

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 3201 **STATUS:** B-Engrossed
SUBJECT: Creates multiple tax credits
GOVERNMENT UNIT AFFECTED: Department of Revenue, Office of Rural Health
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DATE: June 21, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES:		
Department of Revenue		
Personal Services	\$ 8,465	5,512
Services and Supplies	\$ 84,650	80,150
Total General Fund Expenditures	\$ 93,115	85,662

Department of Energy – see comments
Department of Environmental Quality – see comments
Office of Rural Health – see comments

EFFECTIVE DATE: On passage.

GOVERNOR’S BUDGET: This bill is not anticipated by the Governor’s recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The bill makes multiple changes to Oregon’s tax code. The bill increases tax credits for military active duty pay, income earned by Military Department employees working on the Youth Challenge Program, and physicians who provide medical care at an Oregon Veteran Home; removes the sunset date on property tax exemption for summer homes on federal land; excludes natural resource property and property used in commercial fishing from the gross estate value calculations for purposes of calculating inheritance tax; adds egg processors as eligible for a property tax exemption on machinery; allows a business that changes ownership to continue to qualify for an income tax exemption; increases the tax subtraction for contributions to a college savings network; creates a refundable \$5,000 credit for mobile home owners that are forced to move due to closure of the park in which they live; establishes a new credit for retrofit of older diesel truck engines and extends the credit for purchase of a new diesel engine through 2011; increases credit certifications for contributions to Oregon Production Investment Fund to \$5 million per year; increases the total tax credits for affordable housing loans to \$13 million; expands the residential alternative energy device tax credit; expands the business energy tax credit; and provides statewide TRICARE credits and a two-year tax subtraction for payments received under TRICARE.

The Department of Revenue reports the cumulative impact of the multiple changes to the Oregon tax code would be \$93,115 General Fund in 2007-09. These costs include adding an estimated four pages to the tax booklets the agency produces, computer coding changes, and the assumption that 3% of affected

tax payers (estimated at about 35,000) will compute their taxes wrong requiring additional action by the Department.

The Department of Energy received resources in their legislatively adopted budget to accommodate increased workload from renewable energy initiatives as did the Department of Environmental Quality for the Clean Diesel Initiative. In addition, DEQ can use existing positions that had previously processed Pollution Control Tax credits to process tax credits for retrofitting older diesel truck engines to reduce air emissions.

The measure would require the Office of Rural Health (ORH) to certify as eligible for a tax credit or deduction, health care providers under contract with TRICARE. ORH would establish criteria for certification, and report annually to interim legislative committees on revenue regarding the number of health care providers that qualify. The fiscal impact on ORH is indeterminate at this time. The Legislative Fiscal Office was not able to verify the number of current providers with TRICARE contracts, and the number of new providers that would be interested in taking on patients for which the reimbursement rate is the same as Medicare/Medicaid, in order to receive the tax benefit, is unknown. ORS has one position that currently certifies the rural medical practice income tax credit program with approximately 1,700 qualified practitioners. If the workload ORH experiences as a result of this measure exceeds the ORH capacity to certify additional health care providers throughout the state, ORS should work with the Office of the Governor and the Department of Administrative Services to seek additional resources from the Emergency Board or the Legislative Assembly in session.