REVENUE MEASURES PASSED BY THE 83rd LEGISLATURE

2025 Regular Session

and

2025 1st Special Session

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HB 2089	Provides for a process to claim surplus proceeds of real property that has been foreclosed and sold to pay delinquent property taxes. Establishes multi-step process to sell foreclosed property.	21
HB 2316	Exempts home start lands from property tax for up to five years. Requires lands financed by home start lands revolving loan fund to be subject to an affordable housing covenant for at least 30 years.	22
HB 2321	Requires the Legislative Revenue Officer to produce a report on the current property tax system with options to modernize it.	23
HB 2351	Requires DOR and OBDD to enter into an interagency agreement for data sharing and methods to estimate effects of certain property tax exemptions. Requires DOR, OBDD, county assessors, and zone sponsors to share certain data about EZs. Clarifies LRZ exemption qualifications.	23
HB 2356	Provides, if a city within a metropolitan service district UGB annexes territory within the district UGB, no further proceedings are required for the district to annex the territory.	24
HB 2725	Prohibits unaffected port from being a party to a SIP intergovernmental agreement for annual distribution of community services support fee revenue to certain taxing districts.	25
HB 3190	Reactivates and modifies historic property special assessment program. Limits eligible property to improved real property used or held to produce income. Sunsets modified program on July 1, 2032 (application deadline).	25
HB 3232	Allows limited equity cooperative property to qualify for low-income rental property tax exemption if certain criteria are met.	26
HB 3506	Transfers $3.15 million of estimated excess funds in senior property tax deferral revolving account to healthy homes repair fund and DOR to set up deferral outreach program.	27
HB 3589	Transfers $24 million of estimated excess funds in senior property tax deferral revolving account to a senior housing development initiative. Requires DOR to estimate excess funds to transfer each year. Sunsets transfer of estimated excess funds on July 1, 2031.	27
HB 3712	Increases household income limit for homestead property tax deferral program. Increases homestead real market value limit for certain homeowners. Requires LRO to submit a report to the Legislature about deferral program and homestead equity.	29
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2025 REVENUE MEASURES PASSED OVERVIEW

Revenue Policy Environment

As 2024 was ending, the economic expansion that began in early 2020 was largely still on track, with only an occasional quarterly downturn in real GDP growth. This continued normalization of the national and Oregon economies was the backdrop for the Legislature as it prepared for the 2025 session. That said, there were areas of concern. One such area was how to interpret the different rates of growth for employment and income. Total nonfarm employment had grown by only 0.3 percent in 2024 (compared to 2023), with the projected growth for 2025 of only 1.1 percent. On the other hand, personal income grew by 5.3 percent in 2024 and was projected to be that same level for 2025. Inflation had been more persistent than policymakers would like, despite falling from its high of roughly eight percent in 2022 to a projected 2.8 percent in 2024. While the projection for 2025 was 1.6 percent, it was expected to increase to roughly three percent for 2026 and then fall to 2.2 percent for the remaining forecast horizon.

The forecast for U.S. real GDP growth was projected to slow to 2.1 percent in 2025 and then to between 1.7 and 1.8 percent annually for the remainder of the forecast horizon. Perhaps more important though were the potential consequences of the national election. As the 2025 session began, stakeholders and forecasters were closely watching the potential repercussions of expanded tariffs, immigration restrictions, deregulation, and tax policy changes.

The December Economic and Revenue forecast characterized Oregon's economy as moderately healthy with a noted concern about job growth. While still positive, the rate of growth was very slow and concentrated in just a few industries. Neither of these metrics is consistent with a vibrant, growing economy. In addition, Oregon's economy could be particularly vulnerable to the impact of U.S. immigration policy as the state has historically relied on in-migration for economic growth.

As for Oregon revenue policy in particular, three issues were taking center stage. First, the medical provider taxes used to access federal dollars and fund the Oregon Health Plan were scheduled to sunset. Second, Oregon's transportation system had become underfunded, with a roughly $350 million shortfall in ODOT's budget for the 2025-27 biennium, with longer term funding concerns as well. Third, the federal Tax Cuts and Jobs Act (TCJA) was scheduled to sunset at the end of 2025. There had been significant talk during the presidential campaign about tax cuts in addition to an extension of existing policies. Oregon's connection to federal tax laws was once again expected to be a subject of notable policy debate.

The process for producing the revenue forecast was also being updated. Pursuant to a series of upward revisions to the quarterly forecasts throughout the biennium, the Office of Economic Analysis undertook a review of the methods employed to produce the forecasts. The result of that review was a significant increase in projected revenue. The 2023-25 GF resources estimate was increased by roughly $945 million (from $26,920 million to $27,865 million). This meant that GF revenue was projected to exceed the Close-of-Session forecast by just over $2.8 billion. The personal kicker was projected to be just under $1,792 million while excess corporate income tax collections were projected to result in a roughly $1,024 million to be dedicated to K-12 education spending in the 2025-27 biennium. The estimate for net GF revenue for the 2025-27 biennium was increased by roughly $1.3 billion (from $34,035 million to $35,357 million). In total, the available resources for 2025-27 was $37.8 billion.

While GF resources for 25-27 were increased in the (subsequent) March forecast, by May the available GF resources for 2025-27 had been adjusted downward to $37.4 billion. The personal kicker estimate was reduced to $1,639 million and the corporate tax going to K-12 education was reduced to $916 million. If there were a theme to the May forecast, it was one of uncertainty. Given the ongoing changes at the federal level involving trade and tariff policy, federal government restructuring, immigration policy, and looming tax reforms, the OEA cited "exceptionally heightened uncertainty" with the forecast for the 2025-27 biennium. The forecast was not a recession forecast, but was one built on the expectation of exceptionally weak growth and higher unemployment.

As for revenue-related policy at both the federal and state levels, legislative work continued. In Congress, while the House passed a tax policy package in late May, the Senate had not completed action by the time the Oregon Legislature adjourned, though talks remained active.[1] The Oregon House did pass a reconnect policy in HB 2092A that included a one-year connection freeze for tax year 2025; however, the Senate did not take up the bill. As for transportation funding, the Legislature was unable to come to an agreement despite several attempts.[2]

Projected General Fund Revenue for the 2025-27 Biennium

The 2025-27 Legislatively Adopted Budget (LAB) is based on the May economic and revenue forecast adjusted for actions taken by the Legislature during the 2025 session. The available GF resources for the 2025-27 biennium is just under $37.8 billion, as reflected in the table below.

With a beginning balance of $2,243 million, net revenue of $35,553 million, and net legislative changes of roughly -$18 million, the projected General Fund resources are estimated at $37,796 million for the 2025-27 biennium. This compares with expenditures of roughly $33,186 million for the 2023-25 biennium.

[1] The Senate would pass H.R. 1 on July 1. It was sent back to the House for reconsideration where it was passed on July 3.
[2] The Legislature met is a special session in September and passed a transportation package.

2025-27 Legislatively Adopted Budget General Fund, $M	
Beginning Balance	$2,243.1
Allocation to Rainy Day Fund*	$0.0
Projected General Fund Revenue	$35,777.5
Shared Revenues	-$67.0
Corporate Income Tax to Rainy Day Fund	-$139.9
Subtotal	**$37,813.7**
Legislative Actions	
Income Tax Credits (HB 2087)	-$56.9
Administrative Update (HB 2339)	$0.1
Retaliatory Tax (HB 2010)	-$2.8
Other Transfers/Miscellaneous	$41.8
Subtotal	**-$17.8**
Total Resources	**$37,795.9**

* SB 960 redirected the statutory deposit of ending balance dollars from the Rainy-Day Fund to the General Fund, roughly $334 million.

As described above, there remain a variety of risks that could result in a reduction of revenue. Consequently, the state's reserve fund positions continue to be a critical element of the state's financial profile. The combined balance in Oregon's two reserve funds (the Education Stability Fund and the Oregon Rainy Day Fund) was roughly $2,923 million at the start of the 2023-25 biennium. This total is projected to grow to $3,419 million by the end of the 2025-27 biennium if they remain unused. This level should be sufficient to cover revenue declines in a mild to moderate recession.

For a detailed discussion of the 2025-27 Legislatively Adopted Budget see the report 2025-27 Budget Highlights released by the Legislative Fiscal Office.

Federal Legislation

As previously noted, Congress passed, and the President signed, H.R. 1 (known as the OBBB Act) into law shortly after the Oregon legislature had adjourned. A description of the revenue impacts related to tax policy can be found in the LRO report The Impact of Title VII (of H.R. 1) on General Fund Revenue.

Major 2025 Revenue Legislation (Regular Session)

This section summarizes major revenue bills. The primary revenue discussion during the session was related to transportation funding. While several attempts were made, not legislation became law during the regular session. That said, the first special session of the 25-27 interim did result in the enactment of a transportation package. (See the next section of this report on page 49.) The Revenue committees continued their work on income tax credits and property tax exemptions. Significant attention was also paid to the state's response to the Supreme Court's ruling in Tyler v. Hennepin County.

Medical Provider Taxes

HB 2010

This bill represents the latest funding effort for the Oregon Health Plan. Through the extension of existing assessments, Oregon's health care system is projected to receive an additional $2,226 million in 2025-27 and $3,347 million in 2027-29. The assessment on insurers, PEBB, and managed care organizations is extended through 2032. The bill also extends the assessment to Stop-Loss coverage and the hospital assessment, which accounts for $2,015 million of the 2025- 27 total.

Income Tax Credits and Subtractions

HB 2087

This omnibus bill comprised the Legislature's work on income tax credits during the 2025 session. It includes extensions for the four tax credits that were part of the regular review: crop donations, earned income, manufactured dwelling park closures, and pension income. The bill also modified existing tax credits for affordable housing, film production, and rural volunteer emergency medicalservice providers. The bill also extended income tax subtractions for first-time homebuyer savings accounts and manufactured dwelling park capital gains.

Property Tax Exemptions

HB 2074, HB 2077, HB 2078, SB 99

These bills collectively represent the Legislature's work on sunsetting property tax exemptions during the 2025 session. Rather than being done by the Joint Committee on Tax Expenditures, the work on these policies was done separately through the revenue committees. Four property tax exemptions were extended: vertical housing development projects, nonprofit low-income rental housing, new or rehabilitated multi-unit rental housing, and brownfield development. No program modifications were made.

Senior Deferral

HB 3589 and HB 3506

Together, these bills transfer roughly $27 million from the Senior Property Tax Deferral Revolving Account to be used for a senior housing development initiative while establishing a process to review and protect the solvency of the Revolving Account. Depending on the status of the account in future years, additional funds may be transferred to support the housing initiative. The transfer program is scheduled to sunset on July 1, 2031.

PERSONAL AND CORPORATE INCOME & EXCISE TAXES

HB 2087 (CH 562)

This measure extends and modifies tax expenditures affecting personal and corporate income/excise taxes.

Revenue Impact ($ Millions):

	Biennium		
Policy	**2025-27**	**2027-29**	**2029-31**
General Fund Tax Expenditures			
Affordable housing lender credit	-$0.1	-$0.4	-$0.7
Crop donation credit	-$0.3	-$0.7	-$0.9
Earned income tax credit	-$53.0	-$106.8	-$108.8
Film production development contribution credit	-$1.7	-$2.4	-$1.3
First-time homebuyer savings account subtraction	Minimal	-$3.3	-$4.0
Individual development account (IDA) donation credit	-$0.6	-$1.0	-$0.6
Manufactured dwelling park capital gains subtraction	-$0.6	-$0.9	-$1.0
Manufactured dwelling park closure credit	Minimal	Minimal	Minimal
Pension income credit	-$0.4	-$0.8	-$0.7
Rural volunteer emergency medical services providers credit	-$0.2	-$0.4	-$0.2
Total General Fund	**-$56.9**	**-$116.7**	**-$118.1**
Fund Receipts*			
Neighborhood Partnerships: for IDA distribution	$0.7	$1.1	$0.7
Oregon Production Investment Fund (Film & Video)	$1.7	$2.2	$1.1

*Fund receipts reflect transfers from proceeds of IDA credit donations made to Neighborhood Partnerships for use in funding matched individual development account savings, and net auction proceeds from film production development tax credits.

Sunset extensions

The following income tax expenditures have their sunsets extended without additional policy modification:

- Earned income tax credit
- Pension income credit
- Manufactured dwelling park closure credit
- Manufactured dwelling park capital gains subtraction
- First time homebuyer savings account subtraction.

Earned income tax credit

In 2022, about 230,000 Oregon taxpayers claimed a total of $45.9 million in Oregon EITC (ITIN taxpayers accounted for about $700K of the $45.9M). The average credit amount was $200 and about 90% of the credit was claimed by taxpayers with an annual income below $40,000. In recent years the number of taxpayers claiming the credit and the credit amount claimed has varied. This recent variability reflects among other things, temporary federal changes made to the credit, Oregon credit policy changes and the underlying economic effects of the COVID-19 pandemic. Initial preliminary 2023 credit data indicate an annual total cost of the credit of about $52 million. The revenue impact estimate of extending the credit's sunset assumes the cost of the credit increases modestly in the coming years. This reflects historical annual change in credit use and Oregon's near term demographic forecast.

Pension income credit

The number of taxpayers claiming the credit for certain retirement income has been steadily declining for the past 20 years whereas the overall reduction in General Fund revenue from the credit has been relatively stable at about $800K per year. This is due to the average credit amount claimed increasing over this time-period. Future cost of the credit is expected to decline slightly reflective of a continued reduction in the number of taxpayers claiming the credit and a plateauing of the average credit amount claimed. Both assumptions reflect the impact on taxpayer qualification from the credit's income limits which are not indexed to inflation.

Manufactured dwelling park closure credit

The Manufactured Dwelling Park Closure Credit is a $5,000 refundable personal income tax credit available to owners of a manufactured dwelling where the dwelling was the owner's principal residence and the dwelling park is being closed and the rental agreement is being terminated by the landlord, or because of the exercise of eminent domain by order of a federal, state, or local agency. Use of this credit is correlated with manufactured park closures. The high point of credit use occurred in 2007 when nearly 250 taxpayers claimed a total of about $800K in credits. From 2003 through 2008, Oregon experienced a relatively higher period of manufactured park closures with 2007 being the peak year in which 16 parks closed containing 1,040 spaces. Since 2010, use of the credit has been minimal. The total combined reduction in General Fund revenue since 2010 has been less than $100K. While the baseline impact on General Fund revenue is expected to be minimal, should a period of increased park closures occur, use of this credit could increase leading to reductions in General Fund revenue.

Manufactured dwelling park capital gains subtraction

The capital gains of individuals or corporations that sell a manufactured dwelling park are exempt from income taxation if the park is sold to a corporate entity formed by the tenants of the park, or to a qualifying nonprofit corporation or housing authority. The measure extends the sunset of the capital gains subtraction by six years, from January 1, 2026, to January 1, 2032.

First-time homebuyer savings account subtraction

Measure extends the sunset of the first-time home buyer personal income tax subtraction and exemption by five years, from January 1, 2037, to January 1, 2042. The deadline by which an account holder must open a first-time home buyer savings account is also extended by five years, from January 1, 2027, to January 1, 2032.

Extending the deadline to open a first-time home buyer savings account will increase initial qualification and use of the subtraction. As there is no requirement on the amount of time funds must stay in an account, a taxpayer may contribute to an account and shortly thereafter, withdraw the funds for use in a qualifying home purchase. Since 2019, about 80% of taxpayers utilizing the subtraction have done so for only a single year with about 5% using the subtraction in three or more consecutive years. Design of the subtraction allows a potential tax benefit to nearly all first- time homebuyers depending upon the homebuyer's adjusted gross income and existing Oregon tax liability. For this reason, the potential impact on revenue will depend upon the number of first- time homebuyers that fulfill the administrative requirements of establishing an account and depositing/withdrawing funds. This in turn will depend heavily upon knowledge of the program, outreach from the realtor community and participation by financial institutions.

Sunset extensions and modifications

Two credits with sunset extension and policy modification:

- Crop donation
- Rural volunteer emergency medical services providers

Crop donation credit

The measure extends the sunset of the crop donation tax credit by six years, from January 1, 2026, to January 1, 2032. It also increases value of credit from 15 percent of the wholesale value of the crop donated to 25 percent. Increased percentage is made applicable to tax years beginning on or after January 1, 2025.

The measure reduces General Fund revenue beginning with fiscal year 2025-26 by first increasing the percentage value of the credit in tax year 2025 and then extending the credit's applicability (with percentage increase) through tax year 2031. The revenue impact estimate includes both the percentage increase in the credit and the six-year applicability extension. Since 2014 when the credit was reinstated, the annual reduction in tax revenue due to the credit has averaged about $200K with roughly 100 taxpayers claiming the credit on average per year. The credit is non-refundable meaning taxpayers need sufficient tax liability to claim the credit. Unused credit amounts may be carried forward by the taxpayer and used to reduce tax liability in up to three succeeding tax years.

Rural volunteer emergency medical services providers credit

The measure increases the tax credit allowed to rural volunteer emergency medical services providers from $250 per tax year to $1,000. The credit value increase applies to tax years beginning on or after January 1, 2026. The credit certification sunset is extended by two years, from January 1, 2028, to January 1, 2030.

The revenue impact is comparatively lower in 2025-27 reflective of the increase in credit value beginning midway through the biennium. Decreased revenue loss in 2029-31 reflects credit's sunset following tax year 2029. Use of the tax credit has been declining since 2014 with about 200 taxpayers claiming the credit in tax year 2022 (most recently published figure) compared to about 600 in 2014. Revenue estimate assumes the number of taxpayers claiming the credit remains relatively consistent in future years. Most taxpayers are expected to have sufficient tax liability to claim the full $1,000 tax credit value.

Modified income tax expenditures

The following three income tax credits are being modified:

- Affordable housing lender tax credit
- Film production development contribution credit
- Individual Development Account (IDA) donations credit

Affordable housing lender credit

The measure expands qualification of affordable housing lenders tax credit. It adds 'qualified mortgage loan fund' to the definition of qualified loan and loan eligibility. It also expands loan eligibility to include loan proceeds used to finance preservation or rehabilitation of housing in financial or physical distress that is certified by the Housing and Community Services Department and is or will be occupied by households earning 80 percent or less of area median income. The measure aligns statutory language with the existing sunset of the tax credit. The credit applies to tax years beginning on or after January 1, 2026.

Estimate reflects the expansion of the two types (preservation & qualified loan fund) of affordable housing that may qualify for the credit. As the value of the tax credit is spread over the 20-year term of the qualified loan, the initial reduction in revenue is lower than future biennia. The estimate in the table above reflects the credit's current law sunset of January 1, 2032, for new loans.

According to the 2023 Affordable Housing Preservation Strategy Framework prepared by Oregon Housing & Community Services, 90 affordable rent-restricted projects (5,000 units) are at risk of loss as low-income housing due to the housing's physical or financial challenges. While demand for financial support of these properties exceeds resources available, a portion of identified projects are expected to benefit from the credit's expansion.

The primary beneficiary of the credit's expansion to include 'qualified mortgage loan fund' is expected to be the Amplify Oregon accelerated mortgage program. Amplify Oregon is a loan program for first-time homebuyers earning 80% or less of area median income. The program received a $7.5M appropriation in 2023 and is seeking $10M this legislative session. Estimate assumes future program funding is relatively consistent with historic and current funding request.

Auctioned credits for film production development

Reflective of expected inflationary changes, measure increases the total annual amount of tax credits auctioned for the purpose of generating proceeds to be deposited to the Oregon Production Investment Fund (OPIF). The limits are increased from $20.0 million to $20.6 million for auction(s) held in fiscal year 2025-26, and to $21.2 million for auctions held in fiscal years 2026-27 and later.

In recent auctions, the full allotment of tax credits has been successfully sold at an average price of 94% of credit face value. As credits are auctioned in $500 increments, this converts to an average purchase price of about $470 for a $500 credit (minimum allowed purchase price is

$450). The difference in credit face value and the amount paid for the credit at auction causes the difference between the reduction in General Fund revenue and funding provided to OPIF.

IDA donations credit

Measure increases the aggregate limit on amount of tax credits allowed to all taxpayers in any tax year for donations made to the state-selected fiduciary agency for use in providing funding to Individual Development Accounts (IDA). Limits are increased from $7.5 million to $7.7M in 2025, and to $8.0M in tax years 2026 and later.

Increased annual limit on credit reflects expected adjustment needed to account for expected inflation in tax years 2025 and 2026. The revenue impact estimate assumes that the full additional amount of credits are claimed by taxpayers making qualifying IDA donations. Taxpayers receive a credit equal to 90% of their donation amount causing fund receipts to slightly exceed revenue loss to the General Fund.

Policy Purposes

Affordable housing lender credit

The policy purpose of this change to the credit is to expand qualification for the affordable housing lender tax credit to increase the development and preservation of affordable housing.

Crop Donation credit

The policy purpose of this credit is to increase the amount of food donated to food banks, gleaning cooperatives, and other charitable organizations as well as to provide compensation to farmers for the expenses associated with donating crops.

Earned income tax credit

The policy purpose of this credit is to increase the spendable income of low-income working families and encourage individuals to enter and/or increase their labor force participation.

Film production development contribution credit

The policy purpose of the credit is to encourage film and video production in Oregon and strengthen Oregon's film and video industry infrastructure by attracting more production spending.

First-time homebuyer savings account subtraction

The law creating this subtraction, OR Laws 2018, Chapter 109, states "The Legislative Assembly finds that saving for a down payment and closing costs for the purchase of a first home is challenging in the present economy. The first-time home buyer savings account program will provide opportunities for Oregon residents to save funds for first-time home ownership and will provide Oregonians with meaningful incentives to save for the purchase of a first home."

Individual development account (IDA) donation credit

The policy purpose of the credit is to fund an asset-based antipoverty strategy that promotes personal financial management, investment, and savings for key assets.

Manufactured dwelling park closure credit

The policy purpose of this credit is to mitigate the costs to manufactured dwelling park households that are forced to move due to instances where market forces and development are causing closure of the manufactured dwelling park.

Manufactured dwelling park capital gains subtraction

The policy purpose of this subtraction is to encourage sales of manufactured dwelling parks to a corporate entity formed by the tenants of the park, or by a nonprofit corporation or housing authority.

Pension income credit

The policy purpose of this measure is to provide tax relief to low-income individuals with pension income.

Rural volunteer emergency medical services providers credit

The policy purpose of this credit is to help defray the out-of-pocket costs of rural volunteer providers of emergency medical services.

HB 2095 (CH 434)

Updates the statutes of three tax credits. The first modification resolves an obsolete reference to federal tax law and the additional modifications provide statutory consistency for two respective tax credits.

Revenue Impact: No impact

Research & Development (Semiconductor) Tax Credit

Eliminates obsolete reference to Internal Revenue Code contained in statute of Oregon's income tax credit for semiconductor research and development. There is no impact on revenue from this change.

Affordable Housing Lender Tax Credit

Aligns statutory language of affordable housing lender tax credit with existing sunset of the credit. In 2023, the credit's sunset was extended to January 1, 2032, however, the date requiring qualified loans to be made was not updated and remains January 1, 2026. This inconsistency effectively provides two sunset dates for the tax credit. Measure removes the January 1, 2026, date thereby providing a single sunset date for the credit as of January 1, 2032. The revenue impact estimate provided in 2023 (HB 2071) included the cost of extending the credit's sunset to 2032. For this reason, there is no impact to the General Fund from aligning the statutory sunset language. Absent this legislative change, the January 1, 2026, sunset would apply causing a reduction in use of the credit.

Credit for Donations to Individual Development Accounts

Aligns deadline for making credit-qualifying donations for distribution to Individual Development Accounts (IDA) with the underlying sunset of the tax credit. In 2023, House Bill 2071 extended the sunset of the Individual Development Account (IDA) donation tax credit to January 1, 2030. However, the requirement that donations be made prior to April 15, 2028, was not changed. The revenue impact estimate provided in 2023 (HB 2071) included the cost of extending the credit's sunset to 2030. For this reason, there is no impact to the General Fund from aligning the statutory sunset language. Absent this legislative change, the April 15, 2028, deadline would apply causing a reduction in use of the credit.

HB 2119 (CH 250)

Provides for standing for an association or organization to seek declaratory relief in the Oregon Tax Court if a member of the association or organization is adversely affected, the interests sought to be protected are germane to the purpose of the association or organization, and the claim does not require that the members of the association or organization who are adversely affected participate in the proceedings in the Oregon Tax Court.

Revenue Impact: No impact

HB 2339 (CH 321)

Omnibus measure that makes technical changes to timber severance tax and employer agricultural overtime tax credit, and modifies data sharing and reporting requirements for Department of Revenue

The revenue impact is the result of adding foreign earned income to the qualifying income used to determine eligibility for the Oregon Kids Credit. Applies to tax years beginning on or after January 1, 2025.

Revenue Impact ($ Millions):

	Fiscal Year			Biennium		
	2025-26	2026-27		2025-27	2027-29	2029-31
Personal Income Tax	$0.1	$0.1		$0.1	$0.1	$0.0

Note: Total for 2025-27 biennium does not match sum of fiscal years because of rounding to nearest $0.1 million.

Including foreign earned income in the qualifying income for the Oregon Kids Credit raises income above qualifying levels for some taxpayers. The Department of Revenue reports that adding the excluded foreign earned income to the qualifying income for the Oregon Kids Credit would reduce the credit for almost 60 taxpayers in 2023 and would have increased personal income tax revenue by almost $70 thousand. The revenue impact would begin in fiscal year 2026. The credit is scheduled to sunset at the end of 2028.

SB 110 (CH 461)

Increases aggregate amount of ‘incremental baseball tax revenues’ that may be granted over a 30-year period by the State of Oregon to pay for the costs of developing, constructing, and furnishing a Major League Baseball stadium in Portland. Current law allows up to $150 million in principal costs, plus the additional costs associated with financing the $150 million. Measure increases the $150 million limit to $800 million. The measure increases the minimum estimated cost of the baseball stadium from $300 million to $2 billion. The annual limit on ‘incremental baseball tax revenues’ that may be granted is also increased from the amount reasonably required to amortize a loan of $150 million, to an amount reasonably required to amortize a loan of $800 million. Increases from $50,000 to $100,000, amount of compensation required for an individual to be considered a member of a professional athletic team for purposes of determining incremental baseball tax revenues.

Revenue Impact:

‘Incremental baseball tax revenues’ cannot be granted until a Major League Baseball (MLB) franchise has agreed to locate and be based in Portland, has entered into a legally binding commitment to remain in Portland for at least the term of the grant agreement, and all funding to build the stadium (unrelated to the grant agreement) has been committed. As none of these requirements have been met, this analysis reflects the hypothetical of a baseball team locating in Portland.

Current law allows the Department of Administrative Services to enter into a grant agreement whereby the state personal income tax revenues associated with the baseball team (‘incremental baseball tax revenues’) are directed to grantees to pay for a portion of stadium construction and financing costs. ‘Incremental baseball tax revenues’ consist of

Oregon state income tax liabilities of home team players/nonplayers and their spouses (if applicable), and applicable tax liabilities of away team players/non-players. Compensation below $100,000 to players/non-players rendering service to a professional athletic team are excluded from incremental baseball revenues.

After the initial seasons following MLB expansion to Portland, it is assumed that a Portland team would pay player salaries and other compensation costs in line with the MLB average (salaries of expansion teams are often lower in the initial seasons). Based on this assumption, about $23 million in 'incremental baseball tax revenues' are expected to be annually granted for repayment of stadium construction costs in early years. Such revenues are generally expected to increase in accordance with annual increases in player salaries which have averaged about 4% annually in the last twenty years. Using the average payroll and salary growth assumptions, if incremental baseball revenues are transferred for the entire 30 years allowed by statute, the total nominal amount transferred over the 30 years would be about $1.1 to $1.4 billion.

PROPERTY TAX

HB 2074 (CH 191)

Extends property tax exemption for vertical housing development projects by moving the sunset date six years, from December 31, 2025, to December 31, 2031. Takes effect 91 days after sine die.

Revenue Impact ($ Millions):

	Fiscal Year			Biennium		
	2025-26	2026-27		2025-27	2027-29	2029-31
Local Governments	$0	-$1.3		-$1.3	-$3.1	-$4.8

Under current law, a 10-year property tax exemption for up to 80 percent of the property value is available for new construction or rehabilitation of mixed-use property (residential and non- residential) in a vertical housing development zone designated by cities. Use of the exemption has grown by about three new accounts per year. The average exempt assessed value per account has been about $8.7 million, representing an average exemption amount of about 60 percent. This impact assumes annual three percent growth in maximum assessed value and a non-bond tax rate for multi-unit housing property (class 701 or 781) of $18.35 per $1,000 of assessed value. There is no impact in the 2025-26 tax year because the impact which would otherwise arise when property taxes become a lien on property on July 1, 2025, is before the current sunset on December 31, 2025, and is therefore covered by current law.

Policy Purpose

The policy purpose of this measure is to increase the supply and density of mixed-use housing, including affordable housing, in Oregon's city centers.

HB 2077 (CH 192)

Extends property tax exemption for nonprofit low-income rental housing by moving the sunset date six years, from June 30, 2027, to June 30, 2033. Takes effect 91 days after sine die.

Revenue Impact ($ Millions):

	Biennium		
	2025-27	2027-29	2029-31
Local Governments	$0	-$45.4	-$47.4

Under current law, cities or counties may adopt an ordinance or resolution to grant an indefinite term, property tax exemption for certain real property owned, being purchased, or leased by nonprofit corporations or partnerships. The property must be occupied by low-income tenants or held for the purpose of developing low-income rental housing. About 870 accounts are currently exempt, which have an average exempt assessed value per account of about $1.3 million. Use of the exemption has grown by about 20 new accounts per year. The impact accounts for annual 3 percent growth in maximum assessed value and a non-bond tax rate for multi-unit housing property (class 701 or 781) of $18.80 per $1,000 of assessed value. There is no impact in 2025- 27 because the impacts which would otherwise arise when property taxes become a lien on property on July 1 of 2025 and 2026 are both before the current sunset on June 30, 2027, and are therefore covered by current law.

Policy Purpose

The policy purpose of this measure is to increase the supply of low-income rental housing in Oregon.

HB 2078 (CH 193)

Extends property tax exemption for new or rehabilitated multi-unit rental housing by moving the sunset date six years, from January 1, 2027, to January 1, 2033. Takes effect 91 days after sine die.

Revenue Impact ($ Millions):

	Biennium		
	2025-27	2027-29	2029-31
Local Governments	$0	-$0.7	-$0.7

Under current law, cities or counties may adopt an ordinance or resolution to grant a property tax exemption for newly constructed or rehabilitated multi-unit rental housing. The ordinance must publish one of two exemption schedules which specify the exemption amount (up to 100 percent of property value) and term (up to 10 years). Both exemption amount and term for both schedules depend on the share of units rented at affordable rates to households who have income up to 120 percent of area median income.

Use of the exemption has grown by about one new account per year. The revenue impact is currently driven by one city, which recently granted a 100 percent exemption for a 372-unit housing development with an exempt assessed value of about $38 million. The city plans to use the exemption over the next six years to develop another 224 housing units. The impact accounts for annual 3 percent growth in maximum assessed value and a non-bond tax rate for multi-unit housing property (class 701 or 781) of $14.95 per $1,000 of assessed value. There is no impact in 2025-27 because the impacts which would otherwise arise when property taxes become a lien on property on July 1 of 2025 and 2026 are both before the current sunset on January 1, 2027, and are therefore covered by current law.

Policy Purpose

The policy purpose of this measure is to increase the supply of workforce rental housing in Oregon.

HB 2089 (CH 475)

HB 2089 is the '*Tyler v. Hennepin*' bill. On May 25, 2023, in the U.S. Supreme Court case *Tyler v. Hennepin County* (598 U.S. 631), the court decided that when a county forecloses on property to pay delinquent property taxes, it can't take more property than what is owed. HB 2089 and HB 4056 (2024) are intended to make Oregon compliant with the court's decision. HB 2089 policies are summarized below.

Provides for a process, through the Unclaimed Property program of the Oregon State Treasury, to claim the surplus proceeds of real property that has been foreclosed, deeded to a county, and sold to pay delinquent property taxes. Requires county to provide a notice of surplus to certain parties. Requires notices of foreclosure proceeding, redemption period expiration, and surplus to include a referral to the Unclaimed Property program of the Oregon State Treasury where notices may be translated into the five most commonly spoken languages in the state other than English. Requires notices of foreclosure proceeding and redemption period expiration to include certain information on existing foreclosure avoidance programs, property tax deferral programs, and other property tax relief programs available to the owner. Defines "surplus" and “claimant”. Allows person other than a claimant to file a claim based on a valid lien or debt.

Establishes multi-step process to sell property in which a county may retain or transfer non-residential property for public benefit, must attempt to sell residential property by placing it in a public high-bid auction if not sold by a real estate agent, and may forgive delinquent property taxes and retain or transfer residential property after the second failed attempt to sell in auction. Establishes a minimum auction bid of two-thirds of property fair market value, which decreases to the amount of delinquent property taxes after the first failed attempt to sell in auction. Requires property appraisal, by a licensed appraiser unaffiliated with counties, for non-residential property a county retains or transfers and for residential property which has a real market value that exceeds $250,000. Defines "fair market value". Clarifies allowable costs a county may charge against the property. Applies to claims for which a claimant received notice of redemption period expiration on or after May 25, 2023.

Revenue Impact:

The Legislative Revenue Office has reviewed the proposed legislation and determined that it has No Impact on state or local revenues analyzed by this office.

HB 2316 (CH 481)

Establishes Home Start Lands Fund (HSLF), a revolving fund to provide loans for the development of affordable housing on Home Start lands and grants for cities to develop necessary public services for residents. Allows the Department of Administrative Services (DAS) to sell, transfer, or lease state-owned and locally nominated lands designated by DAS as Home Start lands. Requires the net proceeds of Home Start land sales, transfers, and leases to be credited to the HSLF. Exempts Home Start lands from property tax for up to five years, including lands held or leased by a taxable owner. Requires construction of affordable housing on Home Start lands to qualify for the land exemption after the second year. Requires Home Start lands to be subject to an affordable housing covenant for at least 30 years and allows housing developed on these lands to be part of a planned community. Takes effect 91 days after sine die.

Revenue Impact:

The measure has no direct revenue impact on local governments. The property tax exemption for Home Start lands is permissive since it may only be granted after certain actions are taken by DAS, cities, counties, housing developers, and local landowners in some situations.

Currently, it is not entirely clear how much of the 1.8 million acres of state-owned land in Oregon, on 10,600 tax lots, are underutilized and may be better suited for the development of affordable housing under the Home Start program (single-family, cottage clusters, and middle housing). Under the measure, the impacts of the land exemption on local property tax revenue depend on:

(1) the designation of state-owned and locally nominated Home Start lands by DAS, (2) capitalization of the HSLF from State General Fund appropriations ($859,665 for 2025-27) and the net proceeds of sales, transfers, or leases of Home Start lands made by DAS, (3) the amount of HSLF loans and grants made by DAS to develop affordable housing and residential public services on Home Start lands, (4) the mix of affordable single-family housing, cottage clusters, and middle housing built by developers, and (5) whether Home Start lands and improvements on the lands qualify for other property tax exemptions. For example, if Home Start lands, including lands which are part of a planned community, will be subject to an affordable housing covenant for at least 99 years, the land may qualify for the affordable housing covenant property tax exemption. For Home Start lands sold, transferred, or leased to a taxable owner, the improvements may be taxable, and the land may be taxable after the land exemption expires.

Policy Purpose

The policy purpose of this measure is to increase the supply of affordable housing on underutilized public lands.

HB 2321 (CH 482)

Requires the Legislative Revenue Officer to submit a report the Legislature about the current state property tax system and options to modernize it. Requires report to include: an overview of the current system, effects of Measure 5 and Measure 50 on the system, stakeholder concerns about the system, input from organizations representing cities or counties, and options to modernize the system. Requires report be submitted to the Legislature by December 1, 2026.

Revenue Impact:

The Legislative Revenue Office has reviewed the proposed legislation and determined that it has No Impact on state or local revenues analyzed by this office.

HB 2351 (CH 565)

HB 2351 is the ‘transparency bill’ for economic development incentive property tax exemptions. HB 2351 includes some recommendations for legislation from the enterprise zone (EZ) transparency report required by HB 2009 (2023). HB 2351 policies are summarized below.

Requires Department of Revenue (DOR) and Oregon Business Development Department (OBDD) to enter into an interagency agreement regarding information sharing and methods to estimate effects of economic development incentive property tax exemptions.

Requires DOR, OBDD, county assessors, and zone sponsors to share certain EZ information, including information required for annual written reports. Requires DOR, in consultation with OBDD, county assessors, and zone sponsors to prescribe the form of annual written reports. Clarifies role of EZ sponsors, including that they must ensure a qualified business firm can use local public services, incentives, and regulatory flexibility a zone sponsor has elected by policy.

Clarifies that property may not qualify for long-term rural enterprise zone (LRZ) property tax exemption if it is granted certain other property tax exemptions. Disqualifies a business firm from LRZ exemption for failure to submit a timely annual written report. Clarifies which LRZ information must be posted on State Transparency Website.

Clarifies information OBDD must report on qualified business firms granted the Strategic Investment Program (SIP) property tax exemption. Extends SIP reporting deadlines for Department of Administrative Services and OBDD. Requires information on state appraised industrial property granted certain economic development incentive property tax exemptions to be provided to OBDD upon request.

Clarifies which records are exempt from disclosure, including certain public records of a business submitted as part of an application for an economic development incentive. Takes effect 91 days after sine die.

Revenue Impact:

The Legislative Revenue Office has reviewed the proposed legislation and determined that it has No Impact on state or local revenues analyzed by this office.

HB 2356 (CH 322)

Provides, if a city within the urban growth boundary (UGB) of a metropolitan service district (MSD) annexes territory within the UGB of the MSD, no further proceedings are required for the territory to be annexed to the MSD. Applies to territories annexed by a city on or after the act effective date.

Revenue Impact:

This policy does not automatically change property taxes for any taxpayer. Any revenue impact depends on whether a city within the UGB of an MSD proposes to annex territory in the MSD UGB.

Under current law, there is a two-step process where territory can be annexed by a city and then an MSD. Under this act, the second step is not required for a territory to be annexed by an MSD. Any revenue impact is due to situations where an MSD would not carry out the second step of the process under current law and MSD property tax rates. Currently, Metro is the only MSD in Oregon, serving more than 1.7 million people in Clackamas, Multnomah, and Washington counties. The Metro district boundary encompasses 24 cities, including Portland. Metro’s total property tax rate is $0.5746 per thousand dollars of assessed value (0.0005746), comprised of a permanent rate (0.0000966), local option rate (0.0000960), and bond rate (0.0003820).

HB 2725 (CH 489)

Prohibits unaffected port from being a party to an intergovernmental agreement under the Strategic Investment Program (SIP) for annual distribution of community services support fee revenue to certain taxing districts. Defines “affected port”. Applies to a request for a SIP property tax exemption made after the act effective date.

Revenue Impact:

The measure has no net revenue impact on local governments overall, compared to the current annual distribution of SIP community services support fee revenue to certain taxing districts.

Currently, any port district in Oregon can be a party to an intergovernmental agreement for annual distribution of community services support fee revenue if the port district is in the code area of a SIP project receiving the property tax exemption. The fee amount for a qualifying business firm is 25 percent of the property tax which would, but for the exemption, be due on exempt property. The maximum fee, which is adjusted for inflation each year, is $3,084,000 in 2025-26. Total fee revenue in 2023 was $10.2 million. Fee revenue is generally distributed among all non-school taxing districts in the code area of exempt property, based on an intergovernmental agreement or otherwise by action of the Oregon Business Development Commission. Under the measure, total fee revenue collected from qualifying business firms will not change. An “affected port” is limited to the ports of Cascade Locks, Hood River, The Dalles, Arlington, Morrow, Umatilla, and any port that owns land on which any part of a SIP project will be located. As such, fee revenue that is currently distributed to an unaffected port will be redistributed to taxing districts that are parties to an intergovernmental agreement.

HB 3190 (CH 209)

Reactivates and modifies historic property special assessment program. Limits eligible property to improved real property used or held to produce income. Allows property classified as historic property to be certified for an unlimited number of consecutive or non-consecutive 10-year special assessment terms. Disallows cities or counties from adopting an ordinance or resolution to prohibit a second 10-year special assessment term. Allows a preservation plan to be completed more than 24 months before the application is filed. Requires the owner to have property insurance which covers at minimum, the real market value of the property. Sunsets the part of the program allowing for a consecutive second 10-year term on July 1, 2031 (application deadline). Sunsets the modified program on July 1, 2032 (application deadline). Applies to property tax years 2026-27 and after.

Revenue Impact ($ Millions):

	Fiscal Year			Biennium		
	2025-26	2026-27		2025-27	2027-29	2029-31
Local Governments	$0	-$0.4		-$0.4	-$1.0	-$0.8

For property classified as historic property, the increase in property value due to historic preservation or rehabilitation is exempt from property tax during any 10-year special assessment term. Preservation or rehabilitation of historic property is assumed to occur over the first two years of a 10-year special assessment term. In recent years, about 10 historic properties were certified for special assessment each year, about half of which were repeat users that benefitted from a second special assessment term. Some properties which could not be certified in the 2024-25 tax year, because the program had expired, are assumed to begin a special assessment term in the 2026-27 tax year. Average preservation plan expenditures have been about $170,000 for each certified residential property and about $2.3 million for each certified commercial property. Certified historic properties were about 55 percent residential and 45 percent commercial. However, only residential property used or held to produce income may be certified under the modified program.

Policy Purpose

The policy purpose of this measure is "to maintain, preserve and rehabilitate properties of Oregon historical significance" (ORS 358.475).

HB 3232 (CH 211)

Removes requirement for low-income rental housing property tax exemption that limited equity cooperative property be constructed or converted after the city or county adopts the exemption program. Applies to property tax years 2026-27 and after.

Revenue Impact ($ Millions):

	Fiscal Year		Biennium		
	2025-26	2026-27	2025-27	2027-29	2029-31
Local Governments	N/A	-$0.03	-$0.03	-$0.05	-$0.06

Under current law, newly constructed rental housing occupied by low-income persons or held for development as low-income rental housing may be exempt from property tax for 20 years. Only property owned by certain nonprofits may qualify for the exemption if the rental housing was constructed or converted before the city or county adopts the exemption program.

The impact of HB 3232 is due to one limited equity cooperative which has existed since 1981. The cooperative has six property tax accounts that are classified as improved residential property or improved multi-family property. In the 2024-25 tax year, these accounts had a total real market value of about $4.2 million, assessed value of $1.4 million, and non-bond taxes of $28,000. There is no impact in the 2025-26 tax year because the policy change applies to the 2026-27 tax year and after.

Policy Purpose

The policy purpose of this measure is to assist in providing housing equity throughout the state and reduce homelessness.

HB 3506 (CH 509)

Transfers, in January 2026, $3 million of estimated excess funds in the Senior Property Tax Deferral Revolving Account to the State General Fund for appropriation in 2025-27 to the Healthy Homes Repair Fund to support housing for seniors and individuals with disabilities, including the installation of accessibility modifications. Transfers, in January 2026, $150,000 of estimated excess funds in the revolving account to the State General Fund for appropriation in 2025-27 to the Department of Revenue to contract with a public benefit corporation or consultant to establish an outreach program for the deferral program, and to report to the Legislature on the outreach program by September 1, 2026. Takes effect January 1, 2026.

Revenue Impact ($ Millions):

	Biennium
	2025-27
State General Fund	$3.15
Senior Property Tax Deferral Revolving Account	-$3.15

Under current law, the Senior Property Tax Deferral Revolving Account is a source of existing funds for the Department of Revenue (DOR) to pay property taxes on behalf of qualifying homeowners under the Homestead Property Tax Deferral program. Deferred taxes, interest, and fees (i.e., repayments) are due when a disqualifying event occurs—the homeowner dies or the homestead is sold, is no longer the homeowner's principal dwelling, or is a manufactured structure or floating home that is moved out of state. The revolving account balance has grown over the last 10 years and is expected to reach $78 million by October 31, 2025. Growth occurred because repayments to the revolving account exceeded tax payments and administrative costs paid from the revolving account.

Under the measure, local property tax revenue will not be impacted by transferring $3.15 million of estimated excess funds in the revolving account in January 2026, but it will impact the revolving account balance. The DOR outreach program may increase deferral program participation but is not a significant solvency risk for the revolving account since total transfers from the revolving account are still expected to be $42-$70 million in 2026-2031. See HB 3589 for details on other transfers of estimated excess funds and the annual DOR solvency review to protect solvency of the revolving account and its ability to pay deferred taxes and administrative costs.

HB 3589 (CH 576)

Transfers, in January 2026, $24 million of estimated excess funds in the Senior Property Tax Deferral Revolving Account to the State General Fund for appropriation in 2025-27 for a senior housing development initiative. Requires Department of Revenue to review solvency of the revolving account each calendar year, beginning in 2027, and estimate the amount of any excess funds to transfer for the initiative in January of the following calendar year. Sunsets the annual solvency review and transfer of any estimated excess funds on July 1, 2031. Takes effect January 1, 2026.

Revenue Impact ($ Millions):

	Biennium 2025-27
State General Fund	$24.0
Senior Property Tax Deferral Revolving Account	-$24.0

Under current law, the Senior Property Tax Deferral Revolving Account is a source of existing funds for the Department of Revenue (DOR) to pay property taxes on behalf of qualifying homeowners participating in the Homestead Property Tax Deferral program. Deferred taxes, interest, and fees (i.e., repayments) are due when a disqualifying event occurs—the homeowner dies or the homestead is sold, is no longer the homeowner's principal dwelling, or is a manufactured structure or floating home that is moved out of state. The revolving account balance has grown over the last 10 years and is expected to reach $78 million by October 31, 2025. Growth occurred because repayments to the revolving account have exceeded tax payments and administrative costs paid from the revolving account.

Under the measure, local property tax revenue will not be impacted by the transfer of estimated excess funds in the revolving account, but this will impact the revolving account balance. An annual DOR solvency review will protect the solvency of the revolving account and its ability to pay deferred taxes and administrative costs. After the $24 million transfer in January 2026, the amount of any subsequent annual transfers, beginning in January 2028 and ending in January 2031, depends on the beginning account balance, annual changes in the account balance, and the required reserve. For example, if the annual change in the account balance is -$1 million to

+$5 million, the transfer would be $17-$29 million in 2028, $1-$7 million in 2029, $0-$5 million in 2030, and $0-$5 million in 2031. Total transfers in 2026-2031 would be $42-$70 million. This range of examples is intended to show the flexibility of the solvency analysis and calculation of estimated excess funds. For comparison, the average annual change in the account balance was

+$5 million over the last 10 years and is forecast to be +$4 million over the next three years. See HB 3506 for details on other transfers of estimated excess funds in January 2026.

With the transfers in 2026 and 2028-2031, the account balance on October 31 would be $50-$56 million in 2026, $49-$61 million in 2027, $32-$38 million in 2028, $30-$36 million in 2029, $29-$35 million in 2030, and $28-$35 million in 2031. The account balance converges at about $30 million after the annual solvency review begins in 2028, which reflects that any transfers of estimated excess funds will continue to protect the required reserve and solvency of the revolving account. As an additional solvency cushion, the required reserve does not count repayments made between the solvency review in the current year and the next. For context, repayments were $14 million in the 2023-24 tax year and are forecast to be $17 million per year over the next three years. This means that on October 31, 2031, the required reserve and additional solvency cushion ($30 million + $14 million = $44 million) are expected to cover about 4 years of deferred tax payments, since tax payments are expected to stabilize at $12 million per year. See HB 3712 for details on modifications to deferral program qualifications.

HB 3712 (CH 449)

Increases household income limit for Homestead Property Tax Deferral program from $60,000 (2025-26 tax year) to $70,000. Increases homestead real market value limit to 150 percent of county median real market value for homeowners who have residency of less than 15 years. Requires the Legislative Revenue Officer to submit a report to the Legislature by September 15, 2026, that focuses on the deferral program and homestead equity. Applies to property tax years 2026-27 and after.

Revenue Impact:

The Legislative Revenue Office has reviewed the proposed legislation and determined that it has No Impact on state or local revenues analyzed by this office.

Under current law, the Senior Property Tax Deferral Revolving Account is a source of existing funds for the Department of Revenue (DOR) to pay property taxes on behalf of qualifying homeowners participating in the Homestead Property Tax Deferral program. Deferred taxes, interest, and fees (i.e., repayments) are due when a disqualifying event occurs—the homeowner dies or the homestead is sold, is no longer the homeowner's principal dwelling, or is a manufactured structure or floating home that is moved out of state. The revolving account balance has grown over the last 10 years and is expected to reach $78 million by October 31, 2025. Growth occurred because repayments to the revolving account have exceeded tax payments and administrative costs paid from the revolving account.

The measure is expected to increase DOR tax deferral payments by $200,000 in the 2026-27 tax year, $1 million in 2027-29, and $1.8 million in 2029-31. About 60 new tax accounts are expected per year, with total tax payments stabilizing at about $12 million per year. This assumes the measure will encourage more homeowners to apply for the deferral program than the number that have been denied in the recent past. Some homeowners who did not apply in the recent past because they knew they would not qualify, may now apply if they expect to qualify under the higher income and RMV limits. Those who were denied may also apply now. Specifically, the 60 additional accounts per year is 50 percent higher than the 40 applications per year which have recently been denied solely due to the homestead RMV limit or household income limit. See HB 3589 for details on the annual DOR solvency review to protect the ability to pay property taxes and administrative costs.

SB 99 (CH 531)

Extends property tax incentives for brownfield development by moving the sunset date six years, from January 1, 2027, to January 1, 2033. Takes effect 91 days after sine die.

Revenue Impact ($ Millions):

	Biennium		
	2025-27	2027-29	2029-31
Local Governments	$0	Minimal	Minimal

In 2027-29 and 2029-31, a few new accounts are expected to start using the incentives (land special assessment, full or partial exemption, or both). The new accounts are assumed to have property value like three accounts in Klamath County that currently use the incentives and have a total real market value of about $1.3 million. New usage at this level would have a minimal revenue impact in the range of zero to -$0.1 million per biennium. However, if several small areas or a large area such as the Portland Metro district or the Port of Portland district were to adopt the incentives, the revenue impact could be more than minimal. There is no impact in 2025-27 because the impacts which would otherwise arise when property taxes become a lien on property on July 1 of 2025 and 2026 are both before the current sunset on January 1, 2027.

Policy Purpose

The policy purpose of this measure is the same as the purpose of Land Bank Authorities under ORS 465.600-465.621 — "acquiring, rehabilitating, redeveloping, reutilizing or restoring brownfield properties" in Oregon.

SB 347 (CH 533)

Disqualifies farmland from special assessment for 10 years if landowner or person in possession and control of farmland received a civil penalty for or is found guilty of illegally growing marijuana. Provides an exception for landowner or taxpayer who reasonably lacked knowledge of the illegal growing of marijuana, promptly notified law enforcement, or acquired the farmland before the final civil penalty or conviction. Sets disqualification date as earlier of January 1 of assessment year in which the penalty was imposed or the complaint was made. Requires repayment of tax benefit received in prior years for portion of farmland under special assessment, up to 10 years for farmland zoned for exclusive farm use (EFU) or up to five years for farmland in a non-EFU zone or urban growth boundary (UGB). Applies to illegal growing of marijuana on or after the act effective date.

Revenue Impact:

Local governments could get an increase in property tax revenue if farmland is disqualified from special assessment due to the enforcement of this law. The amount of revenue impact depends on whether this policy is the cause of disqualification and the location of any such farmlands, as farmland value and property tax rates vary across the state. The amount of revenue impact also depends on whether any such disqualified farmlands must repay back taxes for 10 years (EFU zone) or five years (UGB or non-EFU zone).

SB 684 (CH 537)

Clarifies mixed income housing may qualify for housing authority rental property tax exemption. Increases amount of income a mixed income housing tenant must have to qualify for reduced rents from 60 percent of area median income (AMI) to 80 percent of AMI. Eliminates requirements that at least 20 percent of housing authority mixed income housing units are rented to tenants whose income is up to 50 percent of AMI and at least 40 percent are rented to tenants whose income is up to 60 percent of AMI. Establishes a revolving loan fund, the Mixed Income Public Development Loan Fund (MIPDLF). Requires all units of multifamily mixed income housing financed by MIPDLF to be subject an affordable housing covenant for at least 30 years. Takes effect January 1, 2026.

Revenue Impact:

The measure has no direct revenue impact on local governments. Impacts on property tax revenue depend on capitalization of the MIPDLF revolving loan fund, how funds may be loaned to housing authorities, and how housing authorities construct and acquire multifamily mixed income rental housing.

Under current law, housing authority property is public property which may qualify as mixed income housing if a certain percentage of units are rented to tenants whose income is below a certain percentage of AMI. Lower rental rates for lower income tenants may make mixed income housing projects more reliant on federal funding and market-rate loans. The capital stack used by housing authorities to finance multifamily mixed income housing often includes federal funding (e.g., Low Income Housing Tax Credits and subsidies under the Housing Act of 1937), market- rate loans, housing authority rental property tax exemption, and local funding.

Under the measure, the potential for higher rental rates from higher income tenants, low interest loans from the MIPDLF revolving loan fund, and property tax exemptions (housing authority rental properties or affordable housing covenant) may allow more housing authority mixed income rental properties to ‘pencil out’ financially, reduce reliance on federal funding, or both. However, to be eligible for the affordable housing covenant property tax exemption, property must be subject to an affordable housing covenant for at least 99 years. Ultimately, any revenue impact from the measure depends on whether and how the 22 existing city and county housing authorities in Oregon decide to finance more multifamily mixed income rental housing as a result of the changes. Additionally, since the measure can improve the financial viability of mixed income housing developments, other cities and counties may establish new housing authorities and adopt the necessary resolution to exercise housing authority powers, including the construction and acquisition of mixed income rental housing.

Policy Purpose

The policy purpose of this measure is the same as consistent with the policy purpose for housing authorities under ORS 456.070—to meet the need for an increase in affordable housing for persons or

SCHOOL FINANCE

HB 2140 (CH 435)

Changes the method by which the Department of Administrative Services (DAS) and the Legislative Fiscal Office (LFO) estimate the projected costs of programs funded by the State School Fund. Codifies the current practice of dividing State School Fund distributions to school districts.

Revenue Impact:

The measure changes the method by which the Department of Administrative Services (DAS) and the Legislative Fiscal Office (LFO) estimate the projected costs of programs funded by the State School Fund. When estimating projected costs, the measure requires DAS and LFO to use 51% of the current biennium's State School Fund appropriation as the starting point for calculating the current service level, and to consider annual information for projected local revenue. The measure also codifies the current practice of dividing State School Fund distributions to school districts into two portions during a biennium: 49% for the first year and 51% in the second year.

HB 2514 (CH 376)

Allows an education service district (ESD) to contract a bonded indebtedness to finance capital costs permitted by Article XI, section 11L, of the Oregon Constitution. Establishes a limit on the ESD's aggregate principal amount of bonded indebtedness at 7.95 percent (0.0795) of the real market value of all taxable property within the ESD.

Revenue Impact:

The measure newly allows an education service district (ESD) to issue bonds to finance its capital costs defined in the Oregon Constitution. Under Article XI, section 11L of the Oregon Constitution, capital costs include costs of land and of other assets, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance, or repair.

The measure establishes a cap on the ESD's aggregate principal amount of bonded indebtedness at 7.95 percent (0.0795) of the real market value of all taxable property within the ESD. This 7.95 percent is the same upper limit that a K-12 school district (SD) is subject to when the SD issues its capital bonds.

SB 5516 (CH 422)

Establishes a total funding of $11.359 billion for the 2025-27 biennium State School Fund, with

$9,850.2 million appropriation from the General Fund, $625.3 million expenditure limitation of the Lottery revenues, $43.6 million expenditure limitation of marijuana taxes, $839.6 million expenditure limitation of the Fund for Student Success, and $0.8 million expenditure limitation of other revenue sources.

Revenue Impact ($ Millions):

	Biennium 2025-27
State School Fund	**$11,359.4**
From General Fund	$9,850.2
From Lottery Revenues	$625.3
From Marijuana Taxes	$43.6
From Fund for Student Success	$839.6
From Other Sources	$0.8

This bill establishes $11,359.4 million for the 2025-27 State School Fund (SSF), with $9,850.2 million from the General Fund, $625.3 million from the Lottery revenues, $43.6 million from marijuana taxes, $839.6 million from the Fund for Student Success, and $0.8 million from other sources. This SSF is combined with local revenues from school districts (SDs) and education service districts (ESDs) to form the total formula revenue available for distribution.

The attachments to this impact statement display projected formula revenue distributions to individual school districts and education service districts for fiscal years in the 2025-27 biennium. The link to the revenue impact statement is provided here:

MEDICAL PROVIDER TAX

HB 2010 (CH 4)

Moves the sunsets of the assessment on health insurance plan premiums or premium equivalents from December 31, 2026, to December 31, 2032, of the assessment on premium equivalents of managed care organizations from December 31, 2026, to December 31, 2032, and of the assessment on net patient revenues of the specified hospitals from September 30, 2025, to December 31, 2032. Takes effect on the 91st day following the adjournment sine die.

Revenue Impact ($ Millions):

(1) Oregon Health Plan

	Biennium	
	2025-27	**2027-29**
(A) Insurers Assessment (to the Health System Fund)	$ 210.5	$ 803.1
Assessment on Commercial Health Insurance Plans	$ 76.7	$ 326.0
Assessment on PEBB/OEBB	$ 8.1	$ 43.0
Assessment on Stop-Loss	$ 1.4	$ 5.1
Assessment on Managed Care Organizations (MCO)	$ 124.3	$ 429.0
(B) Hospital Assessment (to the Hospital Quality Assurance Fund)	$ 2,015.5	$ 2,544.3
Assessment on DRG Hospitals	$ 1,703.4	$ 2,130.3
Assessment on Type A and Type B Hospitals	$ 312.1	$ 414.0
Total Revenue (A + B)	$ 2,226.0	$ 3,347.4

This analysis focuses on new revenues. Federal matches and other budget issues are addressed in the fiscal impact statement by the Legislative Fiscal Office.

The current insurers assessment of 2% on health insurance plan premiums or premium equivalents and MCO premium equivalents are set to sunset at the end of 2026. This bill moves the sunset to December 2032. As a result, the revenue impact captures new revenues from two quarters of BI 2025-27. BI 2027-29 captures all eight quarters.

Under current law, the assessment on specified hospitals continues through September 2025. This bill moves the sunset to December 2032. Assessment rates stay the same at 6%.

Consequently, new revenue for BI 2025-27 reflects seven quarters of assessment, starting from 2Q of FY 2025-26. BI 2027-29 captures all eight quarters.

(2) General Fund

	Biennium	
	2025-27	**2027-29**
General Fund	-$ 2.8	-$ 12.2

If not for the extension of the assessment on health insurance plan premiums, Oregon would have seen lower insurance tax rates from the beginning of 2027, and non-Oregon domiciled insurance companies would have paid more retaliatory taxes to Oregon. Retaliatory taxes flow into the General Fund (GF).

With the extension of the assessment at the same rate under this measure, the GF will not see such an increase in retaliatory taxes, which leads to this impact analysis on GF. BI 2025-27 captures two quarters of impact, and BI 2027-29 captures all eight quarters.

It is important to note that since the assessment continues at the same rate, the Oregon health insurance market maintains the status quo in retaliatory tax considerations. As a result, Oregon will not see any change in the expected stream of retaliatory taxes before and after the extension.

EMPLOYMENT TAXES

HB 2271 (CH 563)

Establishes a nonrefundable tax credit against an employer's unemployment insurance payroll taxes owed for calendar year 2025. The credit is limited to employers who had an unemployment insurance tax rate in 2025 at least two and one-half percentage points less than in 2024. Additionally, employers must have had a tax rate based on experience for calendar year 2020, filed all quarterly reports and paid all tax liabilities for 2024 and 2025 in a timely manner, had a tax rate calculation that did not include the transfer or trade for another business in calendar years beginning on or after January 1, 2021, and have paid, or are complying with terms of payment, all outstanding unemployment insurance tax related obligations as of January 1, 2025. The credit is equal to the lessor of an employer’s unemployment insurance payroll taxes due for calendar year 2025 or $5,000. Credits are not provided for amounts less than $100.

Revenue Impact ($ Millions):

	Fiscal Year		Biennium		
	2025-26	2026-27	2025-27	2027-29	2029-31
Unemployment Insurance Trust Fund	-$0.4	-$0.8	-$1.2	-$0.1	-$0.1

Date source: Oregon Employment Department

Oregon Employment Department data is used to estimate the number of employers who qualify for the credit and the estimated payroll taxes owed. The revenue impact includes lost interest revenue earned on the Unemployment Compensation Trust Fund.

The policy purpose of the credit created is to provide relief to employers who had their unemployment insurance payroll tax rate inadvertently increased due to unemployment insurance policies passed in response to COVID-19.

HB 3024 (CH 382)

Eliminates the reduction of an individual's maximum benefit amount by eight times the individual's weekly benefit amount after the individual is disqualified from the receipt of unemployment insurance benefits for cause.

Revenue Impact ($ Millions):

	Fiscal Year		Biennium		
	2025-26	2026-27	2025-27	2027-29	2029-31
Unemployment Insurance Trust Fund	-$0.6	-$0.8	-$1.3	-$1.7	-$1.8

Data Source: Oregon Employment Department

Under current Oregon Unemployment Benefit statute, when an individual is disqualified from unemployment benefits for cause (ORS 657.176), the individual must receive wages equal to or greater than their established weekly benefit amount before they can receive further unemployment benefits. When the individual reestablishes unemployment benefit qualification, the maximum benefit amount they can receive in the benefit year is reduced by eight times their weekly benefit amount.

House Bill 3024 removes the reduction in the maximum benefit amount. This increases the estimated benefits paid out of the Unemployment Insurance Trust fund, which results in reduction to the UI Trust Fund. The estimate of reduction also includes lost interest income that would otherwise have occurred.

SB 143 (CH 462)

Increases the Supplemental Employment Department Administration Fund allocation of unemployment insurance payroll tax revenues. The increase applies to calendar quarters beginning on or after April 1, 2025. The bill modifies the Supplemental Employment Department Administration Fund balance over which money is transferred to the Unemployment Compensation Trust Fund in odd numbered years. The modification applies to biennia ending on or after June 30, 2025.

Revenue Impact ($ Millions):

	Fiscal Year		Biennium		
Policy/Fund	**2025-26**	**2026-27**	**2025-27**	**2027-29**	**2029-31**
Unemployment Insurance Trust Fund	-$9.8	-$28.8	-$38.7	-$44.8	-$48.8
Supplemental Employment Department Administration Fund	$9.7	$28.3	$37.9	$42.0	$45.7
Total	**-$0.2**	**-$0.5**	**-$0.7**	**-$2.8**	**-$3.0**

Data Source: Oregon Employment Department

This measure does not impact the unemployment insurance (UI) tax rate. It increases the Supplemental Employment Department Administration Fund (SEDAF) allocation of UI payroll tax revenues. With the change, the SEDAF adds more money to the pool of revenues that are available to administer state UI programs. The diversion of UI tax revenues from the UI trust fund to the SEDAF will lower the UI trust fund balance. The Oregon Employment Department expects that the UI trust fund balance will be $38.7 million less in the 2025-27 biennium and $44.8 million less in the 2027-29 biennium. The impact includes loss of interest income that would have been earned if not for the diversion. Given the trust fund balance of $6.4 billion as of March 2024, the loss in the fund balance is not projected to change UI tax schedules.

SB 859 (CH 94)

Authorizes the Director of the Employment Department to waive certain employer debts relating to the paid family and medical leave program. Applies the waiver to such debts due or paid on or after January 1, 2023. Takes effect on the 91st day following the adjournment sine die.

Revenue Impact ($ Millions):

	Fiscal Year		Biennium		
	2025-26	**2026-27**	**2025-27**	**2027-29**	**2029-31**
Paid Leave Oregon Trust Fund	-$0.78	-$0.28	-$1.06	-$0.62	-$0.70

Under current law governing the Paid Leave Oregon program, the Oregon Employment Department (OED) only has the authority to waive penalties or interest owed by benefit recipients, not debts owed by employers. This measure authorizes the OED to waive certain employer debts. Such debts include uncollectible contributions, penalties, interest, or equivalent plan application fees due on or after January 1, 2023.

Eligible employers started contributing to the program in January 2023. The short history of the program makes it difficult to establish a usable waiver rate in relation to the contributions. Drawing on Oregon's Unemployment Insurance program experience, an estimated 0.027% of the contributions is used for the waiver rate in this analysis.

For fiscal years and biennia, the revenue impact captures the expected amount of employer debts to be waived by applying the waiver rate. However, FY 2025-26 reflects one additional element - the waived amounts from the debts accumulated in the fiscal years 2023-25.

SB 916 (CH 432)

Makes changes regarding the eligibility for unemployment insurance benefits. Provides that an individual otherwise eligible for unemployment insurance benefits is not disqualified when the individual's unemployment is due to a strike in active progress at the specified places including the individual's current and last place of employment. Specifies the conditions for total weeks of benefit eligibility for such individual.

Revenue Impact ($ Millions):

	Fiscal Year		Biennium		
	2025-26	**2026-27**	**2025-27**	**2027-29**	**2029-31**
Unemployment Insurance Trust Fund	-$0.9	-$1.7	-$2.6	-$4.0	-$4.4

The measure makes specified individuals on an active strike newly eligible for unemployment insurance (UI) benefits. The waiting period is two weeks for such individuals and the analysis excludes the strikes that last fewer than fifteen days.

The analysis is based on striking activities between 2015 and 2024, observed and tracked by the Oregon Employment Department. The revenue impact includes UI benefit payments, which is an outflow of funds, and the loss of interest income that would have accrued if not for the payments. The fiscal year 2025-26 captures six calendar months as the effective date of the measure is January 1, 2026.

Since reimbursing employers (like school districts and the state government) will pay back the entire amount of UI benefits charged to them, benefit payments to striking workers of these employers will have no impact to the UI Trust Fund balance. The impact in this analysis is entirely coming from striking workers of tax-paying employers.

FOREST PRODUCTS HARVEST TAX

HB 2072 (CH 474)

Extends three parts of the Forest Products Harvest Tax through 2026 and 2027. Sets the tax rates for the purposes of funding OSU Forest Research, administering the Forest Practices Act, and funding OSU Forestry education at $0.90, $2.6544, and $.21 per MBF, respectively.

Revenue Impact ($ Millions):

	Biennium		
Policy/Fund	**2025-27**	**2027-29**	**2029-31**
OSU Forest Research	$3.6	$2.5	$0.0
Forest Practices Administration	$10.7	$7.3	$0.0
OSU Forest Education	$0.8	$0.6	$0.0
Total	**$15.1**	**$10.4**	**$0.0**

The Forest Products Harvest tax extension is applied to tax years 2026 and 2027. The estimates are based on the timber harvest forecast estimates included in the May Economic & Revenue forecast produced by the Office of Economic Analysis. The estimates include timing adjustments to reflect payment collections compared to applicability.

ESTATE TAX

HB 3630 (CH 577)

Modifies asset ownership and transfer requirements for estates that use the Estate Tax natural resource exemption created by SB 489 (2023). The bill explicitly allows property interests owned by trusts and business entities to qualify, and for property to be replaced and retain qualification. It also changes the ratio used for estates that have property in Oregon as well as in other states.

Revenue Impact:

These provisions do not make changes that deviate from the anticipated effects of SB 489 (2023) and are largely incorporated in existing law and administrative rules and reflected in the current estate tax forecast. Estates with property both inside and outside Oregon calculate tax based on the total taxable estate value and then compute final tax by multiplying by the ratio of Oregon estate value to total estate value. This bill reduces the ratio and calculated tax for estates with property outside Oregon that use the Natural

Resource Exemption by removing the amount of exempt natural resource property from both the numerator and denominator. The reduction is expected to be very small for most estates but could make a larger difference for a few estates. The reduction ensures the property is fully excluded from the tax calculation.

SB 485 (CH 595)

Creates separate criteria for forestland to qualify for the Estate Tax natural resource exemption created by SB 489 (2023). Specifies qualifying forestland must be between 10 and 5,000 acres and held by decedent and managed by decedent or a family member during at least five years prior to date of death and held and managed by a family member during the five years after the date of death. Requires documentation of management activities that are appropriate or customary for qualified forestland parcels.

Revenue Impact: Minimal

STATE FINANCE

HB 3940 (CH 13)

Creates a tax on oral nicotine products, defined as any noncombustible item—excluding those classified as moist snuff for tax purposes—that contains nicotine from any source (or a nicotine analogue) and is intended for human consumption through non-inhalation methods. The proposed tax is 65 cents per container for packages containing up to 20 units, with an additional tax of 3.25 cents for each unit beyond 20. It begins on January 1, 2026. Requires the transfer of 20 percent of the interest earned by the Rainy Day Fund to the Landscape Resiliency Fund (6.7 percent) and the Community Risk Reduction Fund (13.3 percent). Increases the Forest Products Harvest Tax used for the payment of benefits related to fire suppression from 62.5¢ to $1 (per thousand board feet) beginning January 1, 2026 and indexes the rate to inflation in subsequent years.

Creates the State Forestry Department Large Wildfire Fund for wildfire mitigation and suppression. Allows Oregon Department of Forestry (ODF) to transfer moneys from the Large Wildfire Fund to other funds, except to the Oregon Forest Land Protection Fund, as needed. Allows the State Forester to request funds to offset the annual costs of fire protection provided by the State Forester. Expands the information the State Forester must provide the Emergency Board for each fire consuming at least 1,000 acres.

Defines “centralized administration costs” as all costs associated with the administration of the State Forestry Department; services such as fire management on forestland and emergency response and support; and the procurement of relevant supplies. Requires these costs be funded through the General Fund.

For Fire Protection Districts, defines the term "budget" to mean moneys needed for the preparedness for, prevention of, and suppression of, forest fires on forestland. Establishes a minimum pro rata rate of 30 cents per acre provided by the State Forester to support the protection of grazing land; indexes the rate to inflation. Includes in the fee limits for lands not owned by public agencies, grazing land that is owned in fee by a federally recognized Indian tribe or a member thereof.

Repeals the acreage assessment. Increases the improved lot surcharge from $47.50 to $58 and indexes it to inflation. Increases the minimum lot assessment from $18.75 to $20 and indexes it to inflation. Eliminates the connection between a reduced minimum lost assessment and the balance of the Oregon Forest Land Protection Fund.

Defines terms related to the Emergency Fire Cost Committee (EFCC) and modifies its membership. Authorizes the committee to make minimum qualifications for membership and to establish standards and procedures related to its administration. Requires the first five members be appointed by December 31, 2025. Clarifies the role of the committee and allows the committee

to adopt rules relating to the administration of the Oregon Forest Land Protection Fund. Allows the rules adopted by the EFCC to include a process for reviewing the fund disbursements and establishing best practices for reviewing budgets and suppression costs.

Modifies certain financial aspects of the Oregon Forest Land Protection Fund. Aligns annual expenditures to be consistent the State Forestry Department fiscal year. Prohibits funds from being used to pay for centralized administration costs. Allows funds to be used for loans to the State Forestry Department or forest protection associations for wildfire costs. Repeals the current cap structure.

Removes statutes relating to zone 1 and zone 2 classifications for purposes of ODF classification; rezone zone 1 lands as Class 3 lands (grazing lands). Includes on the tax roll Rural Fire Protection District (RFPD) land within a city; increases that amount of RFPD land (with a structure) on the tax roll from 5 acres to 10 acres; unimproved RFPD lots up to 10 acres are included on the tax roll. Allows for the transfer of funds from the State Fire Marshall Mobilization Fund to the State Fire Marshal Fund and the Community Risk Reduction Fund. Ensures any loan from the State Treasurer made in the 2025-27 biennium would get an appropriation to repay. Defines terms for Treasury Loans and establishes a process. Requires the State Forestry Department to apply an offset against the annual costs of fire protection provided by the department for certain forestland. Removes the appropriation related to fire protection cost offsets. Eliminates the requirement that biennial ending balances in the Cash Flow Repayment Fund be transferred to the General Fund. Established the Wildfire Prepared Structure Program. Takes effect on the 91st day following sine die.

The bill provides for three sources of revenue. First, it creates a new tax on oral nicotine products that are not currently taxed. It defines oral nicotine products as any noncombustible item— excluding those classified as moist snuff for tax purposes—that contains nicotine from any source (or a nicotine analogue) and is intended for human consumption through non-inhalation methods. The proposed tax is 65 cents per container for packages containing up to 20 units, with an additional tax of 3.25 cents for each unit beyond 20. The tax begins on January 1, 2026, and is paid quarterly. Second, the bill requires the transfer of 20 percent of the interest earned by the Rainy Day Fund to the Landscape Resiliency Fund (6.7 percent) and the Community Risk Reduction Fund (13.3 percent). Third, the bill increases the Forest Products Harvest Tax used for the payment of benefits related to fire suppression from 62.5¢ to $1 (per thousand board feet) beginning January 1, 2026. The tax rate is adjusted to inflation in subsequent years. Takes effect on the 91st day following sine die.

Revenue Impact ($ Millions):

	Fiscal Year			Biennium		
	2025-26	2026-27		2025-27	2027-29	2029-31
Landscape Resiliency Fund	**$5.2**	**$8.9**		**$14.1**	**$21.0**	**$27.1**
Oral Nicotine Tax	$0.9	$3.8		$4.7	$9.1	$11.5
Rainy Day Fund Interest	$4.3	$5.1		$9.4	$11.9	$15.6
Community Risk Reduction Fund	**$11.5**	**$17.7**		**$29.2**	**$42.0**	**$53.9**
Oral Nicotine Tax	$1.9	$7.7		$9.6	$18.3	$22.9
Rainy Day Fund Interest	$9.6	$10.0		$19.6	$23.7	$31.0
Rainy Day Fund	**-$14.4**	**-$15.1**		**-$29.5**	**-$35.6**	**-$46.6**
Forest Products Harvest Tax	**$0.3**	**$1.4**		**$1.7**	**$3.2**	**$3.6**

The impacts for the three revenue policy changes are described individually below.

Oral Nicotine Tax

The estimated tax revenue is based on current packaging of products by discreet consumable units. There is the potential that future changes in packaging could affect the calculation of tax in unanticipated ways.

The primary category of newly taxable products will be nicotine pouches. These pouches contain a powder that includes nicotine, flavoring and other ingredients intended to dissolve in the mouth with the nicotine being absorbed through the gums. Within the category, the leading product is Zyn. According to financial information released by Philip Morris International (PMI), 202 million units of Zyn were shipped in the United States in the first quarter of 2025, representing a 53% increase compared to the first quarter of 2024. Zyn had a reported market share of 61.5 percent by volume. In the past year, there have been widely reported shortages of Zyn and plans to increase production. There is also increasing competition and introduction of new oral nicotine products. Quantities of oral nicotine products are expected to continue growing in the coming years.

Historically, Oregon's taxed sales of tobacco products have been shaped by the state's proximity to Washington state. For example, when Washington has raised its cigarette tax rate, Oregon cigarette tax collections increased, and the reverse has been true. This pattern demonstrates that changes in either state's tax policy affect more than just local consumption; they influence cross- border purchasing behavior as well. Earlier this year, Washington passed Senate Bill 5814, which will apply the state's Other Tobacco Products (OTP) tax to nicotine pouches and similar products beginning in 2026. With a base tax rate of 95% tax on the sales price [i] of such products, Washington's new tax is expected to drive a notable increase in sales of oral nicotine products in Oregon.

The revenue estimate does not include the potential impact of county-level bans on flavored nicotine products. Both Washington County and Multnomah County have enacted comprehensive bans on flavored tobacco and nicotine product. Those bans are currently paused due to legal challenges that are likely to be resolved later this year. More than 90 percent of oral nicotine products sold today are flavors that would be banned under a county ban. If both county bans are implemented, it is expected to reduce taxed sales of oral nicotine products by about one third.

Fiscal Year 2026 will have payments due for only the first quarter distributions of oral nicotine products.

Rainy Day Fund Interest

Following the effective date of the bill, the current interest deposits into the Rainy Day Fund (RDF) are modified. While 80 percent of the interest will continue to be deposited in the RDF, twenty percent will be diverted. The estimates for that twenty percent based on the projected interest earnings from the June 2025 Economic & Revenue forecast produced by the Office of Economic Analysis. With the bill becoming effective on the 91st day following sine die, the first diversions are expected to occur in October 2025.

Forest Products Harvest Tax

The estimates are based on the timber harvest forecast included in the June Economic & Revenue forecast produced by the Office of Economic Analysis (OEA) multiplied by the tax rate increase. The estimates include timing adjustments to reflect payment collections. The OEA harvest forecast is adjusted for the exclusion allowed of 25 thousand board feet harvested. The adjustment uses Department of Revenue tax return data. Beginning in 2027, the harvest tax rate of $1 is adjusted to inflation.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒

SB 146 (CH 463)

Requires a personal representative to use best efforts to liquidate property that reverts to the State Treasurer. Limits property reverted to the State Treasurer to exceed a minimal value and requires the personal representative to execute a deed that complies with Oregon Law. Gives the State Treasurer the right to any notice that the missing devisee or person was entitled to receive. Requires, upon final settlement and distribution, that the personal representative provide the State of Oregon documentation of their attempts to liquidate the property. If the distributee refuses the property or can't be found within 30 days of the entry of judgment, allows the personal representative to file a motion to request they be directed to liquidate the property in a manner consistent with this Act.

Defines 'digital asset'. Includes digital assets (i.e. cryptocurrency) in intangible property. Updates definition of 'last-known address'. Defines 'owner contact'. Declares a digital asset as abandoned if three years have passed since the latest owner contact. If abandoned, requires the holder to transfer any private keys, credentials or other such information to the State Treasurer. Requires the holder, if they do not have such information, to annually contact the owner for such information. Allows the State Treasurer to decline to accept digital assets under certain circumstances.

Allows the State Treasurer to direct the holder of unclaimed digital assets to liquidate them under certain circumstances. Allows the Treasurer to sell digital assets through reasonable commercial methods. Allows the Treasurer to sell reverted real property by any reasonable commercial method and deposit the proceeds into the Unclaimed Property and Estates Fund. Removes aggregation of minimally valued assets.

Revenue Impact: None

SB 960 (CH 629)

This measure is the program change bill to implement statutory changes for budgetary purposes. The bill makes a series of transfers from various funds to the General Fund. Also, a current law deposit into the Rainy Day Fund is otherwise appropriated through the budget process.

Revenue Impact ($ Millions):

	Biennium
	2025-27
General Fund	$12.6
Rainy Day Fund	-$334.1

Transfers $8,989,673 from the Agricultural Overtime Fund to the General Fund on January 2, 2027. Transfers $3 million from the Flexible Incentives Account to the General Fund on May 31, 2027. Transfers $633,017 from the Summer Learning Account to the General Fund on May 31, 2027. Suspends the transfer to the Rainy Day Fund that was to be made in January 2026, thereby reducing the projected growth in the fund.

The bill included a transfer of $15 million from the Oregon Fostering Innovation Strength at Home and CHIPS Fund to the General Fund if HB 2322 became law. That bill, however, remained in the Joint Committee on Ways and Means at the end of the session.

TRANSPORTATION

HB 2087 (CH 562)

A person operating a motor vehicle with a combined weight of 26,000 pounds or more is not required to pay the weight-mile tax or fuel taxes if the person is not operating as a for-hire carrier; and the person is operating the motor vehicle for the purpose of emissions research and development and the United States Environmental Protection Agency has provided a testing exemption from complying with federal emission requirements. The measure extends the sunset of the capital gains subtraction by six years, from January 1, 2026, to January 1, 2032. Estimated revenue loss due to sunset extension is based on historical miles driven by exempt heavy vehicles and the corresponding weight-mile tax rates.

Revenue Impact ($ Millions):

	Biennium		
Policy	**2025-27**	**2027-29**	**2029-31**
Vehicle used for testing emissions (fuel taxes)	$0.0	$0.0	$0.0
Vehicle used for testing emissions (weight-mile tax)	-$0.5	-$0.7	-$0.7

Policy Purpose

The policy purpose of the exemption is to avoid taxing research and compliance work.

HB 2384 (CH 439)

Extends the sunset date for the contingency planning fee and the tank railroad car fee. Modifies definitions of "oil" and "tank railroad car" for purposes of the tank railroad car fee

Revenue Impact ($ Millions):

		Biennium	
Policy	**@**	**2025-27**	**2027-29**
GRF all classes	0.05%	$210,620	$873,764
Car Load Fee	$20	$178,678	$557,823
Collection Costs	DOR	-$12,688	-$51,250
Transfers to Funds		**$376,610**	**$1,380,337**
High Hazard Train Route Oil Spill Preparedness Fund	DEQ	$210,620	$873,764
Oil and Hazardous Material Transportation by Rail Fund	Fire Marshall	$165,990	$506,573

HB 2209 of the 2019 session established an annual fee of 0.05% of gross operating revenues of railroads that are required to submit contingency plan for high hazard train route. Directs revenues to High Hazard Train Route Oil Spill Preparedness Fund. It also establishes a fee of up to $20 on each railroad oil tank car entering state from outside and on each car loaded with oil within the state. Directs Department of Environmental Quality (DEQ), and State Fire Marshal to establish exact amount of fee, by rule, as necessary to fund programs, and Oil and Hazardous Material Transportation by Rail Fund.

Both fees started on 1/1/2020 and were set to sunset on 1/2/2027. This measure extends the sunset (for 30 months) to 7/1/2029. This will add 6 months to the 2025-27 biennium and a full funding for the 2027-29 biennium. Any remaining moneys in Funds that are unexpended shall be refunded to payors without interest.

BONDING AND DEBT FINANCE

SB 5505 (CH 630)

This is the main bonding authorization bill, which Establishes amounts authorized for issuance of general obligation bonds, revenue bonds, certificates of participation and other financing agreements for the 25-27 biennium.

Revenue Impact ($ Millions):

Bond Issuance Amounts and Debt Service Estimates

Article	Program Designation	SB 5505 (2025) Original Issuance Approved for 2025-27	Cost of Issuance	Debt Service 2025-27	Debt Service 2027-29	Debt Service 2029-31	
	GENERAL OBLIGATION BONDS						
	General Fund Obligations						
XI(7)	Transportation	$251.8	($1.8)	$0.0	($34.5)	($34.8)	
XI-G	Higher Education Coordinating Comm. - PU	$106.8	($0.9)	$0.0	($14.3)	($14.5)	
XI-G	Higher Education Coordinating Comm. - CC	$36.3	($1.3)	$0.0	($5.0)	($5.0)	
XI-H	Dept of Environmental Quality	$0.0	$0.0	$0.0	$0.0	$0.0	
XI-M	Oregon Business Development Dept.	$100.9	($0.9)	($4.4)	($17.3)	($17.5)	
XI-N	Oregon Business Development Dept.	$50.6	($0.6)	($2.2)	($8.7)	($8.8)	
XI-P	Oregon Department of Education	$50.5	($0.5)	$0.0	($9.2)	($9.2)	
XI-Q	Department of Administrative Services	$1,207.0	($10.3)	($58.3)	($243.4)	($245.6)	
	Subtotal General Fund Supported GO Bonds	**$1,803.8**	($16.3)	($64.9)	($332.4)	($335.4)	
	Dedicated Fund Obligations						
XI-A	Department of Veterans' Affairs	$116.0	$0.0	($23.2)	($46.4)	($46.8)	N1
XI-F(1)	Higher Education Coordinating Comm. - PU	$138.7	($1.1)	$0.0	($18.2)	($18.4)	
XI-H	Dept of Environmental Quality	$20.1	($0.1)	($20.1)	$0.0	$0.0	
XI-I(2)	Housing and Community Services Dept	$50.0	$0.0	($10.0)	($20.0)	($20.2)	N1
XI-Q	Department of Administrative Services	$211.7	($2.0)	($14.4)	($36.3)	($36.6)	
	Subtotal Other Fund Supported GO Bonds	**$536.5**	($3.2)	($67.7)	($120.9)	($122.0)	
	Total All General Obligation Bonds	**$2,340.3**	($19.5)	($132.6)	($453.3)	($457.4)	
	REVENUE BONDS						
	Direct Revenue Bonds						
	Housing and Community Services Department	$500.0		($100.0)	($200.0)	($201.8)	N1
	Department of Transportation	$1,195.0		($239.0)	($478.0)	($482.3)	N1
	Oregon Business Development Department	$30.0		($6.0)	($12.0)	($12.1)	N1
	DAS Lottery Revenue Bonds	$494.5		($12.1)	($92.2)	($93.1)	
	Total Direct Revenue Bonds	**$2,219.5**		($357.1)	($782.2)	($789.3)	

N1: Assumes mid-biennium issue, 25 years, 5%.

The table above represents the Bond Authorization bill for the 2025-27 biennium. Bond proceeds are considered positive revenue being realized into the state system. Issuance costs and debt service payments are reductions in revenue. After issuing these bonds, the state's remaining debt capacity is about $519 million for the 25-27 biennium.

More information and detail about the projects intended to be financed by these bonds are referenced in the budget report for SB 5505, and the capital construction bill SB 5506 on the Oregon Legislative Information System (OLIS).

HB 5531 (CH 633)

Modifies the amount and purposes of lottery bonds authorized to be issued for specified state agencies.

Revenue Impact ($ Millions):

		Project Amount	Cost of Issuance	Debit Srvs Reserves	Bond Par Value	2025-27 Debt Service	Net Revenue 2025-27	2027-29 Debt Service	2029-31 Debt Service
Administrative Services	DAS	$144.95	($1.69)	($14.83)	$161.47	($3.44)	$141.51	($29.21)	($31.25)
Business Development	OBDD	$170.75	($2.08)	($17.88)	$190.71	($4.36)	$166.39	($35.25)	($37.72)
Education	ODE	$15.00	($0.16)	($1.62)	$16.79	($1.48)	$13.52	($3.24)	($3.47)
Transportation	ODOT	$45.00	($0.44)	($5.05)	$50.49	$0.00	$45.00	($10.14)	($10.85)
Housing and Community	OHCS	$52.50	($0.65)	($5.80)	$58.96	($2.47)	$50.03	($11.62)	($12.43)
Water Resources	WRD	$14.50	($0.17)	($1.44)	$16.11	($0.34)	$14.16	($2.78)	($2.81)
Total		**$442.70**	**($5.19)**	**($46.62)**	**$494.52**	**($12.09)**	**$430.60**	**($92.24)**	**($98.52)**

The table above table reflects the authorization of $442.7 million in Lottery Bonds for the 2025-27 biennium. Except for $86 million, this authorization consumes most of the capacity recommended by the SDPAC. Bond proceeds are counted as positive revenue as they come into the state revenue stream. Reserves are amounts held back till the end of the of the payment schedule, and debt service payments are considered a reduction to state revenue. The total debt service on these bonds will be approximately $897 million by the time they are paid off.

For more information on the projects financed by these bonds refer to the budget report of SB 5531 on OLIS (Oregon Legislative Information System), and the capital construction bill SB 5505, as amended by the Committee on Ways and Means.

MISCELLANEOUS

HB 2306 (CH 374)

Allows a county court or board of county commissioners in any county to establish a justice of the peace district that includes the county seat. Increases the personal payment that may be charged for marriage solemnization and directs the State Court Administrator to adjust the payment amount to reflect changes in the Consumer Price Index.

Revenue Impact ($ Millions):

	Biennium		
Policy	**2025-27**	**2027-29**	**2029-31**
State CFA deposits (Circuit Courts)	-$5.23	-$6.56	-$7.05
CFA payments by Justice Courts	$2.55	$3.21	$3.54
Net Change to CFA	**-$2.69**	**-$3.35**	**-$3.51**

Oregon law currently prohibits a county from establishing a justice court district, with exceptions for some rural counties, that includes the county seat or a city in which an Oregon circuit court regularly holds court.

Removing the geographical boundaries of justice court districts, may affect whether prosecutors and law enforcement officers decide to charge violation and misdemeanor offenses in the justice court versus the circuit court. When a court orders a defendant to pay a fine, the money collected by the court is disbursed based on, among other things, (1) whether the law enforcement officer who made the initial arrest or citation is employed by the state, county, or other local government, and (2) which type of court (e.g., circuit, justice, municipal) entered the judgment and imposed the fine. Depending on the number of cases filed, justice courts could see an increase in cases filed, which would increase local government revenue. Conversely, there could be a decrease in circuit courts cases that would reduce their revenues. Those revenues are currently deposited directly into the state Criminal Fines Account. Since CFA transfers are dependent on citing officers and the court that the violation is referred to, Justice courts retain a greater percentage of revenue generated from violation and misdemeanor fines, and their likely transfer to the CFA would be around half of that of circuit courts.

Although a peculiar example, the Clackamas County justice court was reestablished in 2009 and became operational by 2010. Prior to 2010, violations for traffic offenses were cited to the Clackamas County Circuit Court. As a result, annual revenue sent to the state Criminal Fine Account (CFA) from the circuit court vs the justice court was about $2.5 million less. However, if we remove the COVID effect, the new transfer amount would represent about 50% of what the circuit court previously transferred.

Although the overall revenue to the broader court system in Oregon might not be different, the direction of where that revenue goes might experience a change (Local Vs State courts). Almost 80% of all current court operations would not be impacted by this change. However, the remaining portion might experience a redirection in revenue and switch in the transfers to the CFA. The switch will gradually occur as more cases gravitate towards Justice courts and away from circuit courts. The impact table is based on the forecast that OJD is expected to deposit about $35 million a year in the coming biennium growing by about 4.5% a year, while the local transfers are about

$16 million growing by 3.5% per year.

SB 799 (CH 371)

Currently, the deadlines (also referred to as statute of limitations) for requesting a tax refund, or for the Department of Revenue (DOR) to adjust tax due are not uniform for programs administered by DOR. For personal and corporate income taxes the deadline starts from the later of the due date (for payment or filing a return), or the actual date of receipt. For all other tax programs, the deadlines are counted from actual receipt, without reference to the due date.

In addition, some statutes related to tax appeals or compliance reference specific tax programs by statute, without having an exhaustive list.

SB 799 conforms the deadlines for taxpayers to request refunds, or for DOR to adjust tax due for all programs administered by DOR and replaces specific lists of programs with descriptive text.

Revenue Impact: Minimal

2025 1st SPECIAL SESSION

HB 3991 (CH 1 SS)

Increases and adds transportation-related fees and taxes. Provides uses of revenues.

Imposes a mandatory per-mile road usage charge for electric and hybrid vehicles. Allows an annual fee in lieu of the mandatory per-mile road usage charge. Repeals the mandatory toll program. Provides for diesel fuel to be taxed in the same manner as gasoline. Revises the formula for weight-mile taxes.

Revenue Impact ($ Millions):

The bill increases and changes various taxes and fees as well as the distributions of the new revenue. Summary impacts are in the table below.

New Revenue in $ Millions

		2025-27	2027-29	2029-31	2031-33	2033-35
Light Vehicles						
FUELS (Gas& Use)	**L/M**	$144.8	$186.7	$178.8	$174.5	$171.8
Vehicle Reg	**L**	$261.1	$361.8	$380.6	$352.8	$362.5
Titles	**L/M**	$188.7	$259.7	$263.3	$259.9	$262.1
Light Vehicles Subtotal		**$594.6**	**$808.2**	**$822.6**	**$787.2**	**$796.4**
RUC System						
RUC Payments	**L**	$0.0	$90.4	$267.4	$392.5	$485.3
Forfeited Gas Rev	**L**	$0.0	($17.6)	($66.8)	($95.5)	($104.7)
Forfeited Reg Rev	**L**	$0.0	($90.2)	($156.8)	($170.7)	($216.7)
Account Mnagers CC	**L**	$0.0	($18.8)	($33.5)	($39.3)	($48.5)
ODOT RUC Costs	**L**	($3.6)	($6.4)	($7.1)	($7.2)	($7.4)
RUC Subtotal		**($3.6)**	**($42.6)**	**$3.2**	**$79.8**	**$108.1**
Heavy Vehicles						
Diesel Tax (Hybrid System)	**H**	$0.0	$0.0	$319.2	$317.6	$316.2
Diesel Tax ODOT CC	**H**	($3.3)	($9.7)	($10.8)	($11.0)	($11.3)
WM-Simplification CC/Saving	**H**	($0.4)	$0.7	$0.7	$0.6	$0.5
Heavy (Weight Mile &FF&RUAF) reduction	**H**	$0.0	$0.0	($291.2)	($300.2)	($307.9)
Heavy Vehicles Subtotal		**($3.7)**	**($9.0)**	**$17.9**	**$6.9**	**($2.5)**
Total Highway Fund		**$587.3**	**$756.6**	**$843.8**	**$874.0**	**$902.0**

	2025-27	2027-29	2029-31	2031-33	2033-35
Fuel Transfers to Non-Highway Uses	$7.1	$9.9	$10.2	$10.5	$10.4
Payroll Tax (STIF)	$196.6	$123.5	$0.0	$0.0	$0.0
Grand Total for Measure	**$791.0**	**$889.9**	**$853.9**	**$884.5**	**$912.4**

The new revenue is distributed as shown in the following tables.

Distribution of Revenue	**$ Million**					
		2025-27	**2027-29**	**2029-31**	**2031-33**	**2033-35**
Total Highway Fund Net New Revenue		**$587.3**	**$756.6**	**$843.8**	**$874.0**	**$902.0**
New distributions percentages						
State	50.0%	$294.4	$398.6	$419.3	$396.1	$396.0
Counties	29.6%	$174.8	$236.5	$248.7	$235.0	$234.9
Counties (Small)	0.41%	$2.4	$3.3	$3.5	$3.3	$3.3
Cities	20.0%	$117.2	$158.8	$167.1	$157.8	$157.8
Cities (Small)	100.0%	$2.0	$2.0	$2.0	$2.0	$2.0
RUC revenue (existing law %) Distributions						
State	50%	($1.8)	($21.3)	$1.6	$39.9	$54.0
Counties	30%	($1.1)	($12.8)	$1.0	$23.9	$32.4
Cities	20%	($0.7)	($8.5)	$0.6	$16.0	$21.6

Total (City/ County/ State) Highway Fund Distributions					
State (ODOT)	$289.7	$371.3	$414.9	$430.0	$444.0
Counties	$173.8	$223.7	$249.7	$258.9	$267.3
Counties (Small)	$2.4	$3.3	$3.5	$3.3	$3.3
Cities	$116.5	$150.3	$167.8	$173.8	$179.4
Cities (Small)	$2.0	$2.0	$2.0	$2.0	$2.0
Travel Information Council (TIC)	$3.00	$6.00	$6.00	$6.00	$6.00
Subtotal Highway Fund Distributions	**$587.3**	**$756.6**	**$843.8**	**$874.0**	**$902.0**

Fuel Transfers to Non-Highway Uses	$7.1	$9.9	$10.2	$10.5	$10.4
Payroll Tax (STIF)	$196.6	$123.5	$0.0	$0.0	$0.0
Grand Total for Measure	**$791.0**	**$889.9**	**$853.9**	**$884.5**	**$912.4**

Fuel Taxes: The measure increases per-gallon state motor vehicle fuel tax (section 16) and use- fuel tax (section 17) by 6 cents to 46 cents. Although the effective date for this increase (section 23) is 91 days after sine die, this analysis assumes the revenue will be recognized by the state in January 2026.

In Sections 56 through 91, the measure imposes a new tax on Diesel (used by heavy vehicles), by modifying the definition of diesel fuel to be administered and taxed in a comparable fashion to the motor vehicle fuel tax paid by light vehicles. This approach is a major part of what is known as the "hybrid system" of taxation for heavy vehicles. In this hybrid system, the traditional taxing instrument of heavy vehicles, the Weight Mile taxes, are augmented by a Diesel tax which is equivalent in rate, point of taxation, and method of collection to the fuel (Gas) tax. Consequently, the new tax on diesel generates revenue from the consumption of fuel by heavy and some medium-heavy vehicles. Diesel tax payments by interstate heavy vehicles are administered in partnership with IFTA (International Fuel Tax Agreement). IFTA is a clearing house for states (with Canada and Mexico) to collect appropriate taxes commensurate with miles driven in each state. The tax on Diesel fuel becomes operative at the beginning of state Fiscal Year (FY) 2030 on July 1, 2029.

Vehicle Registration Fees: The measure increases annual fees on registration of passenger vehicles by $42. The increase in the base registration fee is reflected in Section 18 of the measure, which shows annual vehicle registration fees going from $43 to $85. For mopeds and motorcycles, the measure also increases the registration fees from $44 to $86. Low-speed vehicles, light trailers, and medium-speed electric vehicles go from $63 to $105. Vehicles typically renew registration for two years, while new vehicles can register for four years.

Surcharge Fees established in HB 2017 (2017 session) are adjusted for two of vehicles classes (tiers). The EV (tier) surcharge is increased by $30 to $145 (Section 46) before it is repealed in FY 2032 by Section 47 of the measure. At that time, EV taxation and contribution to road use expenses is expected to be mostly administered through the RUC

(Road User Charge) program. The second tier that is increased by $30 is the class of vehicles with a combined MPG rating greater than 40 MPG. This class of vehicles encompasses many of the Hybrid and Plugin Hybrid vehicles. This surcharge continues with no sunset date.

Title fees: The measure increases title fees by $139 to the total of $216 (Section 19). The increase mostly spans the title certificates for light vehicles, with about 7% of the revenue coming from the medium duty vehicles weighing between 10,001 lb. to 26,000 lb. The title fee increase is also effective 91 days after sine die, this analysis however, assumes the revenue to be recognized by the state on cash basis during January 2026.

Road User Charge (RUC): The measure begins the transition to the per-mile Road Usage Charge (starting in Section 26) by gradually adding different vehicle classes to the mandatory RUC program as it takes effect. The mandatory RUC program is implemented on an expedited transitional fashion. It starts with requiring existing EVs, at the time of their registration renewal with the DMV, to be enrolled in the RUC program starting 7/1/27. New EV's (registering and titling) will start enrolling on 1/1/28. Finally, new and renewing Hybrid vehicles and Plug in Hybrid Vehicles (PHEV) will be enrolled starting 7/1/28. Although the DMV will reduce registration fees for electric and fuel-efficient vehicles when they enroll with the RUC program (Section 34), they can also choose to pay an annual flat fee of $340 instead of the per mile charge. The RUC program is likely to be administered by private contractors known as Account Managers (AM). The AM expenses reduce the net revenue transferred to ODOT and are eventually capped by the measure in Section 42. Starting in FY31 the allowed expense for the AM is specified to not exceed 10% of the revenue collected. Prior to that, this analysis assumes AM costs to start at 24% and go down gradually to reach the statutory cap. AM's costs, however, do not include ODOT's administrative expenses which starts up at $3.6 million in the 2025-27 biennium and $6.4 million in 2027-29. After that, ODOT costs are assumed to grow by 1% per year. Both cost categories are represented in the revenue tables as reductions.

The RUC system charges for miles driven in Oregon for passenger vehicles is set at 5 percent of the rate of the per-gallon fuel tax (2.3 cents). Vehicles enrolled in RUC are not subject to the enhanced portion of registration fees. That registration surcharge was intended to increase road cost recovery from vehicles that paid less in gasoline tax (as designed in HB 2017). Revenue from the RUC program is presented in the revenue tables as payments, while revenue from registration and fuel taxes (that will no longer be collected) are presented as forfeited revenues. Forfeited gas tax revenue would be compensated to drivers though the RUC system true up process, while forfeited registration revenue is likely to appear as lower revenue from the DMV registration function. By the end of 2031, all electric vehicles would be enrolled in the RUC program, thus the enhanced registration fee for EV's will no longer be necessary, and it will be repealed on 7/1/2031 (Section 48). Sections 49 to 52, however, exclude county (and other taxing districts) registration fees from being revoked for RUC enrolled vehicles.

The RUC program estimates are subject to several risks, including the ability of the AM (Account Managers) to keep collection costs under the assumed limits, particularly if they must distinguish and charge payments for miles driven in Oregon only. Another risk would be the ability of the program to meticulously launch under the expedited timeline proposed in the measure. Additionally, finding a suitable AM to administer the program might prove challenging.

Heavy vehicle Payments: The heavy payment category is traditionally dominated by the **Weight- Mile (W-M)** tax, **Flat Fee (FF)** payments, and the **Road Use Assessment Fees (RUAF).** This measure delays any changes in these taxes and fees until July 2027 (FY 28). At that time, the measure introduces the new abbreviated Weight-Mile tables (simplified W-M). Then in FY 30 it introduces the Diesel tax and reduces the W-M Rates (Hybrid system). The system changes are detailed as follows.

1) At the beginning of the 27-29 biennium the weight mile rate tables are abbreviated (in section 92) to ten gradually increasing rates **(Simplified W-M)**. The new first nine rate increments increase every 6,000 lb. starting from 26,000 lb. until weights reach 80,000 lb. These nine rates essentially replace the current (2,000 lb. increments) Table-A of the weight mile tax. The tenth increment of the simplified table spans all trucks weighing between 80,001 to 105,000lb. This broad single 25,000 lb. weight increment essentially replaces all of Table-B of the current W-M tax rates. It is worth noting that the current Table-B contains different (adjusting) rates of tax relative to the number of axels that a truck (of a certain weight class) uses. Table-B was initially developed to encourage vehicles with heavier weights to use more axels. Distributing weights on a higher number of axels reduces damage to the roads and pavement. Although the new table appear to be revenue neutral, the new simplified system will likely need more thorough study and research to align its effectiveness to the results and research of the Highway Cost Allocation Study (HCAS) process.
2) On 7/1/2029 (FY 2030) the measure introduces the "**Hybrid System**" by introducing the diesel tax discussed above while reducing the rates of the "simplified" version (Section 93) to achieve approximately the same revenue outcome. Currently heavy vehicles (above 26,000 lb.) generate about 2.3 billion VMT in an average year, which would translate to approximately $140 million in revenue (considering current fuel tax rate and MPG). In theory, diesel consumption and tax payments increase for heavier trucks as they consume more fuel, however, this increase is not commensurate with the damage imposed on the roads by the heavier weight vehicles. Thus, the W-M segment of the hybrid system (if calibrated correctly) is supposed to shoulder that damage difference. This hybrid system needs to be studied and researched more thoroughly to align its effectiveness and character with the Highway Cost Allocation Study (HCAS) process.

By FY 2030, the measure initiates the diesel tax at the same fuel tax rate (46 cents per gallon) and reduces the new abbreviated W-M rate structure by 27.88% (Section 93). The resulting revenue approximately offsets the increases and decreases ($150 million/year) to stay effectively at no new payments for heavy vehicles, especially after considering the costs of collection and savings by ODOT.

The measure also introduces table (E) for electric trucks (Section 93), which do not consume diesel, and do not contribute to their cost responsibility through diesel tax payments. Heavy electric vehicles are not common currently but might start coming into service in the coming years. Hybrid trucks, when they become available, are not considered in the new structure and would not pay table E rates.

The measure maintains the non-divisible load permits, Road Use Assessment Fees (**RUAF),** that are in current law until the other heavy vehicle taxes and fees come online in FY 30. At that time rates for RUAF will go down to 7.9 cent per ESAL/mile (Section 98).

Flat Fees for commodity haulers are not adjusted in the 2025-27 biennium (to reflect the results of the Flat Fee study) from current rates. Log Haulers, however, will decrease on 7/1/2027 to

$10.50 while Sand & Gravel, will increase to $16.98 (section 96).

On 7/1/29, Log Haulers will increase for E-vehicles to $10.94, and decrease to $7.57 for Diesel vehicles, while Sand & Gravel, will increase to $17.69 for E-Vehicles, and decrease to $12.25 for Diesel vehicles (Section 97). Other commodity rates were repealed for the lack of use.

Highway Cost Allocation (HCAS) Implications: The Weight Mile taxes are customarily adjusted to achieve the required constitutional biennial balance reflected by the HCAS ratios. However, this measure only reformulates the Weight-Mile taxes (FY 28), introduces Diesel tax (FY30), then reduces the Weight-Mile tax by 27.9% in a fashion that does not produce any additional significant heavy payments into the system. Very little of the revenue generated by the measure comes from vehicles over 26,000 lb.

The separate revenue contributions of heavy and light vehicles are shown in the tables below.

Highway Fund Revenue $ Million	2025-27 BN	2027-29 BN	2029-31 BN	2031-33 BN	2033-35 BN
Light Payments					
FUELS (Gas& Use)	$142.1	$183.2	$175.4	$171.3	$168.6
Vehicle Reg	$261.1	$361.8	$380.6	$352.8	$362.5
Titles	$175.5	$241.6	$244.8	$241.7	$243.8
RUC Payments	$0.0	$90.4	$267.4	$392.5	$485.3
Forfeited Gas Rev	$0.0	($17.6)	($66.8)	($95.5)	($104.7)
Forfeited Reg Rev	$0.0	($90.2)	($156.8)	($170.7)	($216.7)
Account Mnagers CC	$0.0	($18.8)	($33.5)	($39.3)	($48.5)
ODOT RUC Costs	($3.6)	($6.4)	($7.1)	($7.2)	($7.4)
Total Light	**$575.1**	**$743.9**	**$804.0**	**$845.6**	**$882.9**
percentage Light Payments out of Total Revenue	97.9%	98.3%	95.3%	96.8%	97.9%

Heavy Payments	2025-27 BN	2027-29 BN	2029-31 BN	2031-33 BN	2033-35 BN
FUELS (Gas& Use) heavy	$2.7	$3.5	$3.4	$3.3	$3.2
Heavy-Med Titles	$13.2	$18.2	$18.4	$18.2	$18.3
WM-Simplification CC/Saving	($0.4)	$0.7	$0.7	$0.6	$0.5
Diesel Tax	$0.0	$0.0	$319.2	$317.6	$316.2
Diesel Tax ODOT CC	($3.3)	($9.7)	($10.8)	($11.0)	($11.3)
Weight Mile/FF/RUAF	$0.0	$0.0	($291.2)	($300.2)	($307.9)
Total Heavy	**$12.2**	**$12.6**	**$39.7**	**$28.4**	**$19.1**
percentage Heavy Payments out of Total Revenue	2.1%	1.7%	4.7%	3.2%	2.1%
Total Highway Fund (Light and Heavy)	**$587.3**	**$756.6**	**$843.8**	**$874.0**	**$902.0**

In its latest iteration, the 25-27 HCAS projected an over payment of $182 million by heavy vehicles for the biennium. This overpayment is remedied in this measure by considering the first $450.4 million payment by light vehicles as an offsetting balance to that heavy overpayment. After accounting for that, payments by light vehicles in the 25-27 biennium result in a $39 million overpayment by light vehicles. In the general scheme of about $4 billion highway fund payments, this would be generally acceptable as balanced. Over the five biennia reflected in this analysis, the slight imbalance between the vehicle classes is a result of the weight mile taxes, and other heavy fees being kept at the same level of payments (revenue neutrality) as the current structure.

HCAS is predicated upon allocating the revenue raised to specific expenditure categories to achieve balanced allocation of payments between vehicle classes. Assuming the expenditures of new revenues will continue to be distributed to the categories specified by ODOT and the general local government expenditures, these general expenditure categories are assumed to cover ODOT budget rebalance in the 2025-27 biennium and carry to the 2027-29 and the following biennia. ODOT is assumed to direct 58.9% of revenue to Maintenance, 19% to Operation & Admin, 21% to Preservation, and 2% to rehabbing Facilities. Adding to that mix, the expenditure categories of local government expenditures results in light vehicles responsibility (for all light payers) of 71.22%, and heavy vehicles (all heavy payers) responsibility of 28.78%. However, the risk to the revenue estimates stems from the lack of specificity (in the measure) for those intended expenditure categories (of the revenue generated). Because expenditures are not specified in law, as it has been done in previous packages, the assumed expenditure profile can change at any one biennium during the coming 10 years, requiring further future adjustments of tax rates.

Comparison of revenue and relative balance of over and (under) payments for the general broad classes of heavy (10,000 lb. and above) and light (below 10,000 lb.) vehicles are shown in the table below. Naturally light vehicle payments would be the mirror image (opposite sign) of what heavy payments are.

HCAS Balance	**2025-27 BN**	**2027-29 BN**	**2029-31 BN**	**2031-33 BN**	**2033-35 BN**
Bring 25-27 HCAS to Balance **($182 million heavy overpayment)**					
Light Payments from Package	$575.1	$743.9	$804.0	$845.6	$882.9
light payments balanced by Heavy credit	**($450.4)**	**($450.4)**	**($450.4)**	**($450.4)**	**($450.4)**
Light payments left in need of balance after (25-27) adjustment	**$124.7**	**$293.5**	**$353.7**	**$395.2**	**$432.5**
Heavy payments needed to balance Light (@ 28.78 CR ratio)	($51.2)	($118.6)	($142.9)	($159.7)	($174.8)
Heavy Revenue payments from package	$12.2	$12.6	$39.7	$28.4	$19.1
Subtotal (needed amount- package payments)	**($39.0)**	**($106.0)**	**($103.2)**	**($131.3)**	**($155.7)**
Cost Responsibility Balance	**2025-27 BN**	**2027-29 BN**	**2029-31 BN**	**2031-33 BN**	**2033-35 BN**
Total Heavy (under) / over payments	**($39.0)**	**($106.0)**	**($103.2)**	**($131.3)**	**($155.7)**
Total Light (under) / over payments	**$39.0**	**$106.0**	**$103.2**	**$131.3**	**$155.7**

The package seems to reflect a slight increasing imbalance with light vehicles overpaying their cost responsibility. This is true after allowing for $182 million of credits for heavy vehicles to remedy a structural overpayment in the revenue system. The overall highway fund payments by light vehicles (with this package) would reach $3 billion by the 2029-31 biennium, Thus the amounts of overpayments are relatively small.

Section 12 (7)(a) of the measure (-17 amendment) delegates to DAS the task of reducing tax rates if the legislature does not act within 120 days (from receiving HCAS results) to remedy overpayment of any one class. The threshold for adjusting tax rates is that the Equity Ratio (ER) for one class exceeds 1.05. Thus, providing the legislature does not act, this is the minimum action "door stopper" that would be taken to remedy the over payment to lower the imbalance to

1.045 Equity Ratio. Section 12 of the measure is prescriptive enough to entail an attempt to estimate the reduction in tax rates when an overpayment is forecasted to occur after 2030. However, at this time the lack of expenditure specificity in the measure and the other risks mentioned would require numerous assumptions to be made that do not permit enough confidence to conclude that the light vehicle equity ratio would exceed the 1.05 threshold in any biennium after 2030.

It is important to note however, that the approach of reducing rates for one side without increasing a balancing amount from the other side will result in reducing the total revenue available. Henceforth, the amounts of expenditures (program and budget) need to be reduced accordingly, which changes the base program and creates new imbalances. The one way this could work (with no further impacts) is for ODOT to keep a large enough projected (unobligated) ending balance that could be reduced without an impact to the planned program that defined HCAS estimates. To date HCAS has interpreted and worked with the constitutional requirement (Article IX, section 3a (3)) in a way that considers costs incurred as the fixed part of the equation, and the revenue adjusts to balance the payments of those costs. ORS 366.506 further specifies covering the costs as the requirement for adjusting revenue sources. Therefore, the (program) costs considered by the study are assumed to be given and used as the fixed input amount to which revenue payments must proportionally adjust. If the revenue is reduced (by tax cuts to one side) then the program is reduced accordingly, which alters the program structure. In that case, the HCAS ratios might no longer be applicable to those costs which HCAS was based on. On the other hand, if costs are assumed not to be fixed as specified above, then tax cuts (revenue reductions) to one side are likely to cascade into further cuts and changes to the program. This will most probably alter the proportionality that HCAS has determined and would require multiple new HCAS estimates and new proportions to be determined as more cuts iterate through the process.

Highway Fund Distributions: The measure used an adjusted 50-30-20 formula for distributions of some of the new highway fund revenue. This adjusted formula directs a fixed amounts ($1 million) to the small city programs, and a percentage (1.37% of the total county share) to the small county distributions. Additionally, the measure increases the amounts allocated to rest areas (Travel Information Council) by $3 million per year. The RUC revenue however is distributed strictly on existing (current) law 50-30-20 apportionments. The impact tables section of this RIS (Revenue Impact Statement) shows the specific dollar amounts going to all the different uses, however, the table below shows the overall distribution for the new revenue generated by the measure.

Highway Fund Distributions %	2025-27	2027-29	2029-31	2031-33	2033-35
Other Programs (TIC)	0.5%	0.8%	0.7%	0.7%	0.7%
State	49.3%	49.1%	49.2%	49.2%	49.2%
Counties	30.0%	30.0%	30.0%	30.0%	30.0%
Cities	20.2%	20.1%	20.1%	20.1%	20.1%

Distributions of fuel revenue to **nonhighway uses** occur under current law provisions. The increase in fuel taxes increases the revenue of the off-highway fuel consumption. Different funds receive those fuel tax revenues, such as ATV fund, Snowmobile fund, Aviation, TOF, and the Marine board.

Payroll Tax: The measure increases the employee payroll tax from 0.1 percent to 0.2 percent (Section 24 and 25) effective January 1, 2026. The revenue realized is lagged by a calendar quarter for the purpose of showing the cash amounts being realized in the relevant timeframe. However, the additional tax is repealed on January 1, 2028, where the payroll tax goes back to being 0.1 percent. All the resulting net revenue from those increases still go to the STIF (Statewide Transportation Improvement Fund).