

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
79th Oregon Legislative Assembly
2018 Regular Session
Legislative Revenue Office

Bill Number: HB 4027 -9, -12
Revenue Area: Property Tax
Economist: Jaime McGovern
Date: 02/21/2018

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

Measure Description:

Provides gigabit exemption for qualifying companies for one year and repeals related statute for all future years. Extends low income housing tax exemption program sunset by six months. Transfers tax exempt status of cemeteries to low income housing

Revenue Impact (in \$Millions):

	Biennium		
	2017-19	2019-21	2021-23
Local Governments	0	23.3	23.3
Local Education Districts	0	11.7	11.7
Total Revenue Change	0	35	35

Impact Explanation:

Dash 12 - Gigabit: Revenue gain: Oregon Department of Revenue has denied the gigabit property tax exemption to the only two companies that applied under current law (SB 611, of the 2015 session). The “-12” amendment of this measure would give these two companies the (gigabit) exemption for 2017-2019, and then repeal ORS 308.673, 308.677 and 308.681, eliminating the tax exemption for all future years. The revenue neutrality (\$0 impact) of 2017-19 should be interpreted as DOR granting the Companies an exemption that would have been ultimately granted under current law. The revenue gains in all future biennia should be read to mean that under “-12”, DOR will no longer grant the exemption, that would have occurred under current law. Assuming the companies would have met the criteria at a later date, say 2020, then the expected revenue gain would not occur until after that date, and the current biennia would show a one-time total revenue loss approximately \$17.5 million. Since the tax exemption is based on the property tax rate based on the Oregon apportionment of the intangible value of multistate companies, this value could increase or decrease with the value of the company over time.

Dash 12 - Housing extension: The tax exemption once granted continues for 20 years. This is a program that has been renewed multiple times. However, there has been no notification of specific projects that must be developed in that six-month window. Thus, expected revenue impact is minimal.

Cemetery exemption: The “-9” would allow property that is currently tax exempt to remain off the roll when transferred to another specific tax-exempt use (low income housing). Without the “- 9”, cemetery property that is converted to a different use triggers a 10-year claw-back of taxes on the property, and then would be placed back on the tax rolls. However, the revenue impact of such a conversion of use is contingent on the year sold, the value of the new use, and land use restrictions.

Creates, Extends, or Expands Tax Expenditure: Yes No

The “-9” extends tax expenditure for property that is currently exempt under ORS 307.150 by allowing the property to remain off the roll even after converted to another use.

The “-12” housing exemption, extends and aligns the sunset to the end of the fiscal instead of calendar year.