

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

Bill Number:	HB 4139 - A
Revenue Area:	Property Tax
Economist:	Jaime McGovern
Date:	02-27-2018

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

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.

Revenue Impact:

No impact to State funds

revenue decrease to local governments of, at most 5%, per year of the current property taxes on the equipment, per industry estimates, this equates to approximately \$450,000 per year

Impact Explanation:

- Generally, this bill was intended with a revenue neutral design. An excise tax replaces the current personal property tax. The bill intends that heavy equipment rental companies pay the same tax under the new excise tax that they would under current property tax statute and the bill provides a mechanism through the Department of Revenue to ensure that.
- Counties will receive at minimum, 95% of the local tax revenue that they would have received under current property tax law
 - Currently property tax is assessed on moveable industrial equipment by the county where it is located at January 1 of each year.
 - The Department will now collect an excise tax on behalf of the counties, collecting a fee up to 5% of total revenues.

Total Tax Revenue		
5%		max to DOR
95%		to counties
-	93.10%	Counties with rental locations
-	1.90%	Counties w/o rental locations

- Counties that have no rental location will (under the amendment) receive 2% of the net tax revenue ($.02 \times (1 - .05) = .019$)
- The remaining 93.1% ($1 - .05 - .019 = .931$) is distributed, on the basis of rental tax revenue collections, by the Department, to the county in which the rental location sits.
- Compression may be affected because personal property tax is being exempted.

State Capitol Building
900 Court St NE
Salem, Oregon 97301-1347

Phone (503) 986-1266
Fax (503) 986-1770
<https://www.oregonlegislature.gov/lro>

- The Legislative Revenue Office is unable to independently verify the property value of heavy equipment rental that is currently subject to property taxation, or that which will be subject to the proposed excise tax. The equipment is currently assessed and taxed at the local level along with other business personal property, and has not been parsed out to be made available at this time.
- However, given the revenue neutral design of the bill, assuming the 2% excise tax generates tax revenue equal to current property tax revenue, 2% of industry rental receipts is a proxy for tax revenue under this bill. The American Rental Association (ARA) does analysis on the economic impact of its industry, nationwide. LRO staff discussed the methodology and NAICS codes with the consulting economists for ARA. Given this data, this bill can be expected to generate approximately \$9 million in tax. After the Department of Revenue collects, at most 5% of annual tax revenue to administer the new excise tax program, there is approximately a \$450,000 annual loss to local governments.

Creates, Extends, or Expands Tax Expenditure: Yes No