

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

<b>Bill Number:</b>	<b>HB 4028 - B</b>
<b>Revenue Area:</b>	<b>Income/Property Taxes</b>
<b>Economist:</b>	<b>K. Easton/J. McGovern</b>
<b>Date:</b>	<b>3/2/2018</b>

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

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**Measure Description:**

Measure as engrossed makes changes to several income tax credits and property tax exemptions. This statement describes the changes by policy.

For purposes of Oregon affordable housing lender credit, includes new requirement through which entities may be considered a qualified borrower on a loan to finance a manufactured dwelling park. New requirement allows a nonprofit corporation or housing authority that has a controlling interest in the real property that is financed by a qualified loan to be considered a qualified borrower.

In instances where Legislative Assembly appropriates funds for deposit into the Oregon Production Investment Fund per ORS 315.516, such amount required to be reduced by the amount previously certified for the film production development contributions tax credit in the current fiscal year. Allows appropriations for upcoming fiscal year equal to total amount that would otherwise be certified for tax credits. Limits certification of credits for the corresponding fiscal year.

For purposes of tax credit for a producer or collector of manure used as biofuel or to produce biofuel, clarifies that the term "bovine" refers to "cattle". Specifies that cattle means: cows, heifers, bulls, steers or calves. Modifies \$5 million annual credit claimed limitation to \$5 million in annual credit certifications, as issued by the State Department of Agriculture for any calendar year.

Amends working family household and dependent care tax credit. Measure limits amount of employment-related expenses to lesser amount attributable to either spouse on a combined return. Specifies that income limit refers to earned income taxable by Oregon and reportable on the taxpayer's return.

For cemetery property currently exempt from property taxation, allows additional taxes that would otherwise be due at time of cemetery property no longer being used as cemetery property, to remain a potential tax liability that is not imposed. Specifies requirements in order for additional taxes to remain a potential tax liability. Requirements include land being used or held for the purpose of providing low income housing that will be exempt from property taxation per specified statutes. After land has been used to provide exempt low income housing for period of at least ten years, additional taxes end.

Makes changes to statutes governing local government permissive property tax exemption made available to qualified industrial property. Clarifies eligible location to include a location that has not formerly been used for industrial purposes. Clarifies definition of eligible property to include property whether appraised by the county

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or the Department of Revenue. Clarifies areas where exemption may be made available by changing definition of rural area to include an area in unincorporated territory, or in a city with a population less than 40,000, if areas are located entirely outside of the urban growth boundaries of any and all cities with populations of 40,000 or more. Effective 91st day following adjournment sine die.

Extends sunset of property tax exemption for newly constructed low income rental housing from January 1, 2020 to July 1, 2020.

**Revenue Impact (in \$Millions):**

Working family household and dependent care tax credit:

	Fiscal Year		Biennium		
		2018-19	2017-19	2019-21	2021-23
<b>General Fund</b>		\$1.0	\$1.0	\$2.0	\$1.1

- Affordable housing lender credit: Minimal
- Oregon Production Investment Fund: No Impact
- Manure for biofuel, producer or collector credit: Minimal
- Newly constructed low-income rental housing: Minimal
- New industrial property in rural areas: Minimal (see impact explanation)
- Cemetery land transferred to low-income housing: Indeterminate (see impact explanation)

**Impact Explanation:**

**Working family household and dependent care tax credit**

Measure limits amount of employment-related expenses to lesser amount attributable to either spouse on a combined return. Using the lesser of the spouse’s income has the effect of reducing applicable expenses in instances where actual employment related expenses exceed the lesser income of the spouse’s income. Using the lesser of the two spouse’s income was administrative practice prior to changes made in 2017 session where limit was set to income earned in Oregon and reported on the taxpayer’s return. Measure expands potential credit to Oregon taxpayers that earn income in another state.

**New industrial property in rural areas**

Changes contained in measure made to the existing permissive property tax exemption for new industrial property in rural areas are clarifications to existing law. No substantive changes to the permissive property tax exemption are expected. For this reason, the impact upon property tax revenue is expected to be minimal.

**Cemetery land transferred to low-income housing**

The proposed amendment provides for a transfer from a tax-exempt cemetery status to a tax-exempt low income housing status, without triggering a 10 year clawback on the back taxes for the cemetery property. The actual revenue impact would depend on when the property is sold, if it is sold, and the intended future use.

On a particular 71 acre parcel in Eugene of Lane County, the owner would like to convert the use of 21 of those acres to housing. If the property is converted to low income housing, the owner (or purchaser) would not be,

under measure as amended, be required to pay the 10 years of back taxes that would normally be due upon cessation of property for cemetery and crematory purposes. Given a property tax rate of \$18.6901 per \$1,000 of property value, the contemplated 21 acres would, under current law, yield local tax revenue of \$231,492.64. Under this measure, if qualified low-income housing was built on this property, the local government would forgo this tax revenue.

**Creates, Extends, or Expands Tax Expenditure: Yes  No**

The policy purpose of the property tax exemption being created regarding cemetery property is to eliminate the potential tax burden when transferring property from cemetery to low income housing use, thereby encouraging such practice.