

Enrolled Senate Bill 148

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CHAPTER

AN ACT

Relating to the correction of erroneous material in Oregon tax law; amending ORS 90.800, 275.275, 305.455, 305.487, 305.695, 307.270, 307.600, 308A.050, 308A.303, 308A.353, 311.070, 311.232, 311.666, 311.807, 312.050, 315.208, 315.272, 316.003, 316.147, 316.157, 316.587, 321.259, 321.262, 321.703, 321.808, 321.817, 323.803 and 456.579; and repealing ORS 307.111, 308.020, 308.341, 308.343, 308.905, 311.160 and 311.796.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 90.800 is amended to read:

90.800. (1) The State of Oregon encourages affordable housing options for all Oregonians. One housing alternative chosen by many Oregonians is facility living. The Legislative Assembly finds that many facility tenants would like to join together, alone or in cooperation with an associated entity, to purchase the facility in which the tenants live in order to have greater control over the costs and environment of their housing. The Legislative Assembly also finds that current market conditions place tenants at a disadvantage with other potential investors in the purchase of facilities.

(2) It is the policy of the State of Oregon to encourage facility tenants to participate in the housing marketplace by ensuring that technical assistance, financing opportunities, notice of sale of facilities and the option to purchase facilities are made available to tenants who choose to participate in the purchase of a facility.

(3) The purpose of ORS 90.800 to 90.850, [308.905,] 456.579 and 456.581 is to strengthen the private housing market in Oregon by encouraging all Oregonians to have the ability to participate in the purchase of housing of their choice.

NOTE: Deletes reference to repealed statute in (3). See section 9 (repealing ORS 308.905).

SECTION 2. ORS 275.275 is amended to read:

275.275. (1)(a) The proceeds arising under ORS 275.090 to 275.290 and 275.296 to 275.310 must be applied:

(A) First, to refund the county general fund for the full amount advanced by the county to pay the state tax upon all properties upon which the county has foreclosed liens for delinquent taxes;

(B) Second, to the county general fund in an amount equal to the penalty and fee described in ORS 312.120 for each property upon which the county has foreclosed a lien for delinquent taxes; and

(C) Third, to refund the county general fund for all the costs and expenses incurred by the county in the maintenance and supervision of the properties and in any suits or proceedings by the

county to quiet title to or to defend the county's title to property sold, including suits or land use proceedings to ascertain and determine the actual boundaries of the properties.

(b) The proceeds applied as refunds under paragraph (a)(A) and (C) of this subsection may not amount to more than the tax actually paid and the costs and expenses actually incurred by the county.

(c) Except as provided in paragraph (d) of this subsection, after the refunds authorized under paragraph (a) of this subsection are made, the county treasurer shall credit to the county general fund proceeds arising under ORS 275.090 to 275.290 and 275.296 to 275.310 from the sale of real property acquired by the county in a manner other than by foreclosure of delinquent tax liens or by exchange for land originally acquired by foreclosure of delinquent tax liens. The proceeds described in this paragraph include payments for the real property sold under a purchase agreement pursuant to ORS 275.190 or 275.200.

(d) In a county with a population of 650,000 or more, after the refunds authorized under paragraph (a) of this subsection are made, the county treasurer shall credit:

(A) The proceeds arising under ORS 275.090 from the sale of real property acquired by foreclosure of delinquent tax liens or by exchange for land originally acquired by foreclosure of delinquent tax liens to an account or fund, created in the discretion of the county treasurer in or outside the county general fund, for use under ORS 271.330 to provide:

(i) Funds for housing placement and retention support services for youth and families with children;

(ii) Flexible rental assistance to place youth and families with children into housing; or

(iii) Funds to develop new low income housing that is affordable to youth and families with children with 30 percent or lower median family income.

(B) Except as described in subparagraph (A) of this paragraph, the proceeds arising under ORS 275.090 to 275.290 and 275.296 to 275.310 from the sale of real property acquired by the county in any manner, including payments for the real property sold under a purchase agreement pursuant to ORS 275.190 or 275.200, to the county general fund.

(2) The proceeds arising under ORS 275.294:

(a) Must be credited to the county general fund by the county treasurer, if received from a lease or conveyance granting rights to explore, prospect for or remove biogas that is produced by decomposition of solid waste at any land disposal site or former land disposal site owned by the county. As used in this paragraph, "land disposal site" has the meaning given that term in ORS 459.005.

(b) Must be segregated from the portion of the proceeds described in paragraph (a) of this subsection and deposited in a separate account maintained by the county. Interest earned on the segregated portion of the proceeds must be credited to the account established under this paragraph.

(c) May be used, in an amount that does not exceed 10 percent of the proceeds, to reimburse a taxing district within the county for costs and expenses necessarily incurred by the district in providing improved, additional or extraordinary services required on lands in the county as a result of exploration, drilling, mining, logging or other activities authorized under a lease or conveyance under ORS 275.294. As used in this paragraph, "improved, additional or extraordinary services" includes, but is not limited to, fire protection and road construction and maintenance.

(d) May be used to reimburse the county for its actual costs and expenses incurred under this subsection and under ORS 275.294 for:

(A) The maintenance and supervision of a lease or conveyance granting rights to explore, prospect for, mine or remove valuable minerals, oil or gas from the lands;

(B) The maintenance and supervision of a lease or conveyance granting rights to conduct underground storage, as defined in ORS 520.005; and

(C) Litigation resulting from a lease or conveyance described in subparagraph (A) or (B) of this paragraph.

(3)(a) After a portion of the proceeds arising under ORS 275.090 to 275.290 and 275.296 to 275.310 and a portion of the proceeds arising under ORS 275.294 are applied as provided in sub-

sections (1) and (2) of this section, the balance of the proceeds arising under ORS 275.090 to 275.290 and 275.296 to 275.310 and the balance of the proceeds arising under ORS 275.294, including the payments for land sold under contract pursuant to ORS 275.190 or 275.200, must be distributed by the county treasurer as follows:

(A) First, to a municipal corporation that has filed a notice, in accordance with ORS 275.130, relating to a local improvement lien against the property from which the sale proceeds are derived. The amount of the distribution to each municipal corporation must be in the principal amount of the lien, plus the interest and any penalties that accrued to the date of sale of the property.

(B) Second, to governmental units in accordance with the formula provided in ORS 311.390 for the distribution of tax collections. The amount distributed to governmental units must be the amount remaining after the distribution, if any, under subparagraph (A) of this paragraph.

(b) Notwithstanding ORS 294.080, as used in this subsection, "balance of the proceeds" includes all accumulated interest earned on the proceeds arising under ORS 275.294 that are segregated pursuant to subsection (2)(b) of this section, unless a court of competent jurisdiction rules otherwise.

(4) Distribution of moneys under subsections (2) and (3) of this section must be made on or before June 30 in each year.

(5) The county treasurer or auditor shall verify the costs and expenses to be reimbursed under subsection (2) of this section.

(6) The county treasurer shall distribute reimbursements under subsection (2) of this section in accordance with an order of the governing body of the county.

(7) Notwithstanding subsection (1) of this section, a county with a population of 650,000 or more may convey real property acquired by foreclosure of delinquent tax liens or by exchange for land originally acquired by foreclosure of delinquent tax liens as provided in ORS 271.330 [or 311.796].

NOTE: Deletes reference to repealed statute in (7). See section 17 (repealing ORS 311.796).

SECTION 3. ORS 305.455 is amended to read:

305.455. (1) The judge of the tax court shall be a citizen of the United States and a **resident** of this state, and shall have been admitted to practice in the Supreme Court of Oregon and have been engaged in this state for at least three years preceding the election or appointment of the judge of the tax court, either in active practice, governmental or private, as an attorney and counselor at law or in the discharge of the duties of a judicial or quasi-judicial office.

(2) Notwithstanding the provision of any other law, the provisions of ORS 14.250 relating to the disqualification of a judge for prejudice shall not be applicable to any judge serving regularly or temporarily as a judge of the tax court.

NOTE: Clarifies eligibility requirement for judge of tax court in (1).

SECTION 4. ORS 305.487 is amended to read:

305.487. (1) The Legislative Assembly finds that:

(a) Industrial property that is appraised by the Department of Revenue under ORS 306.126 and property that is centrally assessed by the department under ORS 308.505 to 308.681 involve large amounts of property value and complex appraisal issues.

(b) Appeals of the value of state-appraised industrial property or centrally assessed property can have significant impact on the stable funding of essential local government services because of the fiscal consequences of substantial tax refunds.

(c) The [citizens] **people** of this state and the owners of state-appraised industrial property or centrally assessed property are best served by the efficient resolution of property tax appeals related to these properties.

(2) The Legislative Assembly declares that it is the policy of this state to strongly encourage taxpayers, local governments, the department and the Oregon Tax Court to resolve appeals related to the value of state-appraised industrial property or centrally assessed property as quickly and efficiently as possible, in order to reduce the financial impacts of lengthy appeal processes.

NOTE: Conforms language to standard legislative style in (1).

SECTION 5. ORS 305.695 is amended to read:

305.695. (1) There is created the Oregon Charitable Checkoff Commission, consisting of five voting members appointed by the Governor and, as nonvoting members, one Representative appointed by the Speaker of the House of Representatives and one Senator appointed by the President of the Senate. *[One appointment of a voting member shall be]* **The Governor shall appoint one voting member** based on **the** recommendation of the Speaker *[of the House of Representatives]* and one *[appointment shall be made]* **voting member** based on **the** recommendation of the President *[of the Senate]*.

(2) The term of office of each voting member is four years, but a member serves at the pleasure of the Governor. The term of office of a nonvoting member is two years. Before the expiration of the term of a voting member, the Governor shall appoint a successor whose term begins on January 1 next following. A member is eligible for reappointment. If there is a vacancy in the voting membership for any cause, the Governor shall make an appointment to become immediately effective for the unexpired term. The Speaker and President, respectively, shall make *[any]* **an** appointment to fill a vacancy in the nonvoting membership.

(3) Individuals appointed members of the commission *[shall be citizens]* **must be residents** of Oregon well qualified by experience to make policy and recommendations in areas of concern to the commission and otherwise to perform the duties of the office. Members of the commission *[shall]* **must** be diversified in their charitable interests. At the time of appointment, the voting members *[shall]* **may** not have any direct or indirect financial interest in any checkoff proposal currently in law or under consideration by the commission. If a conflict arises after a member's appointment, the member shall declare the conflict and abstain from deliberations and voting on the proposal.

(4) A voting member of the commission is entitled to compensation and expenses as provided in ORS 292.495. The nonvoting legislative members *[shall be]* **are** entitled to compensation and expenses under ORS 171.072.

NOTE: Clarifies eligibility requirement for member of commission in (3) and improves syntax throughout.

SECTION 6. ORS 307.111 is repealed.

NOTE: Repeals obsolete statute.

SECTION 7. ORS 307.270 is amended to read:

307.270. (1) The exemption under ORS 307.250 *[shall apply]* **applies** to property *[any such]* **a** veteran or surviving spouse *[may own, or have]* **owns or has** in possession under a recorded contract of purchase, *on January 1 of the year in which the exemption is claimed*. The exemption *[shall]* first *[apply]* **applies** to the homestead of the veteran or surviving spouse and then to the personal property of the veteran or surviving spouse. Property of the spouse of *[any such]* **the** veteran **is deemed the homestead of the veteran if the veteran and the spouse of the veteran** *[where they]* are living together and occupying the *[same]* **property** as their homestead *[shall be deemed the homestead of the veteran]*. When *[any such]* **a** veteran or surviving spouse applies for exemption on properties in two or more counties, the total amount of the exemption allowed in all *[such]* counties *[shall]* **may** not exceed the maximum amount of exemption under ORS 307.250.

(2) For each qualified veteran or surviving spouse only one valid and allowable claim for an exemption on a homestead shall be permitted in any one assessment year.

NOTE: Eliminates erroneous date reference and improves syntax in (1).

SECTION 8. ORS 307.600 is amended to read:

307.600. (1) The Legislative Assembly finds that it is in the public interest to stimulate the construction of transit supportive multiple-unit housing in the core areas of Oregon's urban centers to improve the balance between the residential and commercial nature of those areas, and to ensure full-time use of the areas as places where *[citizens]* **residents** of the community have an opportunity to live as well as **to** work.

(2) The Legislative Assembly further finds that it is in the public interest to promote private investment in transit supportive multiple-unit housing in light rail station areas and transit oriented areas in order to maximize Oregon's transit investment to the fullest extent possible and that the cities and counties of this state should be enabled to establish and design programs to attract new

development of multiple-unit housing, and commercial and retail property, in areas located within a light rail station area or transit oriented area.

(3) The Legislative Assembly further finds that the cities and counties of this state should be enabled to establish and design programs to attract new development of multiple-unit housing in light rail station areas, in transit oriented areas or in city core areas by means of the local property tax exemption authorized under ORS 307.600 to 307.637. The programs shall emphasize the following:

(a) The development of vacant or underutilized sites in light rail station areas, transit oriented areas or core areas, rather than sites where sound or rehabilitable multiple-unit housing exists.

(b) The development of multiple-unit housing, with or without parking, in structures that may include ground level commercial space.

(c) The development of multiple-unit housing, with or without parking, on sites with existing single-story commercial structures.

(d) The development of multiple-unit housing, with or without parking, on existing surface parking lots.

(4) The Legislative Assembly further finds that it is in the public interest to preserve or establish existing housing that is affordable to low income persons by providing the incentives authorized in ORS 307.600 to 307.637 to:

(a) Existing multiple-unit housing subject to a low income housing assistance contract with an agency or subdivision of this state or the United States; and

(b) Existing multiple-unit housing that becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States in order to use the incentives authorized in ORS 307.600 to 307.637.

(5) The programs shall result in the preservation, construction, addition or conversion of units at rental rates or sale prices accessible to a broad range of the general public.

NOTE: Conforms language to standard legislative style and improves grammar in (1).

SECTION 9. ORS 308.020, 308.341, 308.343 and 308.905 are repealed.

NOTE: Repeals obsolete statutes.

SECTION 10. ORS 308A.050 is amended to read:

308A.050. The Legislative Assembly recognizes that agriculture and related land uses contribute significantly to Oregon's character and economy. The Legislative Assembly finds that providing the means for agriculture to continue and prosper is in the interest of all [*citizens*] **residents** of this state, who benefit directly or indirectly from agricultural production and stewardship of farmlands and ranchlands. Valuation of farm properties based upon market data from sales for investment or other purposes not connected with bona fide farm use encourages the conversion of agricultural land to other uses. The identification of agricultural land for farm use, as provided by law, substantially limits alternative uses of such land and justifies the valuation of that land based on its agricultural production capability. Therefore, it is the declared intent of the Legislative Assembly that bona fide farm properties be assessed for ad valorem property tax purposes at a value that is exclusive of values attributable to urban influences or speculative purposes.

NOTE: Conforms language to standard legislative style.

SECTION 11. ORS 308A.303 is amended to read:

308A.303. The [*legislature hereby*] **Legislative Assembly** declares that it is in the best interest of [*the*] **this** state to maintain, preserve, conserve and otherwise continue in existence adequate open space lands and [*the*] **their** vegetation [*thereon*] to assure continued public health by counteracting pollutants and to assure the use and enjoyment of natural resources and scenic beauty for the economic and social well-being of [*the*] **this** state and its [*citizens*] **people**. The [*legislature*] **Legislative Assembly** further declares that it is in the public interest to prevent the forced conversion of open space [*land*] **lands** to more intensive uses as the result of economic pressures caused by the assessment [*thereof*] **of those lands** for purposes of property taxation at values incompatible with their preservation as [*such*] open space [*land*] **lands**, [*and*] that assessment practices must be [*so*] designed [*as*] to permit the continued availability of open space lands for these purposes[,] and **that** it is the intent of ORS 308A.300 to 308A.330 to so provide.

NOTE: Conforms language to standard legislative style and updates terminology and syntax.

SECTION 12. ORS 308A.353 is amended to read:

308A.353. The Legislative Assembly declares that it is in the best interest of *[the]* **this** state to maintain, preserve, conserve and rehabilitate riparian lands to assure the protection of the soil, water, fish and wildlife resources of *[the]* **this** state for the economic and social well-being of *[the]* **this** state and its *[citizens]* **people**. The Legislative Assembly declares that riparian habitat maintained in a healthy condition is a legitimate land use that contributes to erosion control, improved water quality and prolonged streamflow. The Legislative Assembly further declares that it is in the public interest to prevent the forced conversion of riparian environments to more intensive uses as a result of economic pressures caused by the assessment of those lands for purposes of property taxation at values incompatible with their protection as riparian lands and that tax exemption must be granted to permit the continued availability of riparian environments for these purposes, and it is the intent of ORS 308A.350 to 308A.383 to so provide.

NOTE: Conforms language to standard legislative style.

SECTION 13. ORS 311.070 is amended to read:

311.070. Upon the designation of someone[,] other than the sheriff as tax collector of a county, all the duties, functions and powers of the sheriff of the county acting as the tax collector and with respect to the collection of taxes *[shall be]* **are** transferred to the tax collector.

NOTE: Removes extraneous punctuation and improves syntax.

SECTION 14. ORS 311.160 is repealed.

NOTE: Repeals obsolete statute.

SECTION 15. ORS 311.232 is amended to read:

311.232. If any officer described in ORS 311.216 to 311.232 fails to comply with ORS 311.216 to 311.232 on the discovery by the officer, or on credible information being furnished by another person, that property has been omitted from taxation, the state, on the relation of any state officer or of any taxpayer of the county in which the failure occurs, may proceed against the officer in any court of competent jurisdiction by mandamus to compel the officer to comply with ORS 311.216 to 311.232. In the trial of the suit the question of what constitutes credible information is a question of fact to be determined by the court trying the case in the same manner other issues of fact are determined. If judgment is rendered that credible information has been discovered by or furnished to the officer, or that the officer has reason to believe that property has been omitted from taxation, the officer shall forthwith place the omitted property on the assessment and tax roll in accordance with ORS 311.216 to 311.232. If judgment is rendered against the officer, the officer shall be liable for all costs of the mandamus suit, and for a reasonable attorney fee at trial and on appeal for relator's attorney, which shall be taxed as a part of the costs of the suit. If proceedings are instituted under this section on the relation of any private *[citizen]* **individual**, the relator shall give bond to the satisfaction of the court to pay all costs *[which]* **that** may be recovered against the relator.

NOTE: Conforms language to standard legislative style.

SECTION 16. ORS 311.666, as amended by section 16, chapter 33, Oregon Laws 2016, is amended to read:

311.666. As used in ORS 311.666 to 311.701:

(1) "County median RMV" means the median real market value entered on the last certified assessment and tax roll for all residential improved properties in the county in which a homestead is located that are classified as 1-0-1 pursuant to the rule adopted by the Department of Revenue under ORS 308.215.

(2) "Homestead" means the owner occupied principal dwelling, either real or personal property, owned by the taxpayer and the tax lot upon which it is located. If the homestead is located in a multiunit building, the homestead is the portion of the building actually used as the principal dwelling and its percentage of the value of the common elements and of the value of the tax lot upon which it is built. The percentage is the value of the unit consisting of the homestead compared to the total value of the building exclusive of the common elements, if any.

(3) "Household income" means the aggregate income of the taxpayer and the spouse of the taxpayer who occupy the homestead, that was received during the calendar year for which the claim is filed. "Household income" includes payments received by the taxpayer or the spouse of the taxpayer under the federal Social Security Act for the benefit of a minor child or minor children who occupy the homestead.

(4) "Income" means "adjusted gross income" as defined in the federal Internal Revenue Code, as amended and in effect on December 31, 2015, even when the amendments take effect or become operative after that date, relating to the measurement of taxable income of individuals, estates and trusts, with the following modifications:

(a) There shall be added to adjusted gross income the following items of otherwise exempt income:

- (A) The gross amount of any otherwise exempt pension less return of investment, if any.
- (B) Child support received by the taxpayer.
- (C) Inheritances.
- (D) Gifts and grants, the sum of which are in excess of \$500 per year.
- (E) Amounts received by a taxpayer or spouse of a taxpayer for support from a parent who is not a member of the taxpayer's household.
- (F) Life insurance proceeds.
- (G) Accident and health insurance proceeds, except reimbursement of incurred medical expenses.
- (H) Personal injury damages.
- (I) Sick pay that is not included in federal adjusted gross income.
- (J) Strike benefits excluded from federal gross income.
- (K) Worker's compensation, except for reimbursement of medical expense.
- (L) Military pay and benefits.
- (M) Veteran's benefits.
- (N) Payments received under the federal Social Security Act that are excluded from federal gross income.

(O) Welfare payments, except as follows:

- (i) Payments for medical care, drugs and medical supplies, if the payments are not made directly to the welfare recipient;
- (ii) In-home services authorized and approved by the Department of Human Services; and
- (iii) Direct or indirect reimbursement of expenses paid or incurred for participation in work or training programs.

(P) Nontaxable dividends.

(Q) Nontaxable interest not included in federal adjusted gross income.

(R) Rental allowance paid to a minister that is excluded from federal gross income.

(S) Income from sources without the United States that is excluded from federal gross income.

(b) Adjusted gross income shall be increased due to the disallowance of the following deductions:

(A) The amount of the net loss, in excess of \$1,000, from all dispositions of tangible or intangible properties.

(B) The amount of the net loss, in excess of \$1,000, from the operation of a farm or farms.

(C) The amount of the net loss, in excess of \$1,000, from all operations of a trade or business, profession or other activity entered into for the production or collection of income.

(D) The amount of the net loss, in excess of \$1,000, from tangible or intangible property held for the production of rents, royalties or other income.

(E) The amount of any net operating loss carryovers or carrybacks included in federal adjusted gross income.

(F) The amount, in excess of \$5,000, of the combined deductions or other allowances for depreciation, amortization or depletion.

(G) The amount added or subtracted, as required within the context of this section, for adjustments made under ORS 316.680 (2)(d) and 316.707 to 316.737.

(c) "Income" does not include *[any of]* the following:

(A) Any governmental grant that must be used by the taxpayer for rehabilitation of the homestead of the taxpayer.

[(B) The amount of any payments made pursuant to ORS 310.630 to 310.706.]

[(C)] (B) Any refund of Oregon personal income taxes that were imposed under ORS chapter 316.

(5)(a) "Net worth" means the sum of the current market value of all assets, including real property, cash, savings accounts, bonds and other investments, after deducting outstanding liabilities.

(b) "Net worth" does not include the value of a homestead for which deferral is claimed under ORS 311.666 to 311.701, the cash value of life insurance policies on the life of a taxpayer or tangible personal property owned by a taxpayer.

(6) "Person with a disability" means an individual who has been determined to be eligible to receive or who is receiving federal Social Security benefits due to disability or blindness, including an individual who is receiving Social Security survivor benefits in lieu of Social Security benefits due to disability or blindness.

(7) "Tax-deferred property" means the property upon which taxes are deferred under ORS 311.666 to 311.701.

(8) "Taxes" or "property taxes" means ad valorem taxes, assessments, fees and charges entered on the assessment and tax roll.

(9) "Taxpayer" means an individual who has filed, as an individual or jointly, a claim for deferral under ORS 311.666 to 311.701.

(10)(a) "Transferee" means, without limitation, an heir, legatee, devisee, distributee of an estate of a deceased individual, the assignee or donee of an insolvent individual or a person acting in a fiduciary capacity on behalf of a transferee.

(b) "Transferee" does not mean a bona fide purchaser for value.

(11) "U.S. City Average Consumer Price Index" means the U.S. City Average Consumer Price Index for All Urban Consumers (All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor.

NOTE: Improves syntax and deletes reference to repealed statutes in (4) (see sections 1 to 3 and 29, chapter 348, Oregon Laws 2015).

SECTION 17. ORS 311.796 is repealed.

NOTE: Repeals obsolete statute.

SECTION 18. ORS 311.807 is amended to read:

311.807. (1) The county treasurer may maintain an account designated as the refund reserve account. The refund reserve account shall consist of the funds deposited by the treasurer under subsection (2) of this section *[and any funds deposited under ORS 311.160]*, plus interest earned thereon.

(2)(a) Each year, the treasurer may deposit in the refund reserve account, from the unsegregated tax collections account, an amount equal to 100 percent of the anticipated annual refunds for the county.

(b) Any deposit into the refund reserve account from taxes collected in November shall not exceed two-thirds of the total anticipated annual refunds for the county.

(3) The moneys in the refund reserve account shall first be used to pay refunds determined to be due under ORS 311.806.

(4) If the moneys in the refund reserve account are insufficient to pay refunds at any time, refunds shall be made out of the unsegregated tax collections account. If funds are not available in either the refund reserve account or the unsegregated tax collections account, the county governing body may delay payment of the refunds until *[such time as]* sufficient funds are available.

(5) If, at the end of the fiscal year, the balance in the refund reserve account exceeds the amount necessary to pay estimated refunds, the treasurer shall distribute the excess to the unsegregated tax collections account.

(6) The Department of Revenue shall provide by rule the method to be used to calculate anticipated annual refunds for the county.

NOTE: Deletes reference to repealed statute in (1). See section 14 (repealing ORS 311.160). Improves syntax in (4).

SECTION 19. ORS 312.050 is amended to read:

312.050. (1) On the day [which] **that** is three months after the day of delinquency of taxes of the latest year, the tax collector, with the assistance of the district attorney, shall institute proceedings to foreclose the liens for all the delinquent taxes against each of the several properties included in the foreclosure list.

(2) One general proceeding shall be brought on the part of the county to foreclose the tax liens against each of the properties included in the foreclosure list. The person whose name appears in the latest tax roll as the owner of any property [therein] described **in the latest tax roll** shall be considered and treated as the owner of the property. Each [such] proceeding shall be a proceeding in rem against the property itself. If in any tax roll it appears that the owner of any property is unknown, or that the name of the owner is exempt from disclosure under ORS [191.501] **192.501**, then the property shall be proceeded against as **property** belonging to an unknown owner.

NOTE: Corrects typographical error in (2) and improves syntax throughout.

SECTION 20. ORS 315.208 is amended to read:

315.208. (1) A credit against the taxes otherwise due under ORS chapter 316 (or, if the taxpayer is a corporation that is an employer, under ORS chapter 317 or 318) is allowed to an employer, based upon costs actually paid or incurred by the employer, to acquire, construct, reconstruct, renovate or otherwise improve real property so that the property may be used primarily as a dependent care facility.

(2) The credit allowed under this section shall be the [lesser] **least** of:

(a) \$2,500 multiplied by the number of full-time equivalent employees employed by the employer (on the property or within such proximity to the property that any dependents of the employees may be cared for in the facility) on any date within the two years immediately preceding the end of the first tax year for which credit is first claimed;

(b) Fifty percent of the cost of the acquisition, construction, reconstruction, renovation or other improvement; or

(c) \$100,000.

(3) To qualify for the credit allowed under subsection (1) of this section:

(a) The amounts paid or incurred by the employer for the acquisition, construction, reconstruction, renovation or other improvement to real property may be paid or incurred either:

(A) To another to be used to acquire, construct, reconstruct, renovate or otherwise improve real property to the end that it may be used as a dependent care facility with which the employer contracts to make dependent care assistance payments which payments are wholly or partially entitled to exclusion from income of the employee for federal tax purposes under section 129 of the Internal Revenue Code; or

(B) To acquire, construct, reconstruct, renovate or otherwise improve real property to the end that it may be operated by the employer, or a combination of employers, to provide dependent care assistance to the employees of the employer under a program or programs under which the assistance is, under section 129 of the Internal Revenue Code, wholly or partially excluded from the income of the employee.

(b) The property must be in actual use as a dependent care facility on the last day of the tax year for which credit is claimed and dependent care services assisted by the employer must take place on the acquired, constructed, reconstructed, renovated or improved property and must be entitled to an exclusion (whole or partial) from the income of the employee for federal tax purposes under section 129 of the Internal Revenue Code on the last day of the tax year for which credit is claimed.

(c) The person or persons operating the dependent care facility on the property acquired, constructed, reconstructed, renovated or improved must hold a certification (temporary or not) issued under ORS 329A.030 and 329A.250 to 329A.450 by the Office of Child Care to operate the facility

on the property on the last day of the tax year of any tax year in which credit under this section is claimed.

(d) The dependent care facility acquired, constructed, reconstructed, renovated or otherwise improved must be located in Oregon. No credit shall be allowed under this section if the dependent care facility is not acquired, constructed, reconstructed, renovated or improved to accommodate six or more children.

(e) The employer must meet any other requirements or furnish any information, including information furnished by the employees or person operating the dependent care facility, to the Department of Revenue that the department requires under its rules to carry out the purposes of this section.

(f) The dependent care facility, the costs of the acquisition, construction, reconstruction, renovation or improvement upon which the credit granted under this section is based, must be placed in operation before January 1, 2002.

(4) The total amount of the costs upon which the credit allowable under this section is based, and the total amount of the credit, shall be determined by the employer, subject to any rules adopted by the department, during the tax year in which the property acquired, constructed, reconstructed, renovated or otherwise improved is first placed in operation as a dependent care facility certified by the Office of Child Care under ORS 329A.030 and 329A.250 to 329A.450. One-tenth of the total credit is allowable in that tax year and one-tenth of the total credit is allowable in each succeeding tax year, not to exceed nine tax years, thereafter. No credit shall be allowed under this section for any tax year at the end of which the dependent care facility is not in actual operation under a current certification (temporary or not) issued by the Office of Child Care nor shall any credit be allowed for any tax year at the end of which the employer is not providing dependent care assistance entitled to exclusion (whole or partial) from employee income for federal tax purposes under section 129 of the Internal Revenue Code for dependent care on the property. Any tax credit allowable under this section in a tax year may be carried forward in the same manner and to the same tax years as if it were a tax credit described in ORS 315.204.

(5) Nothing in this section shall affect the computation of depreciation or basis of a dependent care facility. If a deduction is allowed for purposes of ORS chapter 316, 317 or 318 for the amounts paid or incurred upon which the credit under this section is based, the deduction shall be reduced by the dollar amount of the credit granted under this section.

(6) For purposes of the credit allowed under this section:

(a) The definitions and special rules contained in section 129(e) of the Internal Revenue Code shall apply to the extent applicable.

(b) "Employer" means a resident, part-year resident or full-year nonresident employer carrying on a business, trade, occupation or profession in this state.

(7) The department shall require that evidence that the person operating the dependent care facility on the date that the taxpayer's tax year ends holds a current certification (temporary or otherwise) to operate the facility accompany the tax return on which any amount of tax credit granted under this section is claimed, or that such evidence be separately furnished. If the evidence is not so furnished, no credit shall be allowed for the tax year for which the evidence is not furnished. The Office of Child Care shall cooperate by making such evidence, in an appropriate form, available to the person operating the facility, if the person is currently certified (temporary or not) so that, if necessary, it may be made available to the taxpayer.

NOTE: Improves grammar in (2).

SECTION 21. ORS 315.272 is amended to read:

315.272. (1) An individual taxpayer shall be allowed a credit against the taxes that are otherwise due under ORS chapter 316 if, during the tax year:

(a) The taxpayer purchased a primary residence;

(b) All or a part of the usual and reasonable settlement, financing or other closing costs for the purchase were funded from a withdrawal from an individual development account in which the taxpayer is the account holder; and

- (c) An approved purpose of the account is the purpose described in ORS 458.685 (1)(d).
- (2) The amount of the tax credit shall be the [lesser] **least** of:
 - (a) The amount of the withdrawal from the individual development account that is for the purpose described in ORS 458.685 (1)(d);
 - (b) The amount of usual and reasonable settlement, financing and other closing costs incurred in the purchase of the primary residence;
 - (c) \$2,000; or
 - (d) The tax liability of the taxpayer.
- (3) A tax credit allowed under this section that is unused may not be carried forward to a succeeding tax year.
- (4) A tax credit under this section may be claimed by a nonresident or a part-year resident without proration.
- (5) The definitions in ORS 458.670 apply to this section.

NOTE: Improves grammar in (2).

SECTION 22. ORS 316.003 is amended to read:

316.003. (1) The goals of the Legislative Assembly are to achieve for [*Oregon's citizens*] **the people of this state** a tax system [*which*] **that** recognizes:

- (a) Fairness and equity as its basic values; and
- (b) That the total tax system should use seven guiding principles as measures by which to evaluate tax proposals.
 - (2) Those guiding principles are:
 - (a) Ability to pay;
 - (b) Fairness;
 - (c) Efficiency;
 - (d) Even distribution;
 - (e) The tax system should be equitable where the minimum aspects of a fair system are:
 - (A) That it shields genuine subsistence income from taxation;
 - (B) That it is not regressive; and
 - (C) That it imposes approximately the same tax burden on all households earning the same income;
 - (f) Adequacy; and
 - (g) Flexibility.
 - (3) To meet those goals of Oregon's tax system, any tax must be considered in conjunction with the effects of all other taxes on Oregonians.

NOTE: Conforms language to standard legislative style in (1).

SECTION 23. ORS 316.147, as amended by section 21, chapter 33, Oregon Laws 2016, is amended to read:

316.147. As used in ORS 316.147 to 316.149, unless the context requires otherwise:

- (1) "Eligible taxpayer" includes any individual who must pay taxes otherwise imposed by this chapter and:
 - (a) Who pays or incurs expenses for the care of a qualified individual, through a payment method determined by rule of the Department of Revenue; and
 - (b) Who has a household income, for the taxable year, not to exceed the maximum amount of household income allowed in ORS 310.640 (1989 Edition) for a homeowner or renter refund.
- (2) "Household income" means the aggregate income of the eligible taxpayer and the spouse of the taxpayer who reside in the household, that was received during a calendar year. "Household income" includes payments received by the eligible taxpayer or the spouse of the taxpayer under the federal Social Security Act for the benefit of a minor child or minor children who reside in the household.
- (3) "Income" means "adjusted gross income" as defined in the federal Internal Revenue Code, as amended and in effect on December 31, 2015, even when the amendments take effect or become

operative after that date, relating to the measurement of taxable income of individuals, estates and trusts, with the following modifications:

(a) There shall be added to adjusted gross income the following items of otherwise exempt income:

(A) The gross amount of any otherwise exempt pension less return of investment, if any.

(B) Child support received by the taxpayer.

(C) Inheritances.

(D) Gifts and grants, the sum of which are in excess of \$500 per year.

(E) Amounts received by a taxpayer or spouse of a taxpayer for support from a parent who is not a member of the taxpayer's household.

(F) Life insurance proceeds.

(G) Accident and health insurance proceeds, except reimbursement of incurred medical expenses.

(H) Personal injury damages.

(I) Sick pay that is not included in federal adjusted gross income.

(J) Strike benefits excluded from federal gross income.

(K) Worker's compensation, except for reimbursement of medical expense.

(L) Military pay and benefits.

(M) Veteran's benefits.

(N) Payments received under the federal Social Security Act that are excluded from federal gross income.

(O) Welfare payments, except as follows:

(i) Payments for medical care, drugs and medical supplies, if the payments are not made directly to the welfare recipient;

(ii) In-home services authorized and approved by the Department of Human Services; and

(iii) Direct or indirect reimbursement of expenses paid or incurred for participation in work or training programs.

(P) Nontaxable dividends.

(Q) Nontaxable interest not included in federal adjusted gross income.

(R) Rental allowance paid to a minister that is excluded from federal gross income.

(S) Income from sources without the United States that is excluded from federal gross income.

(b) Adjusted gross income shall be increased due to the disallowance of the following deductions:

(A) The amount of the net loss, in excess of \$1,000, from all dispositions of tangible or intangible properties.

(B) The amount of the net loss, in excess of \$1,000, from the operation of a farm or farms.

(C) The amount of the net loss, in excess of \$1,000, from all operations of a trade or business, profession or other activity entered into for the production or collection of income.

(D) The amount of the net loss, in excess of \$1,000, from tangible or intangible property held for the production of rents, royalties or other income.

(E) The amount of any net operating loss carryovers or carrybacks included in federal adjusted gross income.

(F) The amount, in excess of \$5,000, of the combined deductions or other allowances for depreciation, amortization or depletion.

(G) The amount added or subtracted, as required within the context of this section, for adjustments made under ORS 316.680 (2)(d) and 316.707 to 316.737.

(c) "Income" does not include *[any of]* the following:

(A) Any governmental grant that must be used by the taxpayer for rehabilitation of the homestead of the taxpayer.

[(B) The amount of any payments made pursuant to ORS 310.630 to 310.706.]

[(C)] (B) Any refund of Oregon personal income taxes that were imposed under this chapter.

(4) "Qualified individual" includes an individual at least 60 years of age on the date that the expenses described in subsection (1)(a) of this section are paid or incurred by the eligible taxpayer:

(a) Whose household income does not exceed \$7,500 for the calendar year in which the taxable year of the taxpayer begins;

(b) Who is eligible for authorized services as defined in ORS 410.410 under Oregon Project Independence;

(c) Who is certified by the Department of Human Services; and

(d) Whose care or any portion thereof is not paid for under ORS chapter 414.

NOTE: Improves syntax and deletes reference to repealed statutes in (3) (see sections 1 to 3 and 29, chapter 348, Oregon Laws 2015).

SECTION 24. ORS 316.157, as amended by section 22, chapter 33, Oregon Laws 2016, is amended to read:

316.157. (1) In the case of an eligible individual, there shall be allowed as a credit against the taxes otherwise due under this chapter for the taxable year an amount equal to the lesser of the tax liability of the taxpayer or nine percent of net pension income.

(2) For purposes of this section:

(a) "Eligible individual" means any individual who is receiving pension income and who has attained *[the following]* **62 years of** age before the close of the taxable year~~[:]~~.

[(A) For taxable years beginning on or after January 1, 1991, and before January 1, 1993, the individual must attain 58 years of age before the close of the taxable year.]

[(B) For taxable years beginning on or after January 1, 1993, and before January 1, 1995, the individual must attain 59 years of age before the close of the taxable year.]

[(C) For taxable years beginning on or after January 1, 1995, and before January 1, 1997, the individual must attain 60 years of age before the close of the taxable year.]

[(D) For taxable years beginning on or after January 1, 1997, and before January 1, 1999, the individual must attain 61 years of age before the close of the taxable year.]

[(E) For taxable years beginning on or after January 1, 1999, the individual must attain 62 years of age before the close of the taxable year.]

(b) "Household income" means the aggregate income of the taxpayer and the spouse of the taxpayer who reside in the household, that was received during the taxable year for which a credit is claimed, except that "household income" does not include Social Security benefits received by the taxpayer or the spouse of the taxpayer.

(c) "Income" means "adjusted gross income" as defined in the federal Internal Revenue Code, as amended and in effect on December 31, 2015, even when the amendments take effect or become operative after that date, relating to the measurement of taxable income of individuals, estates and trusts, with the following modifications:

(A) There shall be added to adjusted gross income the following items of otherwise exempt income:

(i) The gross amount of any otherwise exempt pension less return of investment, if any.

(ii) Child support received by the taxpayer.

(iii) Inheritances.

(iv) Gifts and grants, the sum of which are in excess of \$500 per year.

(v) Amounts received by a taxpayer or spouse of a taxpayer for support from a parent who is not a member of the taxpayer's household.

(vi) Life insurance proceeds.

(vii) Accident and health insurance proceeds, except reimbursement of incurred medical expenses.

(viii) Personal injury damages.

(ix) Sick pay that is not included in federal adjusted gross income.

(x) Strike benefits excluded from federal gross income.

(xi) Worker's compensation, except for reimbursement of medical expense.

(xii) Military pay and benefits.

(xiii) Veteran's benefits.

(xiv) Payments received under the federal Social Security Act that are excluded from federal gross income.

(xv) Welfare payments, except as follows:

(I) Payments for medical care, drugs and medical supplies, if the payments are not made directly to the welfare recipient;

(II) In-home services authorized and approved by the Department of Human Services; and

(III) Direct or indirect reimbursement of expenses paid or incurred for participation in work or training programs.

(xvi) Nontaxable dividends.

(xvii) Nontaxable interest not included in federal adjusted gross income.

(xviii) Rental allowance paid to a minister that is excluded from federal gross income.

(xix) Income from sources without the United States that is excluded from federal gross income.

(B) Adjusted gross income shall be increased due to the disallowance of the following deductions:

(i) The amount of the net loss, in excess of \$1,000, from all dispositions of tangible or intangible properties.

(ii) The amount of the net loss, in excess of \$1,000, from the operation of a farm or farms.

(iii) The amount of the net loss, in excess of \$1,000, from all operations of a trade or business, profession or other activity entered into for the production or collection of income.

(iv) The amount of the net loss, in excess of \$1,000, from tangible or intangible property held for the production of rents, royalties or other income.

(v) The amount of any net operating loss carryovers or carrybacks included in federal adjusted gross income.

(vi) The amount, in excess of \$5,000, of the combined deductions or other allowances for depreciation, amortization or depletion.

(vii) The amount added or subtracted, as required within the context of this section, for adjustments made under ORS 316.680 (2)(d) and 316.707 to 316.737.

(C) "Income" does not include [*any of*] the following:

(i) Any governmental grant that must be used by the taxpayer for rehabilitation of the homestead of the taxpayer.

[*ii*] *The amount of any payments made pursuant to ORS 310.630 to 310.706.*]

[*iii*] (ii) Any refund of Oregon personal income taxes that were imposed under this chapter.

(d) "Net pension income" means:

(A) For eligible individuals filing a joint return, the lesser of the pension income of the eligible individuals received during the taxable year or the excess, if any, of \$15,000 over the sum of the following amounts:

(i) Any Social Security benefits received by the eligible individual, or by the spouse of the individual, during the taxable year; and

(ii) The excess, if any, of household income over \$30,000.

(B) For an eligible individual filing a return other than a joint return, the lesser of the pension income of the eligible individual received during the taxable year or the excess, if any, of \$7,500 over the sum of the following amounts:

(i) Any Social Security benefits received by the eligible individual during the taxable year; and

(ii) The excess, if any, of household income over \$15,000.

(e) "Pension income" means income included in Oregon taxable income from:

(A) Distributions from or pursuant to an employee pension benefit plan, as defined in section 3(2) of the Employee Retirement Income Security Act of 1974, which satisfies the requirements of section 401 of the Internal Revenue Code;

(B) Distributions from or pursuant to a public retirement system of this state or a political subdivision of this state, or a public retirement system created by an Act of this state or a political subdivision of this state, or the public retirement system of any other state or local government;

(C) Distributions from or pursuant to a federal retirement system created by the federal government for any officer or employee of the United States, including any person retired from service in the United States Civil Service, the Armed Forces of the United States or any agency or subdivision thereof;

(D) Distributions or withdrawals from or pursuant to an eligible deferred compensation plan which satisfies the requirements of section 457 of the Internal Revenue Code;

(E) Distributions or withdrawals from or pursuant to an individual retirement account, annuity or trust or simplified employee pension which satisfies the requirements of section 408 of the Internal Revenue Code; and

(F) Distributions or withdrawals from or pursuant to an employee annuity, including custodial accounts treated as annuities, subject to section 403 (a) or (b) of the Internal Revenue Code.

(f) "Social Security benefits" means Social Security benefits, as defined in section 86 of the Internal Revenue Code (Title II Social Security or tier 1 railroad retirement benefits).

(3) If a change in the taxable year of the eligible individual occurs as described in ORS 314.085, or if the Department of Revenue terminates the tax year of the eligible individual under ORS 314.440, the credit allowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

(4) If a change in the status of the eligible individual from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner consistent with subsection (1) of this section.

NOTE: Improves syntax and deletes outdated provisions and reference to repealed statutes in (2) (see sections 1 to 3 and 29, chapter 348, Oregon Laws 2015).

SECTION 25. ORS 316.587 is amended to read:

316.587. (1) Except as provided in subsection (5) of this section, if an individual makes an underpayment of estimated tax, interest shall accrue at the rate established under ORS 305.220 for each month, or fraction thereof, on the amount underpaid for the period the estimated tax or any installment remains unpaid. The penalty provisions contained in ORS chapter 314 for underpayment of tax shall not apply to underpayments of estimated tax under ORS 316.557 to 316.589.

(2) For purposes of subsection (1) of this section, the amount of underpayment shall be the excess of the required installment over the amount (if any) of the installment paid on or before the due date for the installment.

(3) The period of underpayment shall run from the date the installment was due to the earlier of the following dates:

(a) The 15th day of the fourth month following the close of the taxable year; or

(b) With respect to any portion of the underpayment, the date on which the portion is paid.

(4) For purposes of subsection (3)(b) of this section, a payment of estimated tax shall be credited against unpaid required installments in the order in which such installments are required to be paid.

(5)(a) Interest accruing under subsection (1) of this section shall not be imposed if the individual was a resident of this state throughout the preceding taxable year and had no tax liability for that year, and the preceding taxable year was a taxable year of 12 months.

(b) Interest accruing under subsection (1) of this section shall not be imposed with respect to any underpayment of estimated tax to the extent that the Department of Revenue determines that by reason of casualty, disaster or other unusual circumstances the imposition of interest would be against equity and good conscience.

(c) Interest accruing under subsection (1) of this section shall not be imposed with respect to any underpayment of estimated tax if the department determines that:

(A) In the tax year the estimated tax payment was required to be made or in the tax year preceding such tax year, the taxpayer (i) retired after having attained age 62 or (ii) became disabled; and

(B) The underpayment was due to reasonable cause and not to willful neglect.

(d) Interest accruing under subsection (1) of this section shall not be imposed with respect to any underpayment of estimated tax attributable to the pro rata share of a shareholder of the income of an S corporation if:

(A) The income is taxable income for an initial year for which S corporation status is elected for the corporation; and

(B) The shareholder is a nonresident or for the preceding taxable year was a part-year resident for Oregon tax purposes.

(6) For purposes of this section, the estimated tax shall be computed without any reduction for the amount of credit estimated to be allowed to the individual for the taxable year under ORS 316.187. The amount of the credit allowed under ORS 316.187 for the taxable year shall be considered a payment of estimated tax. An equal part of the credit shall be considered paid on each installment date for the taxable year, unless the taxpayer establishes the date on which all amounts were actually withheld, in which case the amount so withheld shall be considered payment of estimated tax on the dates on which the amounts were actually withheld.

(7) For purposes of subsections (5) and (8) of this section, the term “tax” means the tax imposed by this chapter minus any credits against tax allowed for purposes of this chapter, other than the credit against tax provided by ORS 316.187.

(8) For purposes of subsections (2) and (4) of this section, the term “required installment” means the amount of the installment that would be due if the estimated tax were equal to the [lesser] **least** of:

(a) Ninety percent of the tax shown on the return for the taxable year (or, if no return is filed, 90 percent of the tax for such year);

(b) If the preceding taxable year was a taxable year of 12 months, the percentage of the tax shown on the return filed by the individual for the preceding taxable year that is established by the Department of Revenue by rule; or

(c) Ninety percent of the tax for the taxable year computed by placing on an annualized basis the taxable income for the months in the taxable year ending before the month in which the installment is required to be paid.

(9) For purposes of subsection (8) of this section:

(a) If an amended return is filed on or before the return due date (determined with regard to any extension of time granted to the taxpayer), then the term “return” means the amended return.

(b) If during initial processing of the return the department adjusts the amount of tax due, then the term “tax shown on the return” means the tax as adjusted by the department. This paragraph shall not apply if it is ultimately determined that the adjustment was improper.

(c) The department shall consider the provisions of section 6654 of the Internal Revenue Code.

NOTE: Improves grammar in (8).

SECTION 26. ORS 321.259 is amended to read:

321.259. The Legislative Assembly finds that:

(1) Multiple taxation through a yearly ad valorem levy on both trees and forestland managed in sustained yield timber operations discourages conservation, private ownership and investment of capital.

(2) The interests of [the] **this** state, its [citizens] **residents** and its future [citizens] **residents** are best served by sustained yield practices and taxing policies that encourage production of forest resources for commerce, recreation and watersheds, stabilize employment levels, prevent large population shifts and encourage millage of timber products within Oregon.

(3) Timber on private lands managed on a sustained yield basis should be treated as a crop and not taxed as real property.

(4) Forestland should be taxed based on the value of the forestland in timber production.

NOTE: Improves syntax and conforms language to standard legislative style in (2).

SECTION 27. ORS 321.262 is amended to read:

321.262. The purposes of ORS 321.257 to 321.390 are:

(1) To impose with respect to forestlands in western Oregon a special assessment program whereby the value of forestland is determined as prescribed in ORS 321.201 to 321.222.

(2) To establish a special assessment program as a means of:

(a) Recognizing the long-term nature of the forest crop and fostering the public policy of Oregon to encourage the growing and harvesting of timber.

(b) Protecting the public welfare by assuring that the [*citizens of the*] **people of this** state and future generations shall have the benefits to be derived from the continuous production of forest products from private forestlands.

(c) Promoting [*the*] **this** state's policy of encouraging forestry and the restocking of forestlands to provide present and future benefits by enhancing the water supply, preventing erosion, providing habitat for wildlife, providing scenic and recreational opportunities and providing for needed products.

NOTE: Conforms language to standard legislative style in (2).

SECTION 28. ORS 321.703 is amended to read:

321.703. (1) The Legislative Assembly finds that:

(a) Oregon forests are dynamic ecosystems that make vital contributions to all Oregonians. Environmental benefits of forests include habitats for diverse life forms, clean and oxygenated air, clean, filtered and recycled water and stabilized productive soil. Economic benefits of forests include renewable raw material for paper and wood products used by everyone in daily living. Social benefits of forests include scenic landscapes and vistas, open space, solitude and outdoor recreation.

(b) Healthy productive forests provide a sustainable flow of goods, services, values and products.

(c) Private family and nonindustrial forestlands are important parts of the forest resource base of this state. Private family and nonindustrial forestlands make major contributions to the economy of this state and provide many other social and environmental benefits.

(d) Because of the wide array of management goals and objectives that apply to private family and nonindustrial forestlands, these forestlands provide a great range of valuable forest diversity across the landscape of this state.

(e) Many lower gradient streams, which are key components of numerous watersheds and are extremely important for some aquatic species, flow through private family and nonindustrial forestlands.

(f) The interests of this state, its [*citizens*] **residents** and **its** future [*citizens*] **residents** are best served by sustainable forest practices and taxing policies that encourage maintaining and establishing diverse forest resources for watersheds, commerce, recreation and stabilized employment levels. These practices and policies prevent shifts in population and encourage the processing of forest products within Oregon.

(g) Timber on private land that is managed on a sustainable basis should be treated as a crop and not taxed as real property.

(h) A tax imposed at the time of harvest coincides with the cash flow of small timber operations and recognizes the hazards and uncertainties involved in growing a long-term timber crop on a sustainable basis.

(2) The Legislative Assembly declares the purposes of the small tract forestland tax option program established under ORS 321.700 to 321.754 are to:

(a) Impose property taxes on forestland values that are annually determined and adjusted as described in ORS 321.201 to 321.222 and then specially assessed; and

(b) Impose a severance tax on the harvesting of timber from small tract forestland in order to:

(A) Recognize the long-term nature of the forest crop and foster the public policy of this state to encourage the growing and harvesting of timber;

(B) Protect the public welfare by ensuring that the [*citizens*] **people** of this state and future generations will have the benefits to be derived from the continuous production of forest products from privately held small tract forestland;

(C) Promote the public policy of this state to encourage forestry and the restocking of forestlands in order to provide present and future benefits, including but not limited to water supply

enhancement, erosion prevention, wildlife habitat, scenic and recreational opportunities and needed forest products;

(D) Produce revenues for local taxing districts;

(E) Match the incidence of taxation with the realization of the economic benefits of harvest; and

(F) Encourage the establishment of new forests on denuded, nonstocked or underproducing forestland.

NOTE: Improves syntax and conforms language to standard legislative style in (1) and (2).

SECTION 29. ORS 321.808 is amended to read:

321.808. The purposes of ORS 321.805 to 321.855 are:

(1) To impose with respect to forestland in eastern Oregon a special assessment program whereby the assessed value of forestland is determined as prescribed in ORS 321.201 to 321.222.

(2) To establish a special assessment program as a means of:

(a) Recognizing the findings in ORS 321.817 without discriminating in favor of either eastern or western Oregon.

(b) Recognizing the long-term nature of the forest crop and fostering the public policy of Oregon to encourage the growing and harvesting of timber.

(c) Protecting the public welfare by assuring that the [*citizens of the*] **people of this** state and future generations shall have the benefits to be derived from the continuous production of forest products from private forestland.

(d) Promoting [*the*] **this** state's policy of encouraging forestry and the restocking of forestland to provide present and future benefits by enhancing the water supply, preventing erosion, providing habitat for wildlife, providing scenic and recreational opportunities and providing for needed products.

NOTE: Conforms language to standard legislative style in (2).

SECTION 30. ORS 321.817 is amended to read:

321.817. It is hereby found that:

(1) Multiple taxation through a yearly ad valorem levy on both trees and forestland managed in sustained yield timber operations discourages conservation, private ownership and investment of capital.

(2) The interests of [*the*] **this** state, its [*citizens*] **residents** and **its** future [*citizens*] **residents** are best served by sustained yield practices and tax policies that encourage production of forest resources for commerce, recreation and watersheds, stabilize employment levels, prevent large population shifts and encourage millage of timber products within Oregon.

(3) Timber on private lands managed on a sustained yield basis should be treated as a crop and not taxed as real property.

(4) [*That*] **The** portion of [*our*] **this** state lying east of the summit of the Cascade Mountains differs greatly in forest tree types, soils, climate, growing conditions and topography from western Oregon.

(5) Eastern Oregon forests predominate in Ponderosa pine and associated species, while western Oregon forests predominate in Douglas fir and associated species.

NOTE: Conforms language to standard legislative style in (2).

SECTION 31. ORS 323.803 is amended to read:

323.803. (1) Cigarette smoking presents serious public health concerns to the State of Oregon and to the [*citizens*] **people** of the State of Oregon. The Surgeon General has determined that smoking causes lung cancer, heart disease and other serious diseases, and that there are hundreds of thousands of tobacco-related deaths in the United States each year. These diseases most often do not appear until many years after the person in question begins smoking.

(2) Cigarette smoking also presents serious financial concerns for this state. Under certain health care programs, the State of Oregon may have a legal obligation to provide medical assistance to eligible persons for health conditions associated with cigarette smoking, and those persons may have a legal entitlement to receive such medical assistance.

(3) Under those health care programs, the State of Oregon pays millions of dollars each year to provide medical assistance for persons for health conditions associated with cigarette smoking.

(4) It is the policy of the State of Oregon that financial burdens imposed on this state by cigarette smoking be borne by tobacco product manufacturers rather than by this state to the extent that such manufacturers either determine to enter into a settlement with the State of Oregon or are found culpable by the courts.

(5) On November 23, 1998, leading United States tobacco product manufacturers entered into a settlement agreement, entitled the "Master Settlement Agreement," with the State of Oregon. The Master Settlement Agreement obligates those manufacturers, in return for a release of past, present and certain future claims against them as described in the Master Settlement Agreement:

(a) To pay substantial sums to the State of Oregon (tied in part to their volume of sales);

(b) To fund a national foundation devoted to the interests of public health; and

(c) To make substantial changes in their advertising and marketing practices and corporate culture, with the intention of reducing underage smoking.

(6) It would be contrary to the policy of the State of Oregon if those tobacco product manufacturers who determine not to enter into such a settlement could use a resulting cost advantage to derive large, short-term profits in the years before liability may arise without ensuring that this state will have an eventual source of recovery from them if they are proven to have acted culpably. It is thus in the interest of the State of Oregon to require that such manufacturers establish a reserve fund to guarantee a source of compensation and to prevent such manufacturers from deriving large, short-term profits and then becoming judgment-proof before liability may arise.

NOTE: Conforms language to standard legislative style in (1).

SECTION 32. ORS 456.579 is amended to read:

456.579. (1) There is established separate and distinct from the General Fund an account to be known as the Mobile Home Parks Purchase Account. Except as otherwise provided by law, all moneys credited to the Mobile Home Parks Purchase Account are appropriated continuously to the Director of the Housing and Community Services Department for the purpose of carrying out the duties and responsibilities imposed upon the Housing and Community Services Department under ORS 90.800 to 90.850[308.905] and 456.581 and this section. Interest earned on moneys in the account must be credited to the account.

(2) Except for loans provided in ORS 90.840, moneys in the account described in subsection (1) of this section may not be connected to or commingled in any way with the moneys in the fund described in ORS 456.720.

(3) For the purpose of carrying out the provisions of ORS 90.800 to 90.850[308.905] and 456.581 and this section, the Housing and Community Services Department may seek moneys from [*sources other than that described in ORS 308.905 (1)*] **any lawful source**. Moneys obtained by the department pursuant to this subsection must be credited to the Mobile Home Parks Purchase Account.

NOTE: Deletes references to repealed statute in (1) and (3). See section 9 (repealing ORS 308.905).

Passed by Senate February 23, 2017

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Lori L. Brocker, Secretary of Senate

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Peter Courtney, President of Senate

Passed by House June 1, 2017

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Tina Kotek, Speaker of House

Received by Governor:

.....M,....., 2017

Approved:

.....M,....., 2017

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Kate Brown, Governor

Filed in Office of Secretary of State:

.....M,....., 2017

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Dennis Richardson, Secretary of State