

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
Seventy-Seventh Oregon Legislative Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number: HB 2435-MRB
Revenue Area: Use-Fuel Tax
Economist: Mazen Malik
Date: 06/27/2013

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description: Exempts diesel fuel blended with at least 20 percent biodiesel derived from used cooking oil from fuel excise tax. Exemption does not apply to fuel used in motor vehicles with gross vehicle weight of 26,001 pounds or more. Applies to fuel sold after January 1, 2014 and before January 1, 2020. Adds Geothermal to net metering forms of energy. Exempts residential electricity consumers from paying the Public Purpose Charge if they receive financial assistance from the state or federal government.

Revenue Impact (millions):

The cooking oil exemption would result in a revenue loss from the amounts of fuel tax Revenue.

	State	Counties	Cities	Total
2013-15	(0.52)	(0.22)	(0.15)	(0.89)
2015-17	(0.70)	(0.31)	(0.20)	(1.21)
2017-19	(0.72)	(0.31)	(0.21)	(1.24)
2019-21	(0.74)	(0.32)	(0.21)	(1.27)

The public service charge exemption reduces revenue to the Energy Trust of Oregon.

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-17	2017-19
Public Purpose Charge	-\$19	-\$26	-\$45	-\$53	-\$55

Impact Explanation:

The diesel fuel is taxed at 30 cents per gallon when it is used in vehicles that don't pay the weight mile tax. This measure will exempt from fuel taxes the diesel fuel that has been blended with 20% used cooking oil. The amendment gives that exemption only to fuel sold through retail establishments. This takes out of consideration the card-locks, bulk and fleet fuels. The base year estimates shows 1.97 million gallons (\$581,500) of B20 (cooking oil) blended fuel for all eligible vehicles. 87% of that is in in the basic weight class, and 251,000 gallons (\$75 thousand) used by the medium heavy vehicles. This impact is reflective of about 388,000 gallons of cooking-oil-diesel blended with about 4 gallons of regular diesel.

The estimated revenue loss is due to the exemption from the Public Purpose Charge. Energy Trust of Oregon, an independent third party nonprofit, administers the majority of those funds for conservation and renewable energy projects. The balance of the public purpose funds go to schools, low-income weatherization, and low-income housing. A separate collection provides low-income bill payment assistance.

While the bill would create an exemption for residential consumers who receive “financial assistance from the state or federal government”, there is no definition of “financial assistance”. Also, there is no indication as to the frequency and duration for the exemption (e.g., monthly or annually). While “financial assistance” could be interpreted broadly, this estimate is based on participation in the Supplemental Nutritional Assistance Program (SNAP) which, in May 2013, had roughly 440,000 participating Oregon households. And according to the 2010 decennial census, there are just over 1.5 million households in Oregon. Taken together, roughly 30 percent of households could be affected by this exemption. Assuming \$175 million will be collected from the Public Purpose Charge in 2013-15 under current law (a 3% growth rate over historical collections), the exemption would reduce collections by \$45 million (assuming an effective date of October 2013). The revenue loss would then increase to \$53 million and \$55 million in subsequent biennia, assuming electricity costs increase 3% each biennium and roughly 30 percent of household continue to qualify. There are other potential definitions of “financial assistance” that could change the estimated number of affected households, but a detailed definition is required to refine this number.

Creates, Extends, or Expands Tax Expenditure: Yes No

A tax expenditure to encourage the conversion of used cooking oil to use-fuel.

13% of the tax expenditure will come from Heavy vehicles (10,000 to 26,000 lb.), while basic vehicles contributions will be 87%.