



## Heavy Equipment Rental is Unique

- Equipment rental fleets are business inputs but not currently defined as inventory. Fleet is purchased for resale (sale or rental).
- Rental fleets are mobile, moving from jobsite to jobsite both within and outside the state.
- All fleet is ultimately/subsequently sold. However, holding period may be longer than other types of business inputs.

## Problems with Oregon Property Tax

- Subjecting a tax on extremely mobile fleet based on where it happens to sit on any particular date is not sound tax policy.
- Assessors cannot properly assess this fleet for property tax purposes causing costly/timely that can lead to timely and costly appeals/litigation.
- Since there is no uniform method of assessment in the state, taxpayers are not treated similarly.

## National Policymaker Organizations Adopted Policy Statements

Last year, the National Conference of State Legislatures (NCSL) adopted a statement of principles regarding personal property taxes (attached). In July, the American Legislative Exchange Conference (ALEC) approved a similar resolution (attached; final with amendments is not yet on the ALEC site).

The NCSL & ALEC documents are very similar. Both highlight the problems with personal property taxes overall and specifically support alternatives that reflect the needs of the heavy equipment rental industry:

- 1) Providing an exemption for all types of business inventory, and defining inventory broadly to reflect different forms of inventory (e.g., rental equipment that is or ultimately will be offered for sale or spare parts retained in a storage facility)
- 2) Consider administrative accommodations or substitute taxes for taxpayers with highly mobile property that will be used in multiple locations (within the state or in multiple states) throughout the tax year (e.g., heavy equipment rentals)

The language differs slightly in the NCSL & ALEC resolutions, but the thrust is the same: personal property taxes are poor taxes that negatively impact the economy, and if a state can't eliminate the tax, it should at a minimum provide relief for the heavy equipment rental industry.

## What Can Oregon Do to Address the Problem?

Oregon should follow the other 30 plus states that have passed legislation that exempts rental fleet from personal property tax or have exempted the equipment from property tax and replaced it with a new tax that is based on rental transactions.