

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action:	Do Pass as Amended and Be Printed Engrossed and Be Referred to the Committee on Revenue by prior reference and Be Further Referred to the Committee on Ways and Means
Vote:	8 - 0 - 0
Yeas:	Boone, Cowan, Jenson, Johnson, Schaufler, Sprenger, Clem, Esquivel
Nays:	0
Exc.:	0
Prepared By:	Beth Herzog, Administrator
Meeting Dates:	2/2, 2/9

WHAT THE MEASURE DOES: Establishes credit against income taxes for current market value of any livestock that belongs to taxpayer and is killed by wolf or cougar. Establishes taxpayer must submit evidence that includes finding by Department of Fish and Wildlife (Department) or by peace officer that wolf or cougar depredation was probable cause of loss. Stipulates tax credit be reduced by any amount taxpayer has already received as compensation for killed livestock. Establishes if tax credit exceeds taxes for year amount of excess shall be refunded to taxpayer. Applies to tax years beginning on or after January 1, 2012. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Definition of predator
- Process for determining if livestock was killed by cattle

EFFECT OF COMMITTEE AMENDMENT: Removes definition of predator. Stipulates tax credit is allowed for current market value of any livestock killed by wolf or cougar. Establishes taxpayer must submit evidence that includes finding by Department or by peace officer that wolf or cougar depredation was probable cause of loss. Establishes if tax credit exceeds taxes for year amount of excess shall be refunded to taxpayer.

BACKGROUND: In 2010, there were at least 14 known adult wolves residing in Oregon. In 2005, the Oregon Fish and Wildlife Commission adopted a Wolf Conservation and Management Plan to “ensure the conservation of gray wolves as required by Oregon law while protecting the social and economic interests of all Oregonians.” The plan includes provisions for monitoring and managing populations, developing education and communication programs, and responding to wolf interactions with wildlife, humans, and livestock. The 2011 Legislature passed House Bill 3560 which created the Wolf Compensation and Proactive management Fund (Fund). The Department of Agriculture (ODA) finalized administrative rules for the Fund at the end of 2011. Moving forward, interested counties will establish county advisory committees, programs and a compensation plan. Once these elements are in place, counties can submit grant applications to ODA. The deadline for this round of grant applications is February 15, 2012. The soonest ODA can fund approved county requests is March, 2012.

House Bill 4005A establishes a tax credit for the owner of livestock that is verifiably killed by a wolf or cougar. The Act stipulates that the tax credit must be reduced by any amount that the taxpayer has already received as compensation for the killed livestock.

2/10/2012 4:42:00 PM

This summary has not been adopted or officially endorsed by action of the committee.

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Sixth Oregon Legislative
Assembly
2012 Regular Session
Legislative Revenue Office**

Bill Number: HB 4005
Revenue Area: Natural Resources
Economist: Chris Allanach,
Christine Broniak
Date: 1/31/12

Measure Description: Allows a tax credit against personal income tax, corporation excise tax, or corporation income tax for individuals or companies with livestock killed by predators applying to tax years beginning on or after January 1, 2012. Reduces the amount of such credit by any amount paid by any wolf predation loss compensation program in place in the county.

Revenue Impact: Likely to be less than \$50,000 per year

Impact Explanation:

The wolf population in Oregon has been growing, with four documented breeding pairs and management objectives to reach 7 breeding pairs in both Eastern and Western Oregon. Population estimates per breeding pair are 14.8 wolves per pair. Based on depredation levels in other states, an average of 5 sheep and 5 cattle are anticipated to be lost each year in Northeast Oregon. With market prices of \$122 per head of sheep and \$850 per head of cattle, the annual loss is roughly \$4,860. Other livestock such as horses, mules, goats, and any furbearing mammal bred commercially within pens, cages, or hutches do not have detailed depredation information. Assuming these additional animals will account for 50% of the losses in a given year, total losses for 2012 would be an estimated \$9,720. As wolves propagate across the state, the growth in wolf population along with an expansion of livestock subject to predation will result in an increase in depredation over the next three biennia.

The measure also reduces any tax credits by any amount compensated under the county wolf depredation compensation and financial assistance grant program. ORS 610.150 directs the State Department of Agriculture to establish the program to assist livestock producers who experience confirmed wolf losses. The program would be funded through the Wolf Management Compensation and Proactive Trust Fund for counties who wish to establish it. It is likely this program would reduce the revenue impact of this measure.

Further Analysis Required
Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose is:

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 4005 - A

Seventy-Sixth Oregon Legislative Assembly – 2012 Regular Session
Legislative Fiscal Office

Prepared by: John Terpening
Reviewed by: Laurie Byerly, Paul Siebert, Doug Wilson
Date: 2-9-2012

Measure Description:

Establishes credit against income taxes in compensation for livestock killed by predators.

Government Unit(s) Affected:

Department of Revenue, Oregon Department of Fish and Wildlife, Oregon State Police

Summary of Expenditure Impact:

Agency (Fund Type)	2011-2013 Biennium	2013-2015 Biennium
Department of Revenue (General Fund)	\$89,153	\$2,370
Department of Fish and Wildlife (Other Funds)	See Analysis	
Oregon State Police (Other Funds)	See Analysis	

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 establishes a credit against income tax in compensation for livestock killed by a wolf or cougar. In order to qualify for the tax credit, the taxpayer must submit evidence that includes a finding by the Oregon Department of Fish and Wildlife (ODFW) or a peace officer that wolf or cougar depredation was the cause. The tax credit can be carried forward for three years and is refundable for personal income taxpayers but not corporate taxpayers. The tax credit applies to tax years beginning on or after January 1, 2012 and the bill is effective the 91st day after the 2012 Legislative Assembly adjourns sine die.

The number of tax credit claims that will be submitted to the Department of Revenue (DOR) is unknown. DOR assumes a maximum of 1,000 claims on personal income tax returns and 20 corporate tax returns per biennium. DOR states that providing a new refundable personal income tax credit will require changes to tax forms as well as system programming changes to allow for the calculations. DOR estimates one-time costs of \$89,153 General Fund to implement these changes.

Currently ODFW has two staff positions dedicated to wolf-related issues in northeast Oregon, including investigations of livestock depredation. ODFW notes that while wolf depredation cases are geographically limited, cougar-related livestock depredation occurs throughout the state of Oregon. ODFW states that the three-year average of complaints submitted to the Department involving depredation of livestock by cougar or other carnivores is 271.

Assuming that ODFW or Oregon State Police (OSP) personnel will respond to potential livestock depredation-related complaints regarding cougars for the potential tax credit, the fiscal impact is indeterminate but may require additional staff or resources to handle the potential complaints state-wide. For example, if ODFW staff were tasked with investigating 270 cases, the assumed costs would be roughly \$101,938 for related training, travel, and time.

OSP estimates that if troopers were tasked with investigating 150 incidents annually, they assume the cost would be roughly \$75,000 for additional overtime and some training. The alternative would be not performing activities currently done by the Fish and Wildlife Division troopers. The precise number of complaints that will be received is unknown and may increase from the existing number with the added tax credit incentive to taxpayers.