

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 3282**Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal OfficePrepared by: Matt Stayner
Reviewed by: Laurie Byerly
Date: 3/18/11**Measure Description:**

Permits taxpayer to defer recognition of long term capital gains if taxpayer invests in certain businesses.

Government Unit(s) Affected:

Department of Revenue(DOR)

Summary of Expenditure Impact

	2011-13 Biennium	2013-15 Biennium
General Fund	1,727,782	1,501,509
Total Funds	\$1,727,782	\$1,501,509
Positions	14	13
FTE	11.11	9.94

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.

Analysis:

The measure allows for the deferral of the recognition of long-term capital gain when the amount of the gain is invested in an Oregon investment during a tax year and for as long as that gain remains invested in the Oregon investment. Key provisions of the bill that result in a fiscal impact to the Department of Revenue include: the adoption of rules and creation or modification of forms required to administer the program and the processing and certification of applications for deferrals.

The Department of Revenue (DOR), using research data, has estimated that each year 204,800 personal and corporate income tax filers will report a long-term capital gain each tax year and of this amount 75% of the filers would invest a portion of those gains in Oregon investments should the measure be adopted. This would result in 307,202 applications for deferral each biennium.

The DOR process includes the receipt, review, and certification of initial deferral applications. A certain number of the applications would be subsequently audited either due to denial or for compliance purposes. The DOR estimates that 14 new positions comprising 11.11 FTE would be required to complete this and the other administrative work to process the deferrals between the personal and corporate tax divisions in the next biennium. For the personal tax division this equates to the review and audit of 28,821 deferral applications for each new FTE performing those functions per year if the DOR's estimated number of deferral applications prove to be correct. This number is reduced to 13 positions comprising 9.94 FTE in the 2013-15 biennium due to the lack of additional form work that would have been completed in the 2011-13 biennium.

Although the exact number of deferral applications and claims that may be requested are unknown, even a significantly smaller number of applications and claims than is presented here would result in a minimal number of new positions being required by the DOR in each of the personal and corporate tax divisions to review and audit the applications and returns. Some of the administrative support functions may be absorbed by existing staff should the volume of the applications be sufficiently low enough.

