

REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number:	HB 2592-A
Revenue Area:	Income
Economist:	Chris Allnach
Date:	6-16-2007

Measure Description:

Requires withholding on certain real estate transactions if the transferor is either a nonresident (if an individual) or is not doing business in Oregon (if a C corporation). The amount withheld is the least of: (a) 4% of the value of the property, (b) 4% of the net proceeds, or (c) 10% of the gain includible in taxable income. Allows state agencies, boards, or commissions that issue occupational or professional licenses to require proof of compliance with Oregon's personal income or corporate excise/income taxes, as defined by the Department of Revenue. Allows them to suspend, revoke, or refuse to issue or renew a license if the licensee fails to demonstrate or maintain compliance. Requires the Department of Revenue to provide collection, enforcement, administration, and distribution services for local governments that impose a tax on income as defined in ORS 316, 317, or 318, if requested.

Revenue Impact:

(\$ Millions)	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	\$2.3	\$2.5	\$4.9	\$5.7

Impact Explanation:

The revenue impact estimate is due to the provision that requires withholding on the sale of property by nonresidents. The estimates are based on the experience and estimates of other states that are either considering or currently do withhold income taxes from the gain on real property sold by nonresidents, adjusted for Oregon characteristics. The analysis focused primarily on three states – Montana, Maryland, and California – due to the availability of data. The expectation is that the withholding will primarily serve as compliance tool that will help improve compliance. The withholding will also accelerate some collections from the tax return filing deadline to the date of the transaction.

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