

REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number:	HB 3488-C
Revenue Area:	Property Tax
Economist:	Ayala / Allanach
Date:	6-25-2007

Measure Description: Expands the property tax exemption for alternative energy systems to include certain systems that are owned or leased by a person whose principal business activity is the production, transportation or distribution of energy. Requires the alternative energy system to be a net metering facility, as defined in ORS 757.300, or other system primarily designed to offset onsite electricity use. Applies to tax years beginning on or after July 1, 2007. Allows public utilities to provide no-interest loans to customers who install renewable energy generation facilities in their homes. Allows the Governor to suspend renewable fuel use standards established by state law for ethanol, if the Governor determines that compliance with the standards is technically or economically infeasible or poses a significant risk to public safety. Requires any such suspension to be limited to counties east of the summit of the Cascade Mountains. Allows an initial suspension for up to 90 days and an extension of no more than 90 days. Takes effect on the 91st day following adjournment sine die.

Revenue Impact:

\$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
Local Government	\$0	\$0	\$0	-\$148,193
Local School Districts	\$0	\$0	\$0	-\$107,312

Impact Explanation: There is no way to ascertain whether or not a given project is undertaken as a direct result of the property tax exemption created in this bill. Consequently, this estimate does not assume a causal relationship between the creation of the tax exemption and the projects that would benefit from the exemption.

The costs of two city of Portland projects will be covered by private funds, public funds and grant monies. During the design and construction stages of development, LLCs manage the projects which may take as long as 18-24 months to complete. At the end of a 2 year period, if the city takes ownership of the property (i.e. the net metering system), it is exempt from property tax under current law. If the property remains titled to the LLCs, the property will be taxable initially in 2009-11.

Assumptions:

1. Net metering systems' projected costs for the 2 Portland-based projects will equal their assessed values in FY0910 (i.e., \$6.8 million in FY0910).
2. The property remains titled to the LLCs until the end of the FY1011-biennium
3. Additional projects of this nature will not be planned or completed over the forecast period.

Calculations:

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1. Based on Multnomah County's FY0506 property tax rate of \$18.51/\$ thousand of assessed value (AV), in FY0910 the tax loss is \$6.8million *\$18.51/\$thousand AV=-\$125,865 per year.
2. The AV of this property in FY1011 is limited to 3% over the prior year = -\$129,641