**FISCAL IMPACT OF PROPOSED LEGISLATION** **Measure: HB 4139 - A**

79th Oregon Legislative Assembly – 2018 Regular Session
Legislative Fiscal Office

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

Prepared by: Meg Bushman-Reinhold
Reviewed by: John Borden, Ken Rocco
Date: 2/26/2018

**Measure Description:**
Imposes tax on rental price of construction, mining, earthmoving or industrial equipment, together with attachments and other equipment and tools, that is mobile and held primarily for rental.

**Government Unit(s) Affected:**
Counties, Department of Revenue (DOR), Legislative Revenue Office (LRO)

**Summary of Expenditure Impact:**
Costs related to the measure may require budgetary action - See analysis.

**Analysis:**
This bill imposes a two percent tax on the rental price of heavy equipment at the point of sale. Heavy equipment rental providers will report and submit receipts to the Department of Revenue (DOR) each quarter. After accounting for the administration costs for DOR and the distribution of 2% of receipts to counties without rental locations, the remainder of the funds will be redistributed back out to the counties. This program is designed to replace existing personal property taxes on this equipment.

<u>Department of Revenue</u>
DOR will need an Operations and Policy Analyst 3 and an Administrative Specialist 2 in its Business Division to stand up this new program statewide. A limited duration ISS6, along with approximately $363,000 in contract services from FAST, will be needed to configure GenTax, the Department's new revenue management application.

The actual amount of revenue expected from this two percent tax is unknown at this time. DOR anticipates Other Funds expenditures of $670,820 for the 2017-2019 biennium and $692,842 for 2019-21. The department's costs are limited to 5% of the revenue received from the tax. After two years of experience, DOR will recommend a tax rate that results in revenue roughly equal to the personal property tax revenue received prior to this program.

<u>Counties</u>
There is no expenditure impact to counties for this bill. Revenue to the counties will decrease by as much as 5%, depending on the Department of Revenue's costs to manage the program.