE	108.0	HB 3642
EXPAND NUMBER OF VIDEO TERMINALS	14.3	HB 3159
UNSPECIFIED ACTIONS TO INCREASE NET REVENUE	70.2**	HB 3159
BUSINESS CHARGES & FEES		
SECURITIES FEE	16.1	HB 3656
CORPORATE FILING FEE	11.7	HB 3656
OTHER REVENUE ACTIONS		
TOBACCO ENFORCEMENT TASK FORCE	25.0	HB 2368/HB 2532
TRANSFER PORTION OF MEDICAL PROVIDER TAX	12.5	HB 2747
FUND SHIFTS***	123.4	HB 2148
TOTAL FROM REVENUE PACKAGE	1,161.8	

* 3-year temporary measure.
** Includes $17.5 million in additional transfer from the Education Stability Fund.
*** Includes transfer of Other Fund balances and reduced PERS assessments for Other Fund agencies.

Personal Income Tax
The key piece of the revenue package is the graduated personal income tax assessment contained in HB 2152. The assessment varies from 0 to 9% of tax liability depending on the adjusted gross income of the taxpayer. It applies to the 2003, 2004 and 2005 tax years. The 2005 assessment is automatically eliminated if the General Fund revenue forecast increases sufficiently. The graduated assessment is expected to generate $544.6 million in additional General Fund revenue for the 2003-05 biennium.
HB 2152 makes two other changes to state personal income tax laws that generate additional revenue. The first is modification of Oregon's expanded elderly medical deduction. HB 2152 limits the deduction in two ways. First it increases the age of eligibility from 62 to 65 over a three-year period. Secondly, it links eligibility to taxpayer income. The deduction is phased out for joint filers with income between $30,000 and $100,000. The expanded medical deduction will no longer be allowed for joint filers with income over $100,000. The other personal income tax change in

HB 2152 disallows expensing for SUV purchases by certain businesses. The new provision requires these businesses to add back the expense and depreciation deduction allowed under federal law when computing Oregon taxable income. Vehicles used predominantly for farming, forestry and construction are exempt from the add-back.

Corporate Income Tax
HB 2152 makes a number of significant changes to Oregon's corporate income and excise tax law. The first is to establish a new corporate income tax minimum payment based on Oregon gross sales. The minimum varies from $250 to $5,000 for C-corps and $250 to $500 for S-corps. The previous corporate minimum was a flat $10 for all corporations. The measure also disconnected from a recently enacted (2000) federal exclusion of corporate extraterritorial income. This provision in federal law, designed to encourage U.S. export activity, is currently under review due to an adverse ruling from the World Trade Organization. HB 2152 also reduces the amount of dividend income from subsidiaries that can be deducted from Oregon taxable income by 50% for a three-year period. Finally, all corporate credits, with the exception of low income and farm-worker housing, are reduced by 20% for a three-year period. These credit reductions can be carried forward and applied to corporate taxes beginning in the 2006 tax year.

Property Tax
Under previous law, Oregon allowed a 3% reduction on property tax bills if taxpayers paid in full prior to November 15. Beginning with the 2004-05 tax year, HB 2152 reduces the allowable discount to 1.5 %. County tax assessors are directed to compute the increase in collections due to the lower discount and transfer the revenue to the state General Fund for the 2004-05 fiscal year. After 2004-05, the discount rate will remain at 1.5 % but any additional tax collections will be shared among the local taxing districts, including schools and community colleges.

Lottery
As part of the revenue package, the Legislature allocated anticipated Lottery revenue dedicated to the Education Stability Fund to the State School Fund and modified Oregon law pertaining to video poker. In HB 3642, the Legislature stated that the budgetary condition specified in the constitution for accessing the Education Stability Fund was met. Based on this finding, HB 3642 directs the State Treasurer to transfer 90% of the revenue flow (18 % of net Lottery proceeds) into the Education Stability Fund between July 1, 2003 and May 1, 2005 to the State School Fund. The transfer is estimated to be $108 million.

HB 3159 expands the number of video terminals allowed per location from 5 to 6 for most establishments and to 10 for qualified racing facilities. This measure is expected to increase discretionary Lottery revenue by $14.3 million and add another $4.1 million to the Education Stability Fund. The additional Education Stability Fund revenue would lead to an increase of $3.7 million in State School Fund transfers under HB 3642. HB 3159 also declares that the intent of the Legislature is to direct the Lottery to take reasonable actions to increase net state revenue. The Legislature allocated up to an additional $52.7 million in discretionary revenue above the current law forecast (including the direct effects of HB 3159). These dollars will be allocated to the state school fund if they materialize. An additional $13.8 million would also be allocated to the State School Fund under HB 3642 if this revenue target is met.

Business Charges and Fees
General Fund revenue for 2003-05 is increased by an estimated $27.8 million due to the provisions in HB 3656. The additional revenue comes from two sources. The first is an increase in fees for registration of securities dealers and licensing of brokers-dealers and investment advisors. Specifically, the measure directs the Department of Consumer and Business Services to establish rules that set these fees and charges at the national median. These new rules will generate an estimated $16.1 million in revenue. Secondly, HB 3656 increases the fees charged by the Secretary of State for business registry document filing from $20 to $50 and transfers the additional collections to the General Fund. This will increase General Fund revenue by an estimated $11.7 million in the 2003-05 biennium.

Other Revenue Actions
The Legislature authorized the Department of Revenue to expand tobacco tax collection compliance and enforcement operations through budgetary actions and additional legal flexibility. The additional legal tools are specified in HB 2368. The combination of additional staff and legal authority is expected to generate an additional $25 million in cigarette tax collections in the 2003-05 biennium.

HB 2747 establishes new health care industry charges designed to maintain health care services in the state. These charges on hospitals and long-term care providers will be combined with federal matching dollars to fund these services. The new hospital charge will not provide additional General Fund revenue to balance the budget. However, $12.5 million from the long-term care provider tax is set to be transferred to the General Fund on a one-time basis under HB 2747.

A series of fund shifts from Other Funds to the General Fund is the final piece of the revenue balance package. HB 2148 specifies that savings from lower public retirement system assessments and idle balances in Other Fund accounts are to be transferred to the General Fund for purposes of balancing the 2003-05 budget.

<u>Other Major Revenue Measures</u>

Although the state's General Fund revenue situation dominated revenue policy during the session, a number of other revenue measures with significant long-term implications were enacted. These measures include:

- HB 2186
- HB 3072
- HB 3183
- HB 2041

HB 2186
HB 2186 temporarily reverses a policy decision made in 1997 to connect to changes in the federal personal and corporate income tax base unless the Legislature takes specific action to disconnect. For federal changes made between January, 1 2003 and January 1, 2006, Oregon tax law will not change unless the Legislature takes specific action. HB 2186 takes Oregon tax policy with respect to federal tax code changes back to where it was between 1982 and 1997. The measure does retain the "rolling reconnect" provision for depreciation (including expensing) and individual retirement accounts. Because of

the depreciation exception, HB 2186 did not affect the impact on Oregon tax law of the recently passed Jobs and Growth Tax Relief Reconciliation Act.

HB 3072
HB 3072 also affects how Oregon tax law interacts with federal law. In this case it is estate tax law. HB 3072 is designed to clarify the exemption level and filing threshold that apply to Oregon's estate taxes. Two major federal modifications of estate tax, one in 1997 and the other in 2001, raised exemption levels. The latter phases out the state tax credit, established in the 1920s, and eventually federal estate taxes altogether. In 2001, the Attorney General informed the Department of Revenue that in his legal opinion Oregon law was not connected to federal changes in 1997 or 2001. The department had been assuming it was connected to the exemption level changes contained in the 1997 federal legislation. HB 3072 clarifies that it is state policy to establish exemption levels consistent with the 1997 federal law. This exemption level will rise from $700,000 in 2003 to $1,000,000 by 2006. Under HB 3072 the exemption level will remain at $1,000,000 after 2006. HB 3072 is silent on the 2001 federal law. This means that Oregon estate tax law is unchanged by this federal act.

HB 3183
HB 3183 embodies two tax law changes designed to reduce the cost of capital in Oregon and stimulate long-term economic growth. The first is expansion of the corporate credit allowed for investment in qualified research and development activities. The credit is expanded in two ways. First, the maximum allowable for each taxpayer is increased from $500,000 to $750,000. Secondly, the definition of expenditures eligible for the credit is expanded. The second major component of HB 3183 is an increase in the sales factor used for apportioning the income of multi-state corporations. This factor was increased from 50% to 80% by the 2001 Legislature. HB 3183 increases the sales factor to 90% on 7-1-06 and 100% on 7-1-08. The implementation of both the research and development credit expansion and the increased sales apportionment factor were delayed into the 2005-07 biennium in order to avoid a revenue reduction in 2003-05. HB 3183 also authorizes TriMet to increase its payroll tax to fund mass transit up to .1 % under certain conditions.

HB 2041
HB 2041 increases highway related vehicle transaction and registration fees and directs the Department of Transportation to issue additional highway user tax revenue bonds to finance highway improvement projects. The fee increases are expected to raise $157 million in new revenue in the 2003-05 biennium and $211.5 million in 2005-07. The Transportation Department is expected to issue $150 million in revenue bonds in 2003-05 and $400 million in 2005-07.

These measures along with the elements of the revenue package as well as all revenue related measures enacted by the 2003 Legislature are discussed on a bill by bill basis in the pages that follow.

ALL REVENUE MEASURES ENACTED

Personal and Corporate Income Tax

SB 220 (CH 50)

Establishes a definition of resident funeral trust. Makes other minor changes to the estate and trust definitions. Directs the Department of Revenue to adopt rules to simplify the reporting of resident funeral trusts. Applies to tax years on or after January 1, 2004.

REVENUE IMPACT: None.

SB 221 (CH 168)

Allows the Department of Revenue the discretion to extend the time period in which taxpayers must make tax payments to the state if there is an action by the Internal Revenue Service or a state-declared emergency that impairs Oregon taxpayers' ability to pay their taxes or the government's ability to perform certain duties within the current law time limitation.

REVENUE IMPACT: None.

SB 292 (CH 318)

Extends the sunset date of January 1, 2004 for corporate income and excise tax credit for donations of certain computer and scientific equipment to 2010.

REVENUE IMPACT:

State: This revenue impact is uncertain as it depends on the amount of contributions a corporation will make to an institution of higher education for computers and scientific equipment. The corporate contributions fluctuate annually depending on prior years' contributions of computer and scientific equipment as well as the effort by university administrators to seek these types of contributions from Oregon corporations. Extending the sunset on this corporate excise tax credit from January 1, 2004 to January 1, 2010 will reduce general fund revenue by $100,000 in fiscal year 2004-05 and $200,000 in the 2005-07 biennium.

HB 2043 (CH 545)

Allows a corporate excise tax credit for corporations that provide motor vehicle insurance based on the number of miles traveled or time-based rating insurance plans. Specifies that an eligible corporation must provide motor vehicle insurance policies that are at least 70% based on a mile-based or time-based rating plan. Limits the corporate tax credit to $100 per vehicle and $300 per policy and the credit can only be claimed once

HB 2043 (cont.)

claimed for all tax years beginning January 1, 2005 and before January 1, 2010.

REVENUE IMPACT:

State: For tax years 2005 through 2010, the revenue reduction in corporate tax revenue from the new tax credit would total no more than $1 million. A $1 million credit would correspond to 10,000 vehicles being insured under mileage based or time based insurance rating plans.

Biennium	# of New Vehicles With Mileage Based Insurance	General Fund Impact (millions)
2005-07	3,600	- $ .36
2007-09	6,400	- $ .64
Total	**10,000**	**- $ 1.0**

HB 2152 (CH 709)

Imposes temporary income tax assessment with rates ranging from 0 to 9%. Phases-out Oregon's special elderly medical deduction for higher income taxpayers. Eliminates the special depreciation deduction provisions in Oregon law for SUVs purchased for business purposes. Establishes a new corporate minimum tax based on business sales. Changes corporate income tax treatment of extraterritorial income and dividends paid by subsidiaries. Proportionally reduces most corporate income tax credits by 20% for 3 years. Reduces the discount rate allowed for early payment of property taxes to 1.5%. Establishes provider tax on nursing homes. Imposes assessment on prepaid managed health care organizations based on premiums. Extends sunset on 10 cent per pack temporary cigarette tax to 2008.

REVENUE IMPACT:

	2003-05 (millions)	2005-07 (millions)
General Fund	**$ 792.0**	**$ 311.5**
Income Tax Assessment (3 Yrs)	$ 544.6	$ 156.7
OR Elderly Medical Deduction	$ 42.0	$ 44.5
Treatment of SUV Depreciation	$ 4.7	$ 4.3
Extraterritorial Income	$ 18.0	$ 18.0
Corporate Tax Credit Reduction	$ 16.4	$ - 8.7
New Graduated Corp. Minimum Tax	$ 73.4	$ 76.3
Reduction in Corp. Dividend Subtraction	$ 38.4	$ 21.9
Property Tax Discount Rate Reduction	$ 43.0	$ 0
Long-term Care Provider Tax	$ 12.5	$ 0
Sunset extension on $.10 cigarette tax	$ - 1.0	$ -1.5
Other Funds		
Cigarette Tax		
Health Plan	$ 23.4	$ 10.2
TURA	$ - .16	$ - .07
Long-Term Care Provider Tax	$ 38.9	$ 77.9
Managed Care Assessment	$ 34.0	$ 54.4

HB 2152 (cont.)

Federal Funds	**2003-05 (millions)**	**2005-07 (millions)**
Long-term Care Provider Tax	$ 58.7	$ 117.7
Managed Care Assessment	$ 51.0	$ 81.6
Local Government		
Property Tax Discount Rate Reduction	$ 43.0	$ 0.0
School Districts	$ 0	$ 36.5
All Other Taxing Districts	$ 0	$ 54.6
Cigarette Tax (Cities, Counties, Transit)	$ - 0.3	$ - 0.14

HB 2166 (CH 588)

Adds acquisition costs to the list of eligible costs for the farmworker housing corporate excise and personal income tax credit. Specifies that within 6 months of beginning a farmworker housing project, the owner or operator must apply to the Housing and Community Services Department for a letter of credit approval. Requires a contributor to also apply for a letter of credit approval. Allows a lending institution that is not subject to taxation to sell or transfer the credit to a taxpayer that is subject to taxation. Applies to tax years beginning on or after January 1, 2004. Allows all of the farmworker housing credit to be sold instead of 80% beginning on or after January 1, 2005. Decreases the total certified cost amount allowed for the farmworker housing credit to $7.25 million each year beginning tax year 2003.

REVENUE IMPACT:

State: Having acquisition costs as eligible costs for the tax credit in the future would increase the likelihood that the Housing and Community Development Department will issue their maximum housing credit amount allowed each year.

Based on the number and amount of tax credits sold in tax year 2002, allowing all of the tax credit to be sold will reduce state general fund revenue beginning tax year 2005. In contrast, lowering the total cap on the amount of eligible costs $250,000 per year will increase general fund revenues beginning tax year 2003. The overall increase in revenue between the 2003-05 biennium and the 2005-07 biennium will be a positive revenue gain of $43,475.

Biennium	Tax Revenue Change (millions)
2003-05	+ .15
2005-07	- .11
2007-09	- .55

HB 2185 (CH 22)

Establishes a date certain for foreign nonresident personal income taxpayers to file personal income tax refunds. Conforms the personal income tax refund time period for foreign nonresidents to be the same as other personal income tax filers in the future.

HB 2185 (cont.)

REVENUE IMPACT:

State: Minimal reduction in state general fund revenues.

HB 2186 (CH 77)

Establishes December 31, 2002 as the connection date to the Internal Revenue Code for Oregon tax law matters including the definition of taxable income. Continues the rolling reconnect to federal law changes for certain elements of taxable income (depreciation, 179 expensing, deferred compensation plans, pension, employee stock ownership, deferred compensation, individual retirement plans, medical savings accounts, qualified tuition savings accounts or other tax-exempt savings programs). Under this act, distributions to employees from deferred compensation plans would be treated as pension income effective for distributions made after December 31, 2001. Deletes any reference to Internal Revenue Code as in effect on June 8, 2001. Refunds due to any retroactive treatments contained in this Act for tax years beginning before January 1, 2003 shall be made without interest. Clarifies that compensation paid to a nonresident under certain conditions is not considered taxable income in Oregon beginning tax year 1999. Re-establishes the rolling reconnect for changes in federal law pertaining to taxable income for federal tax law changes after Dec. 31, 2005.

REVENUE IMPACT:

State: At the time of passage of HB2186, the federal government had not passed any new personal income and corporate excise tax laws in 2003. Therefore, there was no revenue impact from HB 2186. In May 2003, the Federal Jobs and Growth Tax Relief Act of 2003 (H.R. 2) was enacted and the major components are listed below:

1. Reduction in Capital Gains and Dividends Federal Tax Rate
    a. 10% tax rate is reduced to 5% for 2003-2007 and 0% for 2008
    b. 20% tax rate is reduced to 15% for 2003-2008
2. Accelerate Some Previously Enacted Tax Reductions in 2001
    a. Increase the child credit by $400 for 2003 and 2004
    b. Accelerate the marriage plenty relief for 2003 and 2004
        i. Joint standard deduction is twice the standard deduction for singles
        ii. Expand the size of the 15% income tax bracket for joint returns to equal twice the width of single returns tax bracket
    c. Accelerate the increase in the taxable income levels of the 10% rate bracket
    d. Accelerate the reductions in the regular tax rates scheduled for 2004 and 2006
    e. Increase the alternative minimum tax exemption amount for 2003 and 2004
3. Depreciation incentive for businesses
    a. Additional depreciation deduction equal to 50% of the adjusted basis of qualified property for property acquired after 5/5/03 and before 1/1/05
    b. Increase in expensing to a $100,000 for property placed in service in 2003-2005
4. State Fiscal Relief Fund - $20 billion (US total) with $20 million for Oregon

State: Due to the nature of the 2003 federal tax cuts, the passage of HB 2186 had no change in the impact of the tax cuts on the state general fund from current law. The impact of the 2003 federal tax cut and depreciation changes for businesses reduced

HB 2186 (cont.)

state general funds by the estimates provided in the table below.

Fiscal Year	Tax Revenue Change (millions)
2003-04	- 30.9
2004-05	- 35.9
2005-06	+ .8
2006-07	+ 18.3
2007-08	+ 17.5
2008-09	+ 14.1

HB 2664 (CH 280)

Allows unused contributions to the college savings network to be claimed as a deduction for 4 subsequent years. Applies to contributions made beginning tax year 2004. Allows Oregonians to contribute to the college savings program up until either April 15 or the day on which the taxpayer files an income tax return, whichever date is earlier. Deletes the reference to the qualified tuition savings program and inserts the college savings network. Replaces Oregon Qualified Tuition Savings Board with Oregon 529 College Savings Board. Deletes the requirement in law that the penalty for a nonqualified withdrawal from an account be established at the minimum amount necessary to satisfy federal law. Authorizes the Treasury Department to establish by rule new penalties for unqualified withdrawals. Takes effect 91days after the end of the legislative session.

REVENUE IMPACT:

State: Allowing a carry forward for taxpayers who contribute more than $2,000 in a given year will reduce state general fund revenue beginning tax year 2005. The new penalty structure, adopted by rule, will increase the amount of penalties collected from unqualified withdrawals which will increase general fund revenues. The overall revenue impact is summarized in the table below.

(millions)	**Tax Reduction**	**Tax Increase**	
Fiscal Year	(Carry-forward)	Penalties	Net Tax Decrease
Biennium 03-05	-.081	+ .027	- .054
Biennium 05-07	-.683	+ .040	- .643
Biennium 07-09	-1.270	+ .045	- 1.22

HB 2747 (CH 736)

Establishes provider taxes for hospitals, long-term care facilities, medical managed care and all-inclusive care for elderly persons (PACE). Imposes a tax assessment on each health care facility that does not have a waiver. Establishes a tax assessment on long-term care facilities as the assessment rate times the number of patient days at the facility. Caps the long-term care facilities' assessment rate at the rate that would revenue equal to 6% of gross revenues of long-term care facilities. Authorizes a hospital provider tax based on net revenue and set at a tax rate not to exceed 3%. Assessment rate for

HB 2747 (cont.)

hospitals is determined by the Director of Human Services and the rate must be sufficient to fund the services and identified costs. Imposes an assessment on each prepaid managed care health care services organization at a rate not to exceed 6% of managed care premiums paid to an organization. Creates a distinct provider tax for all-inclusive care for elderly persons (PACE). Sets the assessment equal to 5% of the total capitation rate paid by DHS. Clarifies that the funds in the long-term care account as well as the federal matching funds may be used to fund Medicaid-certified long term care facilities using only the methodology in the bill. Specifies that hospitals, long-term care facilities and managed care providers are not guaranteed complete reimbursement for the provider tax paid to the state. Requires DHS to request a waiver of the broad-based tax requirement from the Centers for Medicare and Medicaid Services for all provider taxes. Begins the hospital tax on net revenues on or after January 1, 2004 and sunsets the provider tax on January 1, 2008. Sunsets the long-term care provider tax on July 1, 2007. Authorizes a transfer of $6.25 million of the long-term care provider tax to the general fund by March 15, 2004 and $6.25 million of the provider tax to the general fund by March 15, 2005. Establishes Oregon Production Investment Fund. Contributions must be at least 90% of the value of the credit. Credits can first be applied to tax years beginning January 1, 2005. First applies to credits certified after July 1, 2005. Total credits certified cannot exceed $1 million per fiscal year. Technical fix to the timing of S-corporations in paying the minimum corporate tax.

REVENUE IMPACT:

State: There is no impact on the state general fund revenues from the hospital or managed care provider tax or estate tax change. There is a transfer of $12.5 million from the long-term care facilities provider tax revenue to the general fund in the 2003-05 biennium. There will be a reduction of $2 million in state general fund in the 2005-07 biennium from the new film and video tax credit.

	2003-05 (millions)	**2005-07 (millions)**
General Fund		
Film and Video Tax Credit	$ 0	$ -2
Hospital Provider Tax	$ 0	$ 0
Long-term Care Provider Tax	$ 12.5	$ 0
Managed Care Assessment	$ 0	$ 0
Other Funds		
Hospital Provider Tax	$ 49.0	$ 74.0
Long-Term Care / PACE Provider Tax	$ 38.9	$ 77.9
Managed Care Assessment	$ 57.1	$ 91.5
Federal Funds		
Hospital Provider Tax	$ 78.0	$ 133.2
Long-term Care Provider Tax	$ 58.7	$ 142.0
Managed Care Assessment	$ 51.0	$ 81.6

HB 3023 (CH 805)

Reduces the state agency collection time on delinquent accounts from one-year to 90days. Reduces the time period in which the Department of Revenue is allowed to collect on other non-judicial state agency accounts from one year to six months from the

HB 3023 (cont.)

date that the Department of Revenue is assigned the account. Authorizes the Department of Administrative Services to adopt rules exempting specific types of Department of Revenue and Employment Department delinquent accounts from the 90-day or 6-month requirements. Specifies that delinquent accounts may not be retained by a state agency for more than one year without a payment on the account.

REVENUE IMPACT:

State: There would only be a minimal impact on state general fund revenue.

HB 3051 (CH 568)

Allows insurance companies to impose a new assessment on property and casualty insurance policy holders in order to recoup the Oregon Insurance Guaranty Association (OIGA) assessment which insurance companies pay. Requires each insurer to annually certify to the Director of the Department of Consumer and Business Services (DCBS) the total amount of recoupment assessments imposed and that the assessment does not exceed the total OIGA assessment for the year. Provides DCBS rule making authority to establish a minimum threshold for which a recoupment assessment can be imposed. Applies to recoupment of OIGA assessments imposed on or after January 1, 2003 as well as OIGA assessments imposed prior to January 1, 2003 that have not been fully recouped. Eliminates the OIGA corporate excise tax credit and fire insurance premium offset for these assessments paid by insurers beginning on or after January 1, 2003. Takes effect on 91st day following adjournment sine die.

REVENUE IMPACT:

State: This revenue increase from the elimination of the corporate excise tax credit, fire insurance premium tax offset and higher insurance policy assessments is uncertain as it depends on several important assumptions including the amount of future OIGA assessments, the forecast of the corporate excise tax liability for property and casualty insurers as well as the number of prior years of OIGA assessments that could be recouped by insurers. The table below estimates the additional state general fund revenue that will result from the elimination of the corporate excise tax credit and fire insurance premium tax offset for OIGA assessments. The state general fund revenue increase would be $11.2 million and $15 million for the 2003-05 and 2005-07 bienniums.

HB 3051 – State Tax Revenue Increase (millions) from Elimination of OIGA tax credit and Fire Premium Offset

Fiscal Year	(State Fire Marshall Tax)	(General Fund)	Total
2003-04	$ 3.05	$ 1.72	$ 4.77
2004-05	$ 4.54	$ 1.93	$ 6.47
Biennium 03-05	**$ 7.59**	**$ 3.65**	**$ 11.24**
2005-06	$ 4.90	$ 2.45	$ 7.35
2006-07	$ 4.40	$ 3.31	$ 7.71
Biennium 05-07	**$ 9.30**	**$ 5.76**	**$ 15.06**

HB 3183 (CH 739)

Eliminates the limitations on the fields of qualified and basic research under current law (advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology or straw utilization) for the research and development credit. Increases the maximum amount of the credit per business from $500,000 to $750,000. Applies to tax years beginning on or after January 1, 2006. Extends the sunset date on the research and development credit to January 1, 2012. Increases the sales factor of the corporate apportionment formula from 80%, (beginning May 2003), to 90% sales factor and 5% payroll and property factors (beginning July 1, 2006). Increases the sales factor of the corporate apportionment formula to 100% sales, beginning July 1, 2008. Provides an exemption to recent changes in the corporate apportionment formula under certain conditions for tax years beginning on or after July 1, 2006. Increases the maximum payroll tax rate for mass transit districts by 1/10 of 1% of the wages paid of each employee. Specifies that the district board may adopt an ordinance increasing tax authority if the economy in the district has recovered from the economic downturn. Requires the payroll tax increase to be phased-in over a 10-year period beginning on or after January 1, 2004. Sunsets the 10-year phase-in period of the payroll tax increase on January 2, 2014. Limits the annual payroll tax rate increase to .02%. Applies to payroll and self-employment tax reporting periods beginning on or after January 1, 2004.

REVENUE IMPACT:

State: Expansion of the R & D credit and increasing the sales factor of the corporate apportionment formula will reduce state general fund revenue by the following amounts as outlined in the table below. State general fund revenues will be reduced by $17 million in the 2005-07 biennium and $71 million in the 2005-07 biennium.

	Revenue Impact (millions)		
Fiscal Year	**Static**	**Feedback**	**Total**
2006-07	-$ 18.6	+$ 1.8	-$ 16.8
2005-07 Biennium	**-$ 18.6**	**+$ 1.8**	**-$ 16.8**
2007-08	-$ 31.3	+$ 3.4	-$ 27.9
2008-09	-$ 48.9	+$ 6.0	-$ 42.9
2007-09 Biennium	**-$ 80.2**	**+$ 9.4**	**-$ 70.8**

Local: If the two mass transit districts, that are currently levying a payroll tax, adopted ordinances to increase their tax rate by .01% each year, the following additional local revenues estimates will be raised beginning 2004.

Biennium	**Tri-Met Transit District** (millions)	**Lane Transit District** (millions)
2003-05	**+ $ 6.02**	**+ $ .68**
2005-07	**+ $ 20.08**	**+ $ 2.27**
2007-09	**+ $ 37.20**	**+ $ 4.21**

HB 3184 (CH 473)

Adds a definition for high quality child care and tax credit marketer. Changes the responsibilities of the Child Care Division of the Employment Department pertaining to the Child Care Division contribution tax credit. Removes the Child Care Division's

HB 3184 (cont.)

responsibility to establish regions and to determine the total amount of tax credit certificates within each region in the state. Authorizes the Child Care Division to adopt rules and select a tax credit marketer who agrees to market the tax credits to taxpayers. Allows the Child Care Division rules to establish a fixed percentage that is less than 100% that would be applied to all taxpayer credits. Specifies that the Child Care Division shall issue tax credits in the order in which they are received. Clarifies that the total value of all certificates issued by the division each year is limited to $500,000. Specifies that if the credit is allowed as a deduction for federal tax purposes, the amount allowed as a credit shall be added to Oregon taxable income. Extends the sunset on the credit out 2 years to January 1, 2009. Makes other technical corrections. Applies to tax years beginning January 1, 2004. Makes changes to the administration of refunds for the working family tax credit beginning tax year 2003.

REVENUE IMPACT:

State: Due to the extension of the sunset date on the Child Care Division contribution tax credit, general fund revenue will be reduced by no more than $500,000 per year beginning tax year 2007.

Property Tax and Local Government Revenue

SB 222 (CH 30)

Corrects inconsistency in determining maximum assessed value for property tax purposes when new property or new improvements to property are added to roll and other exception value adjustment also applies in same tax year.

REVENUE IMPACT: None.

SB 223 (CH 235)

Excludes intergovernmental entities and councils of governments from Local Budget Law, unless entity or council proposes to impose property tax.

REVENUE IMPACT: None.

SB 224 (CH 31)

Limits authority of Director of Department of Revenue to add omitted centrally assessed property to assessment and tax roll for no more than five years preceding current roll.

REVENUE IMPACT: None.

SB 225 (CH 169)

Changes value on which payments in lieu of property taxes are based to real market value. Freezes annual growth in maximum assessed value of farm and forest homesites and open space land when assessed value is less than maximum assessed value. Establishes assessed value and maximum assessed value for partially exempt or specially assessed property when law establishing partial exemption or special assessment does not provide direction. Repeals requirements for computer assisted property valuation standards. Allows surviving spouses of certain veterans additional time to file for property tax exemption. Takes effect on 91st day following adjournment sine die.

REVENUE IMPACT:

Local: A small positive revenue impact for schools by section1. A small negative impact to local taxing districts by each of the sections 2, 3, 5 and 6.

SB 226 (CH 273)

Changes date on which County Assessment Function Funding Assistance Account quarterly payments are made. Changes date on which County Assessment and Taxation Fund quarterly payments are made.

REVENUE IMPACT:

Local: Minimal impacts on the Assessment fund due to timing changes.

SB 227 (CH 400)

Requires that certain information be included on property tax statements.

REVENUE IMPACT: None.

SB 228 (CH 541)

Permits disclosure of information regarding valuation of leased property to lessor, lessee or other person in possession of property. Authorizes Department of Revenue to adopt rules permitting disclosure of tax information to persons designated, expressly or by implication, by taxpayer. Authorizes department to disclose and give access to certain information to municipal corporation for specified purposes

REVENUE IMPACT: None.

SB 229 (CH 274)

Changes date on which additional taxes are due when additional taxes arise as result of resolution of appeal. Applies to appeals that are initiated on or after effective date of Act.

REVENUE IMPACT:

Local: small positive revenue impact for taxing districts coming from two sources: 1) Faster collection by 5 or 15 months because of the court ruling. 2) The added delinquency that the additional taxes will garner from the time they were imposed if the payment is not made within a month of the ruling.

SB 230 (CH 317)

Conforms penalties imposed for late filing or nonfiling of property returns reporting industrial property to penalties imposed for late filing or nonfiling of centrally assessed utilities and companies. Permits Director of Department of Revenue to establish by rule instances in which department may waive or reduce late filing or nonfiling penalties for centrally assessed property. Permits Department of Revenue to adopt rules setting forth conditions or circumstances under which tax penalties are not imposed.

REVENUE IMPACT:

Local: Revenue increase from the bill is about $2.25 million per year to counties.
This is the result of 2 impacts. The first one is negative by about $90,000 as a result of allowing the reduction of late fees (penalties) for centrally assessed properties (utilities) for late filers and nonfilers. The second is positive impact of about $2.34 per year because of the increase on the penalty structure for industrial property.

SB 232 (CH 704)

Provides that property taxes deferred under certain deferral programs may not be canceled by county governing body upon donation of property to state or local government or nonprofit corporation. Provides definition of independent contractor for income tax purposes. Establishes application dates for property taxes collected from property involved in bankruptcy. Permits waiver of interest on delinquent property taxes arising from certain error corrections. Creates Task Force on Independent Contractors.

REVENUE IMPACT:

Local: Small negative impact on local governments. The bankruptcy revenues are anticipated in HB 2030.

State: Minimal positive impacts on the general fund.

SB 327 (CH 239)

Eliminates requirement that county have unemployment rate that is one percent higher than county rate in previous year or 50 percent higher than state unemployment rate in order for property of certain business firms to qualify for long-term rural enterprise zone property tax exemption.

SB 327 (cont.)

REVENUE IMPACT: Minimal Impacts on Local Governments and State Revenues.

SB 858 (CH 432)

Reduces minimum investment level and permits modification or waiver of employment requirements that apply for eligible business firm to be qualified for enterprise zone property tax exemption. Allows employment modification or waiver to be applied retroactively. Applies to business firms precertified on or after January 1, 2000, and before January 1, 2001. Allows refund of property taxes and any related interest or penalties paid for tax year beginning July 1, 2002. Provides for abatement if taxes were not paid. Sunsets December 31, 2007.

REVENUE IMPACT:

Local: Negative Impacts to local governments of about $750,000 a year for the coming 4 years. Most of the impacts are coming form abated taxes on SUMCO (a company in Salem), and assuming at least one more case in the future.

SB 939 (CH 765)

Modifies process for imposing system development charges. Allows local government to establish and impose system development charge that is combination of reimbursement fee and improvement fee under certain circumstances.

REVENUE IMPACT: None.

SB 5542 (CH 497)

Appropriates moneys from General Fund to Department of Revenue for certain biennial expenses. Authorizes advance, as investment from General Fund, to department for certain property tax deferral program. Limits biennial expenditures from fees, moneys or other revenues, including certain Miscellaneous Receipts, but excluding lottery funds and federal funds, collected or received by department. Excludes from expenditure limitation expenses of Multistate Tax Commission.

REVENUE IMPACT:

State: The bill will generate $16.3 million to the general fund in 2003-2005, and $24.3 million for the 2005-2007 biennium. This increase is a result of including in the bill three packages for increases in employees who will be deployed towards revenue collection functions.

HB 2023 (CH 63)

Modifies method by which personal property tax cancellation threshold is indexed for inflation. Provides an additional provision that allows the county board of property tax

HB 2023 (cont.)

appeals to waive the penalty associated with the failure to file a personal property tax return if the taxpayer can provide evidence that this was the first year that the taxpayer is required and files a return. Applies to appeals filed after the effective date of this Act.

REVENUE IMPACT:

Local: Minimal impact on local property tax revenues.

HB 2024 (CH 35)

Eliminates requirement that board of property tax appeals enter formal order for petitions that are resolved by stipulation of county assessor and petitioner before board convenes.

REVENUE IMPACT: None.

HB 2025 (CH 36)

Allows county tax assessor to reduce value of property on tax roll when petition for reduction in value has been filed with board of property tax appeals.

REVENUE IMPACT: None**.**

HB 2026 (CH 37)

Eliminates annual application requirement for property of water associations to be exempt from property taxation. Providing the property was exempt in previous tax year and ownership or use of property is unchanged.

REVENUE IMPACT: None.

HB 2027 (CH 38)

Conforms the list of persons to whom certain refunds of property taxes may be made to the list of persons who may appeal property values.

REVENUE IMPACT: None.

HB 2029 (CH 108)

Modifies property tax record keeping requirements to reflect changes in technology.

REVENUE IMPACT: None.

HB 2030 (CH 190)

Allows for the certified mail receipt record to be on electronic format or computer printout. Allows the counties to establish a Tax Bankruptcy Account. The fund in this account will come from the recovered amounts of taxes of cases where the county could not previously collect. This fund will be used by the counties to fund the attorney fees and other legal fees for ongoing cases. The county will distribute the collected amounts (after the cost estimates) annually to the taxing districts, as well as an annual report on these cases. This program is to sunset on June 30, 2007.

REVENUE IMPACT:

Local: Positive impact to local taxing districts of about $1.6 million in 03-05, and $5.1 million in the 05-07 biennium. The amounts of uncollected taxes from corporate bankruptcy with the counties have reached about $17 million. The rate of tax recovery will start at 4% in the beginning picking up to about 15% by 2007.

HB 2187 (CH 198)

Requires urban renewal revenues raised through special levy or through division of tax to be categorized as general government property taxes for purposes of constitutional limitation on property taxes. This bill conforms laws to the court ruling in the case of Shilo Inn v. Multnomah County et al.

REVENUE IMPACT: Although this will result in a change in property taxation, there will be no new revenue impacts. The revenue impact is already been realized as taxing districts complied with the court decision.

HB 2283 (CH 256)

Exempts from ad valorem property taxes buildings or other improvements located on land that is used as golf course and for discharge of wastewater or sewage effluent.

REVENUE IMPACT:

Local: Approximately $6,000 a biennium of negative impact to local governments. This mostly affects Douglas County where the Myrtle Creek golf course qualifies for the exemption.

HB 2298 (CH 374)

Modifies requirements business firms need to meet in order to qualify for small city business development income tax exemption. Allows business firms locating facilities in certain industrial zoned land to qualify for exemption.

REVENUE IMPACT: Less than $50,000 negative impact in a biennium to the State.

Local: A small property tax impact to locals.

HB 2299 (CH 662)

Reduces minimum investment needed to qualify for strategic investment program property tax exemption, if project is located in rural area. Grants authority to Oregon Economic and Community Development Commission to establish criteria for projects that are eligible for exemption. Revamps enterprise zone property tax exemption program. Modifies application and annual claim procedures. Reduces minimum investment needed to qualify for long-term nonurban enterprise zone tax incentives. Establishes construction-in-process exemption for property located in enterprise zone. Establishes property tax exemption for renewable energy facilities constructed or installed in rural renewable energy development zone. Provides procedures for establishing rural renewable energy development zone. Modifies scope of investments that qualify for electronic commerce income tax credit.

REVENUE IMPACT:

Local: Approximately $920,000 a year of negative impact to local governments starting in FY 2005. The other impact (both positive and negative) to the state might not be felt in the short run due to the long-term nature of these programs. Likewise, Increases in taxes or Income tax credits will not materialize before 2008.

HB 2339 (CH 117)

Eliminates certain annual filing and lease content requirements for tax-exempt property held under lease or lease-purchase agreement by housing authority.

REVENUE IMPACT: None.

HB 2380 (CH 457)

Allows application for multiple-unit low income housing property tax exemption to be filed prior to property being subject to low income housing assistance contract. Permits city or county to establish when property must be subject to low income housing assistance contract in order to receive exemption.

REVENUE IMPACT:

Local: About $1 million a year of negative impact (for the brief implementation time of 3 years) for local governments. The new exemption will not start until Jan-2004, and will go on until the sunset of the old program in 2006.

HB 2454 (CH 119)

Expands property tax exemption for airport property owned or leased by certain local governments to include airport property owned or leased by airport districts.

HB 2454 (cont.)

REVENUE IMPACT:

Local: A possible negative property tax impact on the local districts in the future In the case that a new airport district is established and starts acquiring property for a new airport that did not exist previously.

HB 2489 (CH 120)

Modifies where notice of action by board of property tax appeals may be sent. Includes person holding general power of attorney executed by property owner among persons who may sign petitions and appear before board.

REVENUE IMPACT: None**.**

HB 2535 (CH 215)

Extends the existing sunset date for property tax exemption for low income housing owned by nonprofit corporations.

REVENUE IMPACT:

Local: About $2.3 million a year. For the coming two biennia the 2003-05 total loss would be $5.5 million, however, FY 2004 is a loss contributed to current law. This leaves the exemptions due to this bill as the losses in FY 2005, 2006, and 2007.

HB 2589 (CH 217)

Exempts sensitive financial information submitted to urban renewal agency from disclosure under public records law.

REVENUE IMPACT: None.

HB 2625 (CH 218)

Extends period during which cargo containers are exempt from property tax. Eliminates obsolete provision.

REVENUE IMPACT:

Local: Negative impact of about $1 million a biennium to local governments. This bill makes the law retroactive, and allows the exemption of $1 million starting in the 2003-2005 biennium.

HB 2671 (CH 558)

Modifies requirements for eligibility for long-term nonurban enterprise zone tax incentives. Allows business to claim incentives if total cost of facility exceeds $200 million, at least 10 full-time employees are hired at annual average wage of 150 percent of county annual average wage and certain additional requirements are satisfied. Applies to exemptions of property of business firms that apply for certification on or after January 1, 2003. Exempts certain electricity generating facilities in enterprise zone from ad valorem property tax for tax year beginning July 1, 2003. Requires payment in lieu of tax to be distributed to taxing districts. Sunsets January 2, 2006.

REVENUE IMPACT:

Local: Impacts to local governments of about $400,000 a biennium. However, offsets by agreements reached between the sponsors and the firms might mitigate that loss.

HB 2857 (CH 611)

Allows certain cities in southwestern Oregon with population of fewer than 10,000 people to withdraw unserved portion of city from transportation district. Requires governing body of district and governing body of county to approve petition for withdrawal. Sunsets January 2, 2006.

REVENUE IMPACT:

Local: $16,600 of negative impacts to Transportation Districts in "Southwest Oregon per each of the coming two biennia". The Rogue Valley mass transit district would have to stop extending its permanent rate (of $0.1772 per thousand) to the assessed values of the petitioning areas that are identified as not receiving regular service.

HB 3062 (CH 221)

Suspends for 2003-2005 biennium requirement that public library maintain actual operating expenditures for public library services, or maintain percentage of property taxes dedicated to local library purposes, in order to be eligible for state financial assistance.

REVENUE IMPACT: None.

HB 3616 (CH 539)

Establishes property tax special assessment program for wildlife habitat. Allows State Fish and Wildlife Commission to designate certain land as eligible for wildlife habitat special assessment upon request by governing body of county or city. Requires commission to give significant weight to demonstration of economic burden when governing body of city or county requests commission to remove designation. Permits homesite assessment of land under dwelling, if associated with wildlife habitat special assessment. Applies to tax years beginning on or after July 1, 2004. Permits location of dwelling on property subject to wildlife habitat special assessment, upon compliance with certain requirements. Authorizes State Department of Agriculture and State Board of

HB 3616 (cont.)

Forestry to enter into stewardship agreements with landowners to create incentives for conservation, expedited permitting, regulatory certainty and other stated benefits.

REVENUE IMPACT:

Local: Small negative impacts to local governments for which they have an opt-out clause.

School Finance

SB 372 (CH 321)

Establishes a procedure for Ione to be a school district separate from Morrow County school district. Requires approval by the boundary board if a petition process fulfills specified conditions. Requires Ione to provide k-12 education programs. Sets proportion for division of assets and liabilities. Directs boundary board to appoint initial board of directors. Allows boundary board action to make division effective July 1, 2003. Repeals provisions for division July 1, 2004.

REVENUE IMPACT:

School Districts:
No direct impact until a petition for separation is successful. If Ione is a separate district, the school will continue to qualify for small elementary and small high school additional student weights so that state school aid to both districts will remain about the same as to Morrow County school district. If Ione does not become a separate district and the high school is closed, the small high school weight for Heppner will decrease because it will be a larger school. This would shift about $187,000 from Morrow County school district to all other school districts without SB550. SB550 allows the sum of the Ione and Heppner small high school weights to be the Heppner small high school weight after merger for four years.

SB 550 (CH 715)

Creates a High Cost Disabilities Grant as part of the school equalization formula. Establishes a High Cost Disabilities Account within the State School Fund. Transfers $12 million per year from the State School Fund into the account. Requires funds be used to pay approved special education costs for high cost students. Makes grant equal to costs exceeding $25,000 per student. Includes ESD student cost in district cost. If district costs exceed funds in the account, prorates grant revenue among districts. Sunsets high cost disability grants July 1, 2005.

Increases school equalization formula transportation grants for 20% of districts with the highest transportation costs per student. Increases the grant from 70% to 90% of costs for top 10% of districts with the highest cost per student and from 70% to 80% for the next 10% highest cost districts. Continues the Small School District Supplement Fund

SB 550 (cont.)

during 2003-05. Transfers $2.5 million per year to the fund from the State School Fund. Distributes funds based on small district's proportional share of small school students.

Increases the limit for the amount of school local option tax revenue excluded from school local revenue in the school equalization formula. Increases the limit from the lesser of 10% of school formula revenue or $500 per weighted student to the lesser of 15% of school formula revenue or $750 per weighted student.

If high schools merge, allows the district to continue to add a small high school extra student weight that is the higher of (1) the sum of the extra weight each small high school was eligible for prior to the merger or (2) the eligible extra weight of the merged high school if still a small high school. Limits additional small high school weight to four years. Applies to mergers on or after January 1, 2003.

Allows Portland School District to transition from a gap bond tax to an operating tax two years early without loss of state school funding. Excludes the increase in operating property taxes from local revenue in the school equalization formula in 2003-04 and 2004-05 if a statutory tax rate increase is triggered by paying off the gap bond early. Beginning in 2005-06, repeals the exclusion of Portland school district property taxes from school formula local revenue. Reverts the district's statutory tax rate back to its 2002-03 rate.

Allows a school district to have the Department of Education use the district's State School Fund dollars to make payments to a bond debt service account used to repay bonds to finance school capital improvements on an Indian reservation. Sunsets diversions June 30, 2029.

Repeals the Out-of-State Disabilities Placement Education Fund as of January 1, 2004. Transfers any remaining balance to the State School Fund. Takes effect on the 91st day after adjournment.

REVENUE IMPACT:

School Districts:
The school equalization formula allocation of state and local revenue consists of a general purpose (based primarily on weighted students), transportation and facility grant. Adding a high cost disability grant shifts funds from the general purpose grant to the disability grant. Increasing the transportation grant also shifts funds from the general purpose grant. These reduce the general purpose grant by about $15.5 million per year.

The following table includes 2003-04 grant estimates at a $5.206 biennial budget level for the State School Fund.

2003-04 $ Millions	Current Law	SB 550	Change
General Purpose Grant	$3,371.6	$3,356.1	$ -15.5
Transportation Grant	133.7	134.7	1.0
Facility Grant	8.8	8.8	0
High Cost Disability Grant	0	12.0	12.0
Total formula revenue	3,514.1	3,511.6	-2.5
Small School Supplement	0	2.5	2.5

SB 550 (cont.)

Refer to school formula Simulation 36 for changes in estimated funding by school district.

If Portland School District advance refinances its gap bond in 2004-05, then its local revenue excluded from school formula revenue will be about $2.8 million higher in 2004-05. Since Portland school local revenue increases by the same amount, there is no net effect on local revenue included in the school equalization formula. The formula will provide the same funding level after implementation to all school districts in 2004-05.

Beginning in 2005-06, the Portland school tax rate reverts back to its 2003-04 rate and there is less local revenue included in the school equalization formula. School formula revenue for all districts will be less by about $15 million a year, but grows with Portland school district assessed value.

The increase in local option limits has no direct impact. Districts that have a gap between Measure 5 and 50 tax limits that is sufficient to exceed the current local option exclusion limits may seek voter approval of higher local option levies. This may increase the cost for equalizing local option levies beginning in 2005-07. Assuming no district local option will exceed the exclusion limits, there will be no impact on the amount of local revenue included in the school equalization formula.

By retaining the small high school weight after merger forms a larger school, the school formula will not shift funding from the district with a merged high school to all other school districts for four years. The timing and amount depends on small high school merger activity.

SB 807 (CH 343)

Allows a school district that receives federal impact aid to issue impact aid revenue bonds. Requires an agreement between the district and Indian tribe. Limits bonds to five times the average impact aid received over the preceding five years. Requires net bond proceeds to be used for school capital construction projects on the Indian reservation whose students generate the impact aid. If bonds are issued, requires school board to establish bond building fund and bond debt service fund.

Takes effect July 1, 2003.

REVENUE IMPACT:

School Districts:
No direct impact. Federal impact aid goes to 12 school districts. Only Madras 509 and Pendleton 16 would likely issue bonds because of the impact aid amount. Madras with $2.2 million in aid in 2000-01 could issue bonds up to about $11 million. Pendleton with $163,500 in aid in 2000-01 could issue bonds up to about $815,000. The amount of any impact aid used to repay bonds would not be available for school operating costs.

SB 5554 (CH 720)

Transfers $400,000 in 03-05 from the General Fund to the Local Option Equalization Grants Account to make equalization payments to school districts with local option revenue that have assessed value per student below the 25th percentile district.

Amends SB5077, if it becomes law, by making the trigger for additional General Fund transfers to the State School Fund depend on the General Fund ending balance estimate as of June 2004 being more than $100 million.

Declares an emergency. Takes effect July 1, 2003.

REVENUE IMPACT:

School Districts:
Provides $400,000 for equalization grants in 03-05. Four school districts qualify: Pendleton, Colton, Oakland and Sherman with Pendleton receiving about 75% of the total.

The change in the General Fund transfer trigger makes it more likely that the State School Fund will have additional revenue up to $100 million for a potential total of $5,306.5 million for the 03-05 biennium.

HB 2152 (CH 709)

Lowers property tax discount rate to aid State School Fund. See page 16.

HB 2197 (CH 454)

Provides small tract timber revenue to State School Fund. See page 42.

HB 2650 (CH 96)

Corrects method of calculating limit to revenue that may be (1) accrued by districts using accrual accounting or (2) a negative ending balance by districts using cash accounting. Applies to school districts and educational service districts. Makes limit 1/12th of State School Fund available to districts prorated by weighted students (ADMw). Sets State School Fund for calculating limit at level approved in regular session. Requires the Department of Education to calculate limits. Specifies 2002-03 limit of $309 per weighted student for school districts and $12 per weighted student for ESDs.

Corrects number used in calculating ESD per weighted student funding reduction in 2002-03 from decreases in the State School Fund after the close of the 2001 regular session.

Corrects duplication in the 2002-03 appropriation to the State School Fund by removing $150 million from the fund. Takes effect on passage.

REVENUE IMPACT:

HB 2650 (cont.)

School Districts and ESDs:
Increases statewide limit for accrual or negative ending balance from about $195 million to $210 million in 2002-03. Reduces statewide limit in subsequent years from 9.1% (1/11th) to 8.3%(1/12th) of State School Fund for K-12 and ESDs. Reallocates district limits so that the limit is the same per weighted student.

HB 2688 (CH 465)

Clarifies which uses of materials removed from submersible and submerged lands are exempt from royalty payments to the Division of State Lands. Specifically exempts material used for fish or wildlife habitat or maintenance of public beaches or is contaminated with hazardous material. Defines article of commerce for exempt material subsequently reused.

Applies to material removed on or after the effective date of this act.

REVENUE IMPACT:

School Districts:
Deposits to the Common School Fund may decrease an indeterminate amount. The impact on Common School Fund dollars distributed to school districts is uncertain. Current State Land Board policy is to distribute to school districts the first 2% of fund growth, retain growth between 2% and 5% to add to the principal and distribute half the growth between 5% and 11%. Because of the lag in distributions, 2004-05 is first year there is a potential impact for school districts.

HB 3044 (CH 690)

Requires school districts to collect student debts over $50. Provides circumstances for waiver of debt and requires notification of debt owed. If unpaid, requires the district to withhold student grade reports, diploma and records. Directs school boards to adopt collection policies. Eliminates $5,000 cap on property damages for collection and allows reasonable attorney fees. Applies to student debt incurred on or after the effective date of July 1, 2004.

REVENUE IMPACT:

School Districts:
Indeterminate increase in school revenue from a required effort to collect student debts over $50 that are not waived.

HB 3344 (CH 580)

Reduces the time from five years to two years for holding intangible personal property in a fiduciary capacity before presumed abandonment. Applies to property held before, on or after the effective date.

REVENUE IMPACT:

HB 3344 (cont.)

School Districts:
The Common School Fund will have a one time increase of about $350,000 in 2003-04. The impact on funds distributed to school districts is uncertain. Current State Land Board policy is to distribute to school districts the first 2% of fund growth, retain growth between 2% and 5% to add to the principal and distribute half the growth between 5% and 11%.

HB 3642 (CH 515)

States legislative finding that one of the conditions for accessing the Education Stability Fund has been met. This finding is based on the May 2003 economic and revenue forecast. Directs Treasurer to transfer 90% of the moneys deposited in the Education Stability Fund between July 1, 2003 and May 1, 2005 to the State School Fund. Prohibits Treasurer from diverting funds to the State School Fund that otherwise would be deposited in the Oregon Growth Account or the Oregon Resource and Technology Sub-account. Requires 3/5 majority in each chamber for approval. Declares an emergency. Takes effect upon passage.

REVENUE IMPACT:

Increases 2003-05 State School Fund by an estimated $108.6 million.
Reduces the Education Stability Fund by a corresponding $108.6 million.

This estimate assumes that the Department of Administrative Services makes 8 quarterly transfers from the Economic Development Fund to the Education Stability Fund between July 1, 2003 and May 1, 2005.

HB 5077 (CH 710)

Allocates $5,206.5 million for the State School Fund in the 2003-05 biennium with the potential of another $100 million in 2004-05. Transfers funds from the General Fund, lottery funds, Education Stability Fund, property tax discount reduction and small tract timber harvest revenue. Allocates 50% of General Fund ending balance, as estimated in June 2004, in excess of $100 million to the State School Fund. Provides for additional lottery revenue above specific allocations. Limits total additional lottery and General Fund revenue for the State School Fund to $167 million. If lottery and General Fund revenue available exceeds this amount, reduces General Fund revenue first.

Disappropriates $413.9 million of General Fund dollars in 2004-05 from the State School Fund if the voters reject a referred HB2152. Lowers the disappropriation to $284.6 million if only part of HB2152, including the temporary income tax assessment portion, is referred and rejected by voters.

Satisfies constitutional requirement for school replacement revenue and restricted lottery funds for bonds.

Makes numerous other appropriations and modifications. Declares an emergency. Takes effect on July 1, 2003.

HB 5077 (cont.)

REVENUE IMPACT:

School Districts and Education Service Districts:
Provides $5,206.5 million in State School Fund dollars for school districts, ESDs and state education programs. Makes an additional $100 million in 04-05 subject to available lottery funds and the growth of General Fund revenue above close of regular session estimates. Estimated distribution of funds is as follows:

State School Fund Revenue ($ Millions)		2003-04	2004-05	2003-05 Biennium
K-12	Equalization Formula	2,476.2	2,499.2	4,975.4
	Small High School	2.5	2.5	5.0
	State Special Education	8.0	8.5	16.5
ESD	Equalization Phase-in	104.2	105.4	209.6
	State School Fund Total	2,590.9	2,615.6	5,206.5

If State School Funds are disappropriated, then the 2004-05 K-12 and ESD equalization revenue will be proportionately reduced.

Transportation

SB 188 (CH 161)

Reduces fee for new title, duplicate titles, replacement titles and title transfers on motor homes from $90 to $30. Takes effect on January 1, 2004.

REVENUE IMPACT:

Comment:
Forecasts show roughly 56,000 title transactions for heavy vehicles as a whole during the 2003-05 biennium. Assuming these are distributed like vehicle registrations, the total for motor homes is estimated at 465. Reducing the fees by $60 for each transaction would reduce revenue by $27,900 for a full biennium and, given the January application date, about $21,000 for the 2003-05 biennium.

SJR 14

Proposes an amendment to section 3a, Article IX of the Oregon Constitution. Changes dedication of taxes levied on the ownership, operation, or use of mobile homes from the acquisition, development, maintenance or care of parks or recreation areas to the construction, reconstruction, improvement, repair, maintenance, operation and use of

SJR 14 (cont.)

public highways, roads, streets, and roadside rest areas. Submits amendment to the people on the November 9, 2004 General Election.

REVENUE IMPACT:

	2003-05
Parks and Recreation	$-160,000
Highway Fund	160,000

Comment:
This change affects the dedication of title fees and trip permits for manufactured structures. It does not affect the dedication of fuel taxes.

HB 2041 (CH 618)

Bonding and fees: Authorizes the Department of Transportation to issue additional Highway User Tax revenue bonds to finance highway improvement projects. Limits net proceeds of new bonds to $1.6 billion for state and local bridge repair/replacement and $300 million for modernization projects. Increases vehicle title transaction fees (for issuance, transfers, duplicates) from $30 to $55 for cars and other light vehicles. Increases biennial registration fees from $30 to $54 for cars and light vehicles. Decreases biennial registration fees for hybrid electric vehicles from $60 to $54. Increases registration fees for motorcycles and other vehicle types. Increases registration fees for travel trailers, campers, and motor homes by 50 percent. Increases commercial truck registration fees by approximately 53 percent. Increases truck weight-mile taxes and flat fees by almost ten percent. Increases fees for driver licenses, instruction permits, license endorsements, driving tests, and written tests for both commercial and non-commercial drivers. Institutes a hazardous materials security check fee at $50.

Uses of funds: Specifies use of bond proceeds: $1.3 billion for bridges on the state system (including the interstates) and up to $300 million for bridges on city and county routes. Requires the department to use $100 million of the modernization bond proceeds for projects recommended by the Freight Advisory Committee or for projects that improve access to industrial land sites or sites where jobs can be created. Allows up to half of existing state modernization funds to be spent on projects of statewide significance. Requires ODOT to use $200 million in Federal Advance Construction funds for modernization projects. Specifies distribution of revenues from the increased registration fees (except the recreational vehicle fees), title fees, and weight mile taxes as 57.53 percent to the state, 25.48 percent to ODOT for bond repayment for county bridges, and 16.99 percent to ODOT for bond repayment for city bridges. Allows revenue not needed for bond repayment for local bridges to be distributed to cities and counties for other road purposes. Requires Multnomah County to spend a majority of this distribution on bridges in the county and the remainder equitably within the county under an agreement with cities within the county. Specifies distribution of additional fees from driver license and testing fees to counties (60 percent) and to cities (40 percent) for purposes of road maintenance and preservation. Modifies county allocation method and moves $250,000 from the general county allocation to the Special County program allocation to supplement Highway Fund distributions to those counties receiving the

HB 2041 (cont.)

lowest levels of funding. Sunsets this additional allocation to the Special County program on July 1, 2008.
Truck engine tax credit: Provides for a personal or corporate income tax credit for purchase of low nitrogen-emitting truck engines in Oregon for use in Oregon registered vehicles. Specifies a graduated range of credit amounts from $400 to $925 per engine, with smaller truck fleets eligible for the larger per-engine credits. Caps the credit at $80,000 for a taxpayer in any one year. Limits total of tax credits to $3 million in calendar years 2004, 2005, 2006, and 2007. Sunsets tax credit at the end of 2007. Delays claiming the tax credit until tax years beginning on or after January 1, 2005. Prohibits consideration of the tax credit in determining estimated tax prior to July 1, 2005. Allows a 4 year carry forward of unused tax credits.

Miscellaneous: Repeals the sunset on the Freight Advisory Committee. Requires ODOT to repair damage to local highways that are designated for temporary detour routes during bridge construction work. Authorizes ODOT to exempt the bonded bridge contracts from bid security and performance bond requirements or to reduce the required security bond level. Prohibits the Transportation Commission from permanently reducing vehicle carrying capacity of an identified freight route when improving a state highway unless safety or access requires the reduction. Includes appeal provision for local governments. Allows ODOT to vary fees in pilot programs established under HB 3946 (2001) to facilitate the maximum use of road capacity.

REVENUE IMPACT (millions):

	2003-05	2005-07
General Fund	$0.0	-$4.3
Net Proceeds of Bonds	$150.0	$400.0
Increased Taxes and Fees		
Parks & Recreation	$ 9.48	$ 12.64
Highway Fund		
Light Vehicles	111.14	148.18
Heavy Vehicles	45.95	63.32
Total Highway Fund	$157.09	$211.50
Distribution of Highway Fund Revenue		
State	$ 84.47	$113.80
County	43.57	58.62
City	29.05	39.08
Total	$157.09	$211.50

Comment:
Truck engine tax credits are estimated to total $12 million peaking in the 2007-09 biennium at $5.8 million. The zero revenue impact for the 2003-05 biennium assumes that taxpayers comply with the requirements for the calculation of estimated tax payments. Bonds to be issued through 2010 yield $1.9 billion in net proceeds.

HB 2999 (CH 307)

Allows motor vehicle fuel (gasoline) dealers to receive, upon application, a refund of fuel tax paid under certain conditions, if the dealer has received less than full consideration for the fuel from the purchaser. The account must have been declared uncollectible by

HB 2999 (cont.)

the dealer following federal standards for determining deductibility and only one refund is allowed per purchaser. If partial payment is received before write-off, the tax refund is prorated. If some of all of the debt is collected after a refund has been paid, the dealer must pay the prorated tax to the Department of Transportation. Directs Department to adopt rules governing the refund process. Takes effect January 1, 2004.

REVENUE IMPACT:

		2003-05	2005-07
State			
	Highway Fund	$ -63,052	$ -90,075
Local			
	Counties	-25,599	-36,570
	Cities	-16,348	-23,355
Total		$-105,000	$-150,000

Comment:
A survey of 6 jobbers by the Oregon Petroleum Marketers Association indicated that $52,000 in fuel tax on bad debts would have been claimed, if this Act were in effect. This is the only data available on bad debts for fuel dealers. This estimate assumes that write-offs constitute 2 / 100 of 1% of sales. For a biennium, there is roughly 750 million in motor vehicle fuel tax revenue. The $52,000 number would constitute 7 / 1000 of 1%.

Timber Taxes

HB 2195 (CH 769)

Imposes temporary forest harvest tax rates for calendar years 2004 and 2005. Sets rate at $0.67 to fund the Forest Research Laboratory and at $0.79 to fund administration of the Forest Practices Act by the Department of Forestry. Tax rates are imposed per one-thousand board feet of harvest. Takes effect January 1, 2004.

REVENUE IMPACT:

	2003-05	2005-07
Forest Research	$2,682,400	$1,680,600
Forest Practices Act	3,162,900	1,981,600
Total	$5,845,300	$3,662,197

Comment:
This estimate is based on the May 2003 forecast of timber harvests (3.7 billion board feet annually). The Department of Forestry's harvest forecast and corresponding revenue estimates are slightly higher.

HB 2197 (CH 454)

Continues forest tax program for small ownerships (repealed by the 2001 Legislature) to January 1, 2004 for privilege taxes and July 1, 2004 for property tax. Allows all owners of less than 5,000 acres to use net stumpage recovery method of valuing timber harvested and reimburses General Fund for certain Department of Forestry expenses from the Western Oregon Timber Tax Account for 2003-04.
Creates an optional Small Tract Forestland Program for owners of between 10 and 5,000 acres of forest land. Imposes a severance tax per thousand board feet of timber harvested and sets the specially assessed value of land at 20% of the specially assessed value of forest land as determined by the Department. Limits 2004-05 assessed value and defines maximum assessed value. Sets severance tax rate at $3.89 for western Oregon and $3.03 for eastern Oregon. Indexes these rates for each calendar year beginning January 1, 2005. Bases index on the annual increase in the average assessed value of forestland in the small tract forestland program in eastern and western Oregon. Exempts certain harvests when land in the Small Tract Forestland program is acquired by an owner of more than 5,000 acres. Creates Eastern and Western Oregon Timber Tax Funds and transfers severance taxes, after payment of refunds, into these Funds. Distributed Fund balances, after reimbursing the General Fund for administrative expense, to the State School Fund (60.5%) and to the Community College Support Fund (4.5%) on May 1st of each year, and to county general funds (35%) on August 15th. Specifies additional tax to be imposed upon disqualification. Disqualifies land upon sale or transfer.
Allows qualified owners to apply to county assessors to have forest land in contiguous parcels, that meet minimum stocking and specie requirements, qualified as small tract forestland. Prevents requalification, following a disqualification, for a period of 5 years.

Specifies application process and requires Department of Revenue to administer the severance tax. Specifies processes for reporting and paying severance taxes. Requires Department to study the small tract forestland program and report to the Legislature before February 1, 2009. Defines terms, makes technical corrections, conforming amendments, and repeals statutes relating to the Western Oregon Small Tract Option program. Takes effect on November 26, 2003.

REVENUE IMPACT:

	2003-05	2005-07	2007-09
Property Tax	$-4,166,000	$-2,695,000	$-2,887,000
Privilege Tax	4,138,000		
Severance Tax	1,152,000	2,401,000	2,540,000
Gross Revenue	$ 1,124,000	$ -294,000	$ -347,000
Less Administrative Expense			
Revenue	$ 997,000	394,000	394,000
Forestry	595,663		
Revenue Impact	$ -469,000	$ -688,000	$ -740,000

Revenue Impact by Fund / Agency

	2003-05	2005-07	2007-09
State			
SSF	$ 2,939,000	$ 1,214,000	$ 1,299,000
CCSF	221,000	90,000	97,000
Total State	$ 3,160,000	$ 1,305,000	$ 1,395,000

HB 2197 (cont.)

Revenue Impact by Fund / Agency

Local	2003-05	2005-07	2007-09
Schools	$-1,835,000	$-1,187,000	$-1,271,000
Comm. Col.s	-179,000	-116,000	-124,000
Counties	-311,000	154,000	163,000
Other	-1,304,000	-844,000	-904,000
Total Local	$-3,629,000	$-1,993,000	$-2,136,000
Total	$ -469,000	$ -688,000	$ -740,000

Comment:
Data on the ownerships that could elect to have portions of their land taxed under the small tract forestland program is fairly good and the program was designed to be revenue neutral over the first rotation cycle (55 to 100 years). The revenue impacts for the first three bienniums depend on harvest levels from those lands that do elect to be taxed as small tract forestland. There are many reasons, other than tax consequences, for entering the program. This estimate assumes that about 41% of the potential acres will enter this program but weights the likelihood of entry by tax consequence. As a result owners expecting significant harvests in the near future are not expected to enter such lands into this program and there are negative revenue impacts in the short run.

Tobacco and Other Excise

SB 419 (CH 407)

Prohibits accessing Dry Cleaning Environmental Response Account Fund until determination that dry cleaner insurer has fulfilled payment obligations. Changes annual fees on qualifying dry cleaners and replaces facility fees with a one-percent tax on gross revenue. Eliminates cap on administrative costs and transfers fee collecting authority

from Department of Revenue to the Department of Environmental Quality. Eliminates repeal of dry cleaning facilities cleanup statutes. Takes effect January 1, 2004.

REVENUE IMPACT:

	2003-05
Environmental Response Fund	$800,000

Comment:
New fee and tax rates are designed to raise $1 million per year. This is an increase of roughly $400,000 per year over the existing fees.

HB 2094 (CH 801)

Requires tobacco manufacturer whose products are sold in Oregon to annually certify to the Attorney General (AG) that the manufacturer is either participating in the Master

Settlement Agreement (MSA) or is a Non Participating Manufacturer (NPM) in full compliance with the qualifying statute (ORS 293.530 to 293.535). Certification must include a list of brand families as of the date of certification and must be updated 30 days prior to any change. Manufacturers may include only those brand families considered in calculating either MSA payments or escrow payments. NPM's must also include the number of cigarettes in each brand family sold in Oregon in the preceding calendar year, any additional brand families currently or previously sold in Oregon, and a list of any other manufacturer of an included brand family. An NPM must also certify that it is registered to do business in Oregon or has appointed a resident agent, that it has a model or approved escrow agreement, and provide all information relative to the escrow account. Modifies, subject to judicial review, the qualifying statute to base required escrow payments on Oregon sales.
Requires the AG to develop and maintain a directory of all manufacturers and brand families that have provided accurate certifications and to make the directory available to interested persons. Specifies procedures for appeal or judicial review of AG's decision to include or exclude manufacturers or brand families from the directory. Requires the AG to develop a listing of persons to receive directory updates by email.

Prohibits affixing a stamp to, selling, or possessing for sale in Oregon cigarettes of a manufacturer or brand family that is not included in the AG's directory. Prohibits possession in Oregon for sale in another jurisdiction of cigarettes of a manufacturer or brand family that is not included in the AG's directory and is not in compliance with the MSA, the qualifying statute and related statutes in that jurisdiction. Proscribes penalties and actions to be taken by the AG and the Department of Revenue when the provisions of this Act are violated. Makes possession of cigarettes that the person knows or should know are intended for distribution in violation of this Act a Class A misdemeanor. Amends statutes relating to criminal forfeitures, racketeering, and unlawful business practices to include violations of this Act.

Establishes the Tobacco Enforcement Fund to include moneys received from various enforcement activities and $700,000 to be transferred from the Master Settlement Fund Account. Continuously appropriates moneys in the Fund to the AG. Makes technical corrections, declares an emergency and takes effect upon passage.

REVENUE IMPACT: None

Comment.
The provisions of this Act are intended to provide the AG with the tools required to assure that Oregon complies with the MSA and the qualifying statute and thereby assure that Oregon will receive the estimated $70 to $100 million in annual revenue under the MSA. These revenues are currently pledged for payment of debt service on $200 million in bonds for the Oregon Health Sciences University and $450 million in appropriation bonds.

HB 2267 (CH 818)

Imposes a statewide 1% tax on transient lodging to be administered by the Department of Revenue and transfers the revenue, net of administrative costs, to the Oregon Tourism Commission Account to fund state tourism marketing programs and to implement a regional cooperative tourism marketing program. Requires lodging provider to collect the tax, retain 5% for reimbursement, and remit the balance quarterly to the Department. Specifies reporting and administrative procedures. Limits administrative expense to 2% of collections. Exempts records from disclosure. Applies to lodging on or after January 1, 2004.

Abolishes the Oregon Tourism Program and transfers of records and other property of the Program to the Oregon Tourism Commission. Requires Governor to appoint all members and specifies qualifications and terms of members. Specifies duties of Commission. Requires Commission to adopt a budget using expenditure and revenue classifications required for state agencies. Subjects budget to legislative review and recommendations and, for General Fund and Lottery funded activities, to legislative approval. Requires Commission to establish an account in a bank to receive moneys collected, received by, or appropriated to the Commission.

With certain exceptions, prohibits new or increased local transient lodging taxes on or after July 1, 2003 and any decrease in the percentage of the revenue used to fund tourism promotion or tourism-related facilities. Allows new and increased tax rates, if at least 70% of the revenue is used to fund tourism promotion or tourism-related facilities. Makes special provisions when revenues are used for debt finance. Requires refund of local transient lodging taxes imposed after June 30, 2003 but before the effective date of this Act, unless at least 70% of the revenue is used to fund tourism promotion or tourism-related facilities. Defines terms and makes technical changes. Takes effect on November 26, 2003.

REVENUE IMPACT:

	2003-05	2005-07	2007-09
Other Funds			
Tourism Commission	$16,460,000	$20,409,000	$22,507,000

HB 2368 (CH 804)

Revises cigarette tax and other tobacco products tax statutes to facilitate enforcement and compliance. Expands definition of distribution and distributor to include possessing more than 199 untaxed cigarette or possessing untaxed tobacco products. Requires prepayment of cigarette tax through the purchase of stamps from the Department. Allows Department to refuse to issue distributor's licenses under certain conditions. Specifies conditions for which the Department may cancel, revoke, or suspend a distributor's license, Specifies appeal rights for refusal to issue, cancellation, suspension, or revocation of distributor's license. Revises penalties for distribution of untaxed cigarettes and other tobacco products. Specifies required records for purchasers of other tobacco products and record retention periods. Increases record retention to 5 years for cigarette retailers.

Specifies new provisions relating to delivery sales of tobacco products aimed at preventing sale to minors, registration, reporting, and prepayment of tax to the Department. Specifies penalties for failure to comply. Allows Attorney General or a

HB 2368 (cont.)

licensed manufacturer or importer of tobacco products to take legal action to enforce the provisions of this Act relating to Delivery sales.

Funds, through January 1, 2008, expense by the Department of Revenue, the State Police, and the Department of Justice for administration and enforcement of the Cigarette Tax Act form the Department of Revenue's Suspense Account. Prohibits making cigarettes and other tobacco products accessible to retail customers without assistance by a store employee unless persons under 18 years of age are not allowed on the premises.

Sets ceiling of $150 million on the size of a supersedeus undertaking required to stay enforcement of a private plaintiff's judgment against a tobacco manufacturer that is subject to the Master Settlement Agreement.

Defines terms, makes technical changes and changes to form and style. Applies to cigarette and other tobacco product distributions on or after January 1, 2004. Takes effect January 1, 2004

REVENUE IMPACT:

	2003-05
State	
General Fund	$ -645,935
Health Plan	-2,321,122
TURA	-90,891
Local	-158,363
Total	$-3,216,311

Comment:
The current law forecast includes $8.6 million in cigarette tax revenue from these enforcement efforts. Enforcement costs were General Fund appropriations in 2003-05.

HB 2399 (CH 653)

Deletes reporting requirements and 6% gross receipts tax on certain closed circuit and pay-per-view telecasts of boxing and wrestling events that are held in Oregon. Takes effect January 1, 2004.

REVENUE IMPACT: Undetermined.

Comment:
TVKO challenged the constitutionality of this tax as it applies to out of state bouts. The Tax Court found that the statute violates the right of free speech under the U.S. Constitution as it applies to out of state bouts. The tax has not been imposes on either in state or out of state bouts since the Tax Court ruled. TVKO appealed parts of the ruling relating to the form of judgment and the award of attorney fees. The Tax Court ruling was affirmed by the Oregon Supreme Court on July 24, 2003. In 1999-00, $69,034 in tax was paid on closed circuit and pay-per-view telecasts.

HB 2532 (CH 747)

Provides for allocation of revenue from increased enforcement of cigarette and other tobacco products taxes during the 2003-05 biennium. Specifies the method of calculating the base cigarette and other tobacco products tax revenues for the biennium. Exempts the first $30,048,000 of cigarette tax revenue, reduced by any excess other tobacco products revenue, in excess of the base amounts from the distributions specified in statute. Exempt revenues are transferred to the Department for administration.

Reduces Department of Revenue General Fund appropriation by $25, 222,528 and increases the Department's other fund expenditure limitation by $30,048,000.

Declares an emergency and takes effect upon passage.

REVENUE IMPACT:

	2003-05
Other Fund	
Department of Revenue	$30,048,000

Comment:
This estimate assumes the Department will, through increased enforcement, increase cigarette and other tobacco products taxes by $30,048,000. If increased revenues exceed the estimate, they will be distributed as provided in statute. If increased cigarette tax revenues are less than $30,048,000 reduced by any increased other tobacco products revenue, the deficit will reduce the other fund revenue available to the Department for administration.

HB 3130 (CH 551)

Allows certain beverages currently treated as malt beverages for purposes of distribution and taxation to continue to be so treated through July 1, 2005. Affected beverages would be those determined to contain more than one-half of one percent distilled liquor. Current law requires that beverages containing more than one-half of one percent distilled liquor be imported, distributed by OLCC and sold at retail through OLCC's Agents.

Declares an emergency and takes effect upon passage.

REVENUE IMPACT: None

Comment:
The current law revenue forecast presumes that these beverages will continue to be distributed and taxed as malt beverages.

Bonds and Other Financial Agreements

SB 5 (CH 808)

Authorizes the Department of Administrative Services (DAS), with the approval of the Treasurer and the Department of Revenue (DOR), to enter into agreements to grant incremental baseball tax revenues to the City of Portland for the purpose of building a major league baseball stadium. Agreements may not extend beyond 30 years and the estimated cost of the stadium may not be less than $300 million. Defines incremental baseball tax revenue as the personal income tax revenue generated by team members under the current tax rate schedules. Defines team members as individuals rendering service with compensation in excess of $50,000 annually. Requires teams to withhold 8% of member compensation attributable to Oregon or in accordance with withholding criteria adopter by rule by the Department of Revenue. Bases attribution on ratio of duty days in Oregon to total duty days.

The grant agreements must require DOR to develop methodology and to estimate incremental baseball tax revenue and to develop methodology and determine actual incremental baseball tax revenues. Require DAS to request the Legislative Assembly to appropriate an amount equal to the estimated incremental baseball tax revenue from the General Fund to the Major League Stadium Grant Fund. If actual tax revenue is greater than estimated, DOR must request the Legislative Assembly to appropriate the excess. If actual tax revenue is less than estimated, the grantees must agree to return the difference to the Treasurer for deposit in the General Fund. Agreements must ensure that the funds are used for the purposes of this Act, provide assurances of full and fair participation by women, minorities and small business, and provide maximization of economic benefits for Oregon workers. Establishes the Major League Stadium Grant Fund in the Treasury separate and distinct from the General Fund and appropriates the Fund to DAS for the purpose of making grants. Prohibits deposit to the Major League Stadium Grant Fund before July 1, 2005.

Before a grant agreement may be executed, DAS must have a written request from the City of Portland, a franchise must have agreed to locate in Portland and remain in Portland for at least the term of the grant agreement, all other required funding must be committed, and a review committee must have approved that the methodologies for estimating and determining actual incremental baseball tax revenue and provisions for requiring appropriation requests are reasonable. Prohibits a public body from being both a grantee and a guarantor as part of the grant agreement. Specifies review committee membership.

States that the obligation of the State of Oregon under this Act is subject to appropriation, that the State does not pledge it’s full faith and credit or taxing power, and that the Legislative Assembly does not have a legal obligation to appropriate funds. Declares that it is the Legislative Assembly’s current intention to appropriate the amounts required by this Act. Specifies team reporting requirements and administration by DOR. Defines terms. Declares an emergency and takes effect upon passage.

REVENUE IMPACT (millions):

The estimate below assumes that a stadium will be built and a Major League baseball team will locate in Portland (if not there is no revenue impact). The amounts shown are

SB 5 (cont.)

tax revenues paid by team members, which in the absence of this Act would go to the General Fund.

	2003-05	2005-07	2007-09
General Fund	0.00	-10.99	-12.52
Stadium Grant Fund	0.00	10.99	12.52

Comment:
This estimate assumes that a National League team locates in Portland with a 2005 team payroll (all team members) of $67 million and a National League average team payroll of $91 million in 2005. All payrolls are assumed to grow at 8% per year. Residency of Oregon team members is assumed to mimic the Trail Blazers. The ratio of taxable income to compensation is based on other state experience and the tax laws in states that host National League teams. It assumes that the 91 games to be played in Portland are distributed evenly over the other 15 National League teams.

SB 772 (CH 790)

Authorizes Department of Transportation (ODOT) to enter into public-private partnerships agreements relating to transportation projects. Specifies subjects that must be covered in agreements. Exempts portions of the agreements that do not require public funds from the laws relating to public contracting and purchasing. Requires approval by the Transportation Commission before agreements may be finalized. Requires ODOT to establish the Oregon Innovative Partnerships (OIP) Program. Specifies goals of the program and ODOT's responsibilities and permitted activities.

Establishes the Transportation Enterprise Fund to include proceeds from bonds or other financing agreements issued under this Act, revenues from projects in the OIP program, and any other moneys allocated to the fund. Continuously appropriates moneys in the Fund to ODOT for the purposes of this Act. Grants ODOT continuing authority to issue revenue bonds or similar obligations, payable from moneys in the Transportation Enterprise Fund, to finance any transportation project. Allows Attorney General to appoint special assistant attorneys general to evaluate agreements and to advise ODOT. Increases pledge limit to ensure repayment of loan guarantees. Specifies what information is subject to disclosure and when. Requires ODOT to report to the emergency Board, declares an emergency and takes effect upon passage.

REVENUE IMPACT: Undetermined.

Comment:
The continuing authorization to issue revenue bonds backed by the Transportation Enterprise Fund is subject to the biennial limitation as authorized by HB 2345

SB 856 (CH 11)

Authorizes Treasurer, with concurrence of the Director of the Department of Administrative Services (DAS) to issue Oregon Appropriation Bonds, during the 2001-03 biennium, sufficient to provide $450 in net proceeds and to pay bond-related costs. Credits net proceeds to General Fund. Requires that bond issues be structured so as to be redeemed as rapidly as available revenues will reasonably permit. States current intention of

SB 856 (cont.)

Legislative Assembly to apply moneys available under the Master Settlement Agreement (MSA), any MSA replacement moneys, and any other appropriated moneys that are required to pay these bonds when due. Prohibits pledging full faith and credit or taxing power of the state to payment of these bonds. States that the state and the Legislative Assembly are not legally compelled to appropriate, or liable for not appropriating, moneys to pay for these bonds.
Establishes Oregon Appropriation Bond Fund and Oregon Appropriation Bond Administrative Fund in the Treasury distinct from the General Fund. Requires DAS to annually credit the first available appropriated moneys to the Bond Fund until there is sufficient money to make bond related payments on the Bonds for the fiscal year. Allows Treasurer to pledge available moneys in these Funds to pay for bonds and bond-related expense. Specifies notice requirements and provides for covenants with bond holders. Provides for refunding, bond reserve accounts, the use of trustees, and agreements with bond counsel and financial consultants.
Defines terms, makes technical changes, and confers jurisdiction to determine the validity of this Act on the Supreme Court. Repeals all but sections 17 and 20 of HB 4073 (5th 2002 Special Session). Declares emergency and takes effect upon passage.

REVENUE IMPACT (millions):

	2001-03	2003-05	2005-07
State			
General Fund	$450.0	$ -77.6	$ -90.0
Oregon Appropriation Bond Fund	$ 15.7		

Comment:
Estimate assumes $15.7 million in bond proceeds is used to pay cost of issuance and December 2004 debt service payment. Master Settlement payments net of debt service requirements on Oregon Appropriation Bonds are estimated at $30 million a year over the next 10 years. A portion of this is dedicated to payment of debt service on General obligation bonds for the Oregon Health Science Center.

HB 2041 (CH 618)

See complete description under Transportation heading.
Requires that bonds issued under the Oregon Transportation Investment Act (HB 2142, ch. 669 Oregon Laws 2001; and HB 4010, ch 3, Oregon laws 2002) during the 2003-05 biennium be subject to the biennial bond limitation as authorized by HB 2345 total net proceeds limited to $500 million). Authorizes issuance of Highway User Tax Bonds to raise net proceeds in the amounts of $1.3 billion for replacement and repair of bridges on state highways, $300 million for replacement and repair of bridges on city and county highways, and 300 million for modernization projects selected by the Transportation

Commission with $100 million reserved for projects recommended by the Freight Advisory Committee.

REVENUE IMPACT: None.

HB 2041 (cont.)

Comment:
The expenditures and bonding for bridge work and modernization authorized by this Act are expected to occur over, roughly, a 10 year period. Any bonds issued during the 2003-05 biennium will be in addition to bonds authorized by the biennial bond limitations in HB 2345. Bonds issued after June 30, 2005 will be subject to bonding limits imposed by the Legislative Assembly in subsequent bienniums.

HB 2213 (CH 201)

Allows Treasury to issue grant anticipation revenue bonds at the request of the Department of Transportation (ODOT) for financing transportation projects that are eligible to receive federal transportation funds. Requires Department to prepare a revenue declaration or indenture prior to issuing bonds, which specifies revenues pledged and other matters affecting issuance of the revenue bonds. Identifies revenues that may be pledged. Repeals or modifies existing statutes relating to Highway User Tax Bonds, Infrastructure Bonds, and short term borrowing. Increases limit on short term borrowing from $25 million to $100 million. Eliminates ODOT's statutory General Obligation bond limit. Changes maturity period on Highway User Tax Bonds from 30 years to the expected economic life of the improvement. Defines terms, declares an emergency, and takes effect upon passage.

REVENUE IMPACT: None.

Comment:
The extent to which Grant Anticipation bonds are issued during the 2003-05 biennium will depend on the availability of federal funds and the terms offered by the federal government. Any bonds issued during the 2003-05 biennium will be in addition to the biennial bond limitations as authorized in HB 2345.

HB 2345

Specifies the following limits on the issuance of general obligation bonds, revenue bonds, certificates of participation and other financing agreements for the 2003-05 biennium by agency.

Agency			Amount
General Obligation Bonds			
	Department of Education (Art. XI – G)		$ 81,450,353
	Department of Environmental Quality (Art. XI – H)		6,600,000
	Department of Administrative Services (Art. XI – L)		110,000,000
	Department of Veterans' Affairs		135,000,000
	Department of Higher Education (Art. XI – F(1))		380,478,567
	Housing and Community Services Dept. (Art. XI – I(2)		150,000,000
	Office of Energy (Art. XI – J)		80,000,000
	Total General Obligation Bonds Authorized		$943,528,920
Direct Revenue Bonds			
	Housing and Community Services Department		$600,000,000
	Department of Transportation		
		Transportation Infrastructure Fund	50,000,000

HB 2345 (cont.)

		Highway User Tax Bonds	175,000,000
	Economic and Community Development Department		200,000,000
	Department of Adm. Services: Lottery Revenue Bonds		18,500,000
	Total Direct Revenue Bonds Authorized		$1,043,500,000
Pass Through Revenue Bonds			
	Econ. & Comm. Dev. Commission: Industrial Dev. Bonds		$250,000,000
	Oregon Facilities Authority		500,000,000
	Housing and Community Services Department		150,000,000
	Total Pass Through Revenue Bonds Authorized		$900,000,000
Certificates of Participation and Other Financing Agreements			
	Department of Administrative Services		$148,465,000
Total Financing subject to Ors 286.525			$3,035,493,920

REVENUE IMPACT: Not Estimated.

Comment:
The revenue impact of bond issues will be considered in the close of session forecast in terms of the overall level of economic activity in the Oregon economy.

HB 3659 (CH 746)

Authorizes the State Treasurer, in consultation with the Department of Administrative Services (DAS), to incur general obligation indebtedness and to use financial agreements (COP's) to finance state pension liabilities. Issuance of general obligation bonds is contingent upon passage of House Joint Resolution 18 (2003) by the people at the special election to be held on September 16, 2003. Specifies agreements, conditions, and terms under which bonds or COP's may be issued. Net proceeds of bonds or COP's issued must be deposited in the Public Employees Retirement Fund. Requires DAS to assess state agencies in proportion to payroll for the payment of bond or COP related costs.

Establishes, if HJR 18 is approved, the Article XI-O Bond Fund and the Article XI-O Bond Administration Fund in the State Treasury, separate and distinct from the General Fund. Specifies moneys to be credited to these Funds and appropriates moneys in the Funds to DAS for payment of bond related expenses.
Directs PERS to credit to each employer account all earnings from investment of the account funds and prohibits any charges to employer accounts other than a specified amount for administrative expense. Increases DAS's expenditure limitation for the biennium ending June 30, 2005, as set in HB 5002, by $200,619,740 if HJR 18 is approved, or by $216,711,179 if it fails.

Declares an emergency and takes effect upon passage. Sections 1 through 6 and section 12, relating to general obligation bonds, become operative upon approval of HJR 18 and take effect on October 16, 2003 if passed..

REVENUE IMPACT: Undetermined.

Comment:
Payment of bond-related costs is through agency assessments. These assessments should be more than offset by reduced PERS employer assessments. To the extent that

HB 3659 (cont.)

tax exempt bonds replace taxable bonds in Oregon portfolios, personal and corporate income tax revenues could be reduced.

Miscellaneous

HB 2247 (CH 455)

Modifies fee structure for original and renewal of boat registrations. Increases fee for duplicate registration certificate. Increases fees for title, title transfer, duplicate titles, and duplicate validation stickers. Takes effect on November 26, 2003.

REVENUE IMPACT:

	2003-05	2005-07
State Other Fund		
Marine Board	$5,000,000	$6,000,000

HB 3072 (CH 806)

Clarifies the date on which Oregon estate tax law is connected to the Internal Revenue Code as in effect on Dec. 31, 2000 for decedents dying on or after January 1, 1998 and before January 1, 2002. For decedents dying in calendar year 2002, no Oregon estate tax is imposed if the estate's taxable value is below $1 million. For a decedent who dies on or after January 1, 2002 and before January 1, 2004, allows the Department of Revenue to extend the time for filing and paying those estate tax returns. For deaths occurring on or after 2003, Oregon estate tax law is connected to the Internal Revenue Code as in effect on Dec. 31, 2000 and the maximum exclusion amounts for gross estate values allowed under the 1997 federal Taxpayer Relief Act (TRA97). Takes effect 91 days after the end of the legislative session.

REVENUE IMPACT:

State: This Act will reduce general fund revenue for estate taxes by $3 million in the 2003-05 biennium, $10.3 million in the 2005-07 biennium. This assumes that Oregon's current estate tax law is connected to pre-1997 federal law changes with a $600,000 gross estate filing threshold for estate taxes in Oregon.

HB 3159 (CH 787)

Increases the maximum number of lottery terminals allowed on each premise to six generally and to ten if the qualified premise is at a race meet.
States that it is the intent of the legislature to authorize the lottery to place additional terminals, as appropriate, and to take other reasonable actions to increase lottery proceeds to the state.

Declares an emergency and takes effect upon passage.

HB 3159 (cont.)

REVENUE IMPACT (millions):

	2003-05	2005-07
State		
Education Stability Fund	$ 4.10	$ 5.21
Parks and Natural Resources Fund	3.42	4.34
DAS Economic Development Fund	14.29	18.16
Counties	0.96	1.22
Total	$22.77	$28.93

Comment:
The above estimate assumes Lottery will contract with 476 retailers to add a sixth terminal and with 2 retailers to add 5 additional terminals. There are other ways, such as reducing retailer compensation of expanding the types of games offered, that Lottery could increase net proceeds. The legislative intent may imply that some of these actions take place, but this Act does not specify any action other than adding additional terminals and no estimate is made of the revenue impact of other actions.

HB 3581 (CH 142)

Defines Entertainment Wrestling and requires licensing and regulation of promoters by the Oregon State Boxing and Wrestling Commission in a manner similar to other boxing and wrestling events. Exempts entertainment wrestling from the requirement that the Superintendent of State Police license and regulate participants and officials and the compiling of results and records. Limits Superintendents authority to suspend licenses to cases where promoter fails to provide a certificate that all participants are free from blood borne pathogens. Imposes 6% gross receipts tax on entertainment wrestling. Takes effect January 1, 2004.

REVENUE IMPACT:

	2003-05
Other Fund	
State Police	$ 48,000
Children's' Trust Fund Subaccount	144,000
Total	$192,000

Comment:
This estimate assumes that there will be four WWE promotions at the Rose Garden a year that would not occur under current Commission rules. Further, it assumes that the Commission will relax the rules relating to entertainment wrestling following passage of this Act allowing these events to occur before the effective date of this Act.

HB 3656 (CH 785)

Requires Director of Department of Consumer and Business Services to adopt rules setting fees for registration of securities and licensing of broker-dealers, investment advisers and salespersons. Requires director to set fees in amounts equal to national midpoints for similar fees charged by all other state securities regulators. Increases fee

HB 3656 (cont.)

collected by Secretary of State for document filing as part of secretary's business registry functions. Directs moneys from fee to Secretary of State's Operating Account. Specifies that amount equal to $30 for each business registry filing is transferred from Operating Account to General Fund at end of each month. Specifies that on July 1 of each year amount in Operating Account that exceeds amount necessary to administer certain business registry functions of Secretary of State for two months is transferred to General Fund. Specifies January 1, 2004, operative date for increased business registry fees.

REVENUE IMPACT:

State: General fund increase of $27.75 million in 2003-2005, and $37.21 for the 2005-2007 biennium. The 2003-05 revenue contains $3.4 million that is dependent on the timing of the effective date of the bill. If DCBS is not able to implement the new rules on time to capture December, 2003 renewal revenues, then it might not be able to capture these amounts.

HJR 42

Establishes an interim task force on statewide tax reform. Requires the committee to develop tax reform legislation by May 31, 2004 for consideration at a 2004 special session.

REVENUE IMPACT: None.