

## HB 2859 -2 STAFF MEASURE SUMMARY

### House Committee On Revenue

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 3/1, 4/3, 4/11

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#### WHAT THE MEASURE DOES:

Creates or adjusts sunset dates for specified property tax expenditures.

#### ISSUES DISCUSSED:

- Percentage increase in tax imposed that would follow elimination of farmland special assessment
- Taxing of farm machinery equipment and the equipment's infrequent use
- Tying sunset of farmland special assessment with discussion of land use policies
- Potential large percentage increases in property tax liability for forestland and farmland
- Limited cash flow of forestland owners as compared to annual property tax liability
  - Potential to create incentive to harvest timber if forestland special assessment is eliminated
- Ensuring tax breaks do accomplish what they are intended to accomplish
- Viewing some tax expenditures as adjustments to tax reflective of specific circumstances of the property owner or industry, not necessarily appropriate to be viewed as "tax breaks"
- Removing from consideration tax expenditures related to natural resources
- Removing from consideration tax expenditures with existing sunsets

#### EFFECT OF AMENDMENT:

-2 Removes from introduced version, property tax expenditures related to natural resources and property tax expenditures with existing law sunsets. Reorganizes, from introduced version, timing of tax expenditure sunsets being placed.

#### BACKGROUND:

Per ORS 291.201, "Tax expenditure" means any law of the federal government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.

In 2009, the Legislature passed and the Governor signed HB 2067. This bill organized active tax credits into three groups according to broad policy goals and placed a sunset date on all but three tax credits. The three groups were scheduled to sunset on January 1 of 2012, 2014, or 2016, so that an organized review could occur during the legislative session just prior to their scheduled sunset. HB 2859 follows a similar approach for property tax expenditures. About 130 property tax expenditures presently exist, a number of which exist largely for tax administrative purposes or to comply with federal law. Such administrative and federally conforming tax expenditures are not included in HB 2859.

ORS 315.037 requires any tax expenditure enacted by the Legislative Assembly on or after January 1, 2014, to apply for a maximum of six tax years unless the Legislative Assembly expressly provides for another period of applicability.

Required by ORS 291.202, the Governor, assisted by the Department of Revenue, is required to prepare in each even-numbered year a tax expenditure report.