Tax Credits for Review in 2019

This is the primary section of the report, containing detailed information on each tax credit scheduled to be reviewed in 2019. In total, there are nine such tax credits. To provide some context, the table below shows the cost to the biennial budget for the last, current, and following two biennia. These estimates are for current law; the declining cost estimates reflect the current sunset dates. The table reflects how this section is structured.

Tax Credit Costs Under Current Law and Costs to Extend Sunset Dates

	Biennium ($M)							
	Cost Under Current Law				Cost to Extend Sunset Date			
Tax Credit	**2017-19**	**2019-21**	**2021-23**	**2023-25**	**2017-19**	**2019-21**	**2021-23**	**2023-25**
Employer Provided Scholarships	< 50K	< 50K	< 50K	< 50K	0	< 50K	< 50K	< 50K
Earned Income	104.6	53.4	0.0	0.0	0	54.2	113.3	120.0
Volunteer Rural Emergency Medical Services Providers	0.2	0.1	0.0	0.0	0	0.1	0.2	0.2
Agriculture Workforce Housing Construction	4.8	2.7	0.5	0.3	0	2.0	4.1	4.1
Manufactured Dwelling Park Closure	0.1	0.0	0.0	0.0	0	< 50K	0.1	0.1
Crop Donations	0.4	0.3	0.1	0.0	0	0.2	0.4	0.5
Political Contributions	11.6	5.8	0.0	0.0	0	6.7	12.7	13.5
Oregon Cultural Trust	7.9	4.1	0.0	0.0	0	4.2	8.6	9.0
Certain Retirement Income	1.4	0.7	0.0	0.0	0	0.7	1.3	1.2
Total	***131.0***	***67.1***	***0.6***	***0.3***	***0.0***	***68.0***	***140.6***	***148.5***

The remainder of the report consists of separate reviews for each tax credit. Each review consists of eight subsections: description, policy purpose, beneficiaries, similar incentives available in Oregon, credit effectiveness and efficiency, analysis of potential direct appropriation, administrative & compliance costs and similar credits allowed in other states. The description provides detail on how the tax credit works under current law. The policy purpose is generally not in statute but is based on documentation from implementing or modifying legislation. Generally, the purposes are inferred from historical records. On occasion, Oregon statute provides a clear statement of the policy intent. The policy analysis describes academic research on relevant incentives if available, provides some discussion of the history, and an analysis of available data. Often the primary sources of data are certifications and tax returns. The review of items such as a summary of similar incentives in Oregon and other states and administrative costs conclude each tax credit analysis.

Statute requires this report to provide information on the public policy purpose or goal of each tax credit. The most basic of this information is simply the stated public policy purpose. Also required is information on the expected timeline for achieving that purpose, the best means of measuring its achievement, and whether or not the use of a tax credit is an effective and efficient way to achieve that goal. However, Oregon statute does not generally contain policy purposes or goals for tax credits. Consequently, statute does not generally identify timelines or metrics related to such goals. In the few cases where statute does provide a purpose or a goal, it is included in this report. The more common approach has been to rely on bill documentation and written testimony for the implementing legislation. This information is the basis for the purpose statements included in this report.

Statute requires that this report contain, among other things, an analysis of each credit regarding the extent to which each is an effective and efficient way to achieve the desired policy goals. Ideally, the best analytical approach would be to identify metrics for each desired outcome, measure them over time, and then estimate the degree to which each credit contributes to the success of obtaining those

Manufactured Dwelling Park Closure

Note after 316.116	Year Enacted:	2007	Transferable:	No
	Length:	1-year	Means Tested:	No
	Refundable:	Yes	Carryforward:	No
TER 1.428	Kind of cap:	None	Inflation Adjusted:	No

Description

Enacted in 2007, the Manufactured Dwelling Park Closure Credit is a $5,000 refundable tax credit available to owners of a manufactured dwelling where the manufactured dwelling was the owner's principal residence and the dwelling park is being closed and the rental agreement is being terminated because of the exercise of eminent domain by order of a federal, state or local agency or by the landlord. The $5,000 amount of the credit is reduced by any amount that was paid to the individual as compensation for the exercise of eminent domain. If more than one individual in a household qualifies for the credit, the amount of the credit is shared in proportion to each qualifying individual's respective gross income for the tax year.

The enacting legislation (HB 2735, 2007) was written in a manner suggesting the credit may only apply to manufactured dwelling park closures that result only from the exercise of eminent domain. This interpretation does not align with submitted testimony nor with the current administration of the credit. Statutory modification aligning statute language with purpose and current administration of credit is recommended.

The credit is available to an individual whose household ends tenancy at a manufactured dwelling park during a tax year that begins on or after 1/1/2007 and before 1/1/2020. For purposes of the credit, manufactured dwelling park is defined as a place within the state where four or more manufactured dwellings are located for the primary purpose of renting space to any person.

The current park closure credit replaced an existing mobile home tax credit that was available to households with income of $60,000 or less.[2] The previous credit was the lesser of $10,000 or the actual cost of moving and setting up the mobile home in a new location. The usage of the credit was taken in equal amounts over three years with a five-year carryforward. For households with income less than 200% of federal poverty guidelines, the credit was a refundable one-year credit.

Policy

A specific policy purpose statement regarding the manufactured dwelling park closure credit is not contained in statute. Rather, a general policy purpose of the credit can be derived by referencing the relevant legislative committee discussions and deliberations that took place when the credit was enacted.

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[2] Statutory reference in the previous credit used the term "Mobile home" which was largely replaced by the current nomenclature, "manufactured dwelling". This report predominantly uses manufactured dwelling as preferred term, however, mobile home is used when referencing statute or testimony where term mobile home was used.

The credit was enacted by HB 2735 (2007) which contained multiple provisions relating to manufactured dwelling parks. The content of the measure relating to manufactured dwelling parks can be categorized in two primary ways:

1) Encouraging the continued existence of the current stock of manufactured dwelling parks
2) ***Mitigating the costs to manufactured dwelling park households that are forced to move due to instances where market forces and development are causing closure of the manufactured dwelling park.***

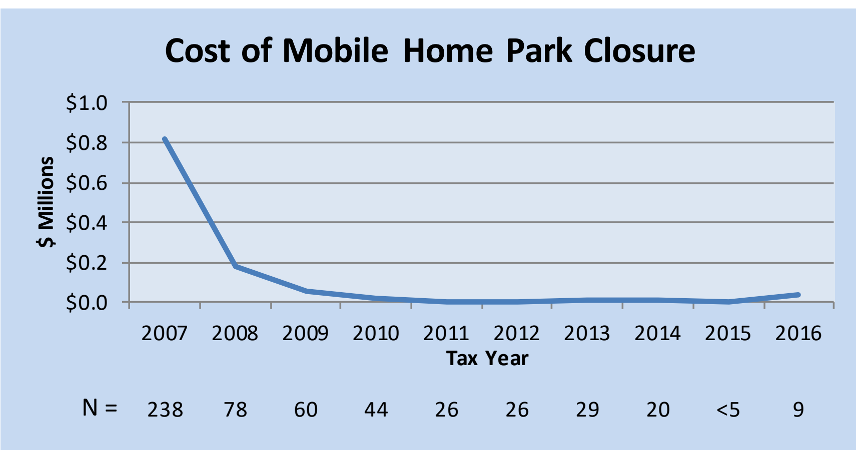
HB 2735 addressed mitigating resident park closure costs in two ways: 1) by requiring landlords that own a manufactured dwelling park that is closing to pay moneys to tenants displaced by the park closure, 2) Replacing existing park closure tax credit with a new refundable credit. Landlord payment amount varies from $5,000 to $9,000 depending upon type of manufactured dwelling.[3]

Statements supporting newly enacted refundable tax credit included:

- In the public interest to provide pragmatic solutions to displacement of mobile home park tenants
- Provide mobile home park tenants with peace of mind that if land is "sold out from under them" tenants will have means to move and will not have to abandon their home
- Credit payments to displaced tenants help to alleviate potential tenant costs to State from Medicaid

Beneficiaries

The number of beneficiaries of the credit has declined substantially since peak usage in the initial year of credit enactment. In each of the previous five tax years for which data is available, less than fifty tax returns have claimed the credit with fewer than ten claimants in each of the past two tax years. Coincidently, cost of the credit has declined from roughly $800,000 in tax year 2007 to an average annual cost of less than $50,000. Cost of the credit and number of return claimants is displayed in the exhibit below.



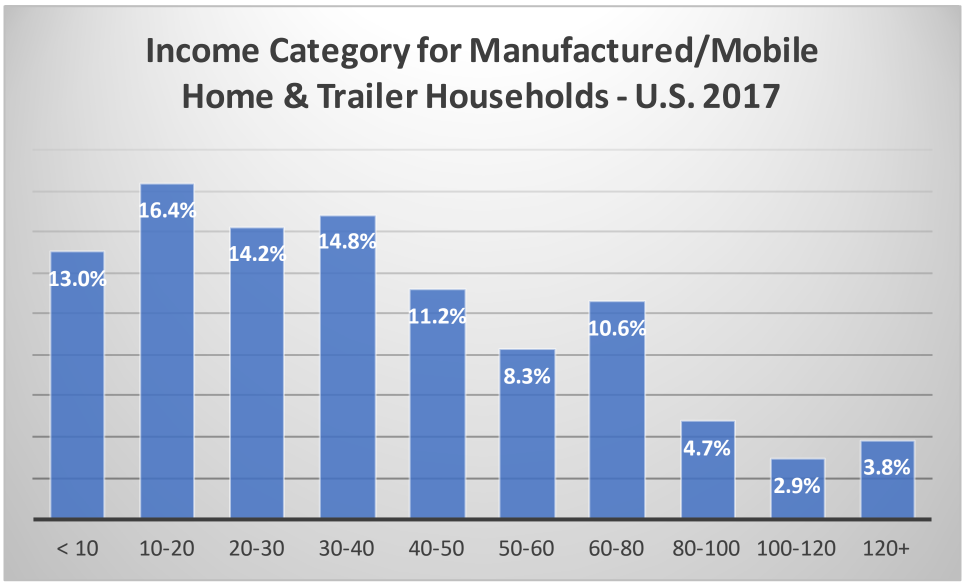
Manufactured Park Closures		
Calendar Year	Park Closures	Spaces
2002	2	40
2003	11	192
2004	12	164
2005	10	521
2006	10	366
2007	16	1,040
2008	5	323
2009	1	49
2010	2	21
2011	0	0
2012	0	0
2013	0	0
2014	1	21
2015	0	0
2016	1	10
2017	1	16

In years 2005 through 2007, the number of manufactured dwelling parks closed, and park spaces eliminated coincided with the accelerated increase of Oregon property values experienced during the

[3] $5,000 to $9,000 are the pre-inflation indexed dollar amount of the required payment.

2004 to 2006 period. The table to the right displays the number of parks closed and associated spaces eliminated for calendar years 2002 through 2017 (OHCS, 2018). As the number of park closures declined from its 2007 peak, usage of the credit has also declined. In the most recent five years when Oregon's house price index has consistently exceeded the long-term average, park closures have been rare (OEA, 2018). Unsurprisingly, a correlation exists between park closures/spaces eliminated and the number of credit claimants.

Due to the low number of credit claimants, credit claimed by income is unavailable. However, the U.S. Census reports income category by household type. Unfortunately, the data does not distinguish between manufactured structures located within or outside of parks. As shown, nearly 70% of manufactured/mobile home and trailer households reported annual income of less than $50,000 in 2017 (U.S. Census Bureau, 2017).



Similar Incentives Available in Oregon

While the enacting legislation for this credit contained multiple provisions relating to manufactured dwelling parks, for purposes of identifying other similar "incentives" available, the focus in this report is on the benefit of the tax credit to displaced dwelling owners.[4]

In addition to the credit, HB 2735 (2007) required a manufactured dwelling park landlord to pay a tenant for each space for which a rental agreement is terminated. The amount of the required payment was stipulated as:[5]

- $5,000 for a single-wide dwelling
- $7,000 for a double-wide dwelling, or
- $9,000 for a triple-wide dwelling.

[4] A discussion of manufactured dwelling park policy often involves the more expansive low-income housing discussion.
[5] HB 2008 (2017) increased each of the three payments by $1,000 respectively and indexed the payment amounts to reflect inflation.

In instances where a manufactured dwelling park is closed due to the exercise of eminent domain, the Fifth Amendment to the U.S. constitution requires just compensation. However, payments of just compensation are subtracted from the $5,000 Oregon credit amount, and park landlord to tenant payments are not required in instances of eminent domain.

The Manufactured Communities Resource Center, which is part of Oregon Housing and Community Services (OHCS), describes itself as:

> a member of the tenant relocation team during park closures and meets with tenants providing service referrals to meet the tenants' relocation needs and to educate tenants regarding tenant rights, responsibilities, and the availability of services. (OHCS, Manufactured Communities Resource Center, 2018)

OHCS also designates and funds a network of Regional Housing Centers (RHC). RHCs provide counseling services to residents facing potential displacement from a manufactured dwelling park.

Other potential similar services include funds originating from a community development block grant as park residents may receive Optional Relocation payments via the grant program (OHCS, Manufactured Communities Resource Center, 2018). Many other housing related programs may be available to tenants affected by a park closure, however, the programs are more synonymous with general housing support programs than specific programs for displaced manufactured dwelling park tenants and therefore are not included in this report.

The Legislative Fiscal Office identified two direct spending programs that shared some level of policy relationship to the credit. The two spending programs along with each program's 2017-19 legislatively adopted budget amount is detailed in the table below.

	2017-19 Legislatively Approved Budget ($M)
Direct Spending Program	***Other Funds***
Manufactured Communities Resource Center	$0.7
2018 Manufactured Parks Notice of Funds Availability	$10.0

The Manufactured Communities Resource Center is funded through assessments and park registration fees and exists to be an information and service provider to park residents and landlords, as well as to mediate landlord/resident disputes. The 2018 Manufactured Parks Notice of Funds Availability was funded through proceeds of the document recording fee and public purpose charge.

Credit Effectiveness and Efficiency

The refundable tax credit for manufactured dwelling park closures was enacted in 2007 as part of a larger measure relating to manufactured parks. Whereas other portions of the measure were enacted with the policy purpose of maintaining the stock of manufactured dwelling parks, the purpose of the credit is to mitigate the costs to owners of manufactured dwellings in parks that were closing. The tax credit was designed as a refundable credit to ensure that absence of tax liability did not limit a displaced individual's ability to receive the $5,000 credit. The new $5,000 credit replaced a previous tax credit that was equal to the lesser of $10,000 or the actual cost of moving and setting up the mobile home. The purpose of the previous credit was mitigating the cost of moving a mobile home whereas the existing

$5,000 credit is available to displaced manufactured dwelling owners regardless of whether they move their manufactured dwelling.

One part of the policy purpose of the credit as stated when the credit was enacted was mitigating moving costs and providing peace of mind to manufactured dwelling park residents. The existence of the credit fulfills that purpose as the credit provides up to $5,000 for displaced park residents that resided in an owner-occupied manufactured dwelling. When the credit is added to the direct payment received from the manufactured dwelling park owner, total potential compensation for park closure will range from $11,000 to $15,000.[6]

As the existence of the credit in part fulfills the purpose of the credit, examining the adequacy of the amount of the credit may be desirable. While the existing tax credit does not require an individual to move their manufactured dwelling for the individual to qualify for the credit, cost to move a manufactured dwelling can guide whether amount of credit is sufficient. Costs to move a manufactured dwelling are determined by specific individual dwelling characteristics. However, general estimates of cost to move a dwelling range from a few thousand dollars to upwards of $15,000 or more depending upon size of dwelling and moving distance (US Mobile Home , 2018) (Moving.com, 2018).

Mitigating costs to the state via Medicaid was also mentioned as a potential policy purpose by legislative members during the public hearing process when credit was enacted. No testimony was received where quantification of potential Medicaid cost savings was presented, and the fiscal policy statement stated no expenditure impact from the legislation.

Analysis of Potential Direct Appropriation

A direct appropriation could function in place of the refundable credit as the qualifying action or event that must occur for an individual to qualify for the credit is determined outside of the individual's control. The upside of using a direct appropriation rather than a credit is that a direct appropriation could help to eliminate the delay in funds received the exists due to the natural lag in tax filings. For example, an individual that ends tenancy at a manufactured dwelling park in January may not receive the benefit of the refundable tax credit until the Spring of the following year. A direct appropriation could distribute funds at a date closer to when the individual was forced to move providing greater immediate aid to the individual.

From an administrative perspective, administering the payments as refundable tax credits through tax filings provides a benefit as compared to a direct spending program. Historical use of this tax credit has varied with the greatest use occurring in the same year as enactment with little use in the most recent eight tax years. Administrative costs of the tax credit are relatively low and little ongoing cost are required as initial investment in tax form design and instruction are generally fixed and up front.

Recipients of the credit will generally also receive a direct payment from the park owner of $6,000 to $10,000 as specified in ORS 90.645. These direct payments are required to be paid in half after tenant notifies landlord intent to cease tenancy with the other half of the payment being made no later than seven days after tenant ceases to occupy the space. Amount and timing of direct payment mitigate time lag to receive tax credit.

[6] Reflects the HB 2008 (2017) increases in required direct payment

Administrative & Compliance Costs
Administrative and compliance costs are minimal.

Statute	Tax Expenditure (TE) Name and TE Number (Number aligns with Governor's Tax Expenditure Report)				
315.163-172	1.411 Agriculture Workforce Housing Construction				
	Year	Bill	Chapter	Section(s)	Policy
	1989	**SB 734**	**963**	**2,4**	**Enacting legislation | Credit (non-refundable) equal to 50% of costs actually paid or incurred by taxpayer to complete farm-worker housing project | Credit taken over 5 years, equal instalments | 5 year carry forward of credit | Property requirements include: comply with all occupational safety or health laws, regulations, rules and standards, registered by BOLI, operated by indorsed farm-worker camp operator**
	1991	**SB 857**	**766**	**3,4,5**	**Placed sunset of 1/1/1996 | Defined eligible costs | For builders, repealed requirement that housing be in compliance with safety and health standards, be registered and be operated by a licensed operator; instead required housing, upon completion, to comply with safety**
	1991	HB 2162	877	10,34	Clarified eligibility of S corporations for their prorated share of business tax credits
	1993	HB 2413	730	19,20,20a	Measure combined and moved business tax credits from ORS chapters 316, 317, & 318 into chapter 315
	1995	SB 705	500	10	Property registration requirement moved from BOLI to DCBS
	1995	**HB 2255**	**746**	**52,52a,58**	**Extended sunset to 12/31/2001 | Reduced credit to 30% of costs | Prohibited credit for housing occupied by owner or operator of the housing | Limited credit in an EFU zone to rehabilitation or existing farmworker housing or installation of manufactured housing | Credit certification authority given to DCBS | Credit approval required by DCBS and eligible costs limited to no more than estimated cost originally approved by DCBS | Limited total statewide certified costs to $3.3 million per year**
	2001	HB 3171	613	13a,14	Eliminated distinction of seasonal or year-round farmworker and defined farmworker and farmworker housing
	2001	HB 3172	625	2,3	Definitional modifications | DCBS oversight replaced by Housing and Community Services
	2001	**HB 3173**	**868**	**1,3,4,5**	**Made credit permanent by eliminating 12/31/2001 sunset | Increased credit to 50% of eligible costs | Increased annual cap on certified project costs to $7.5 million (from previous $3.3) | Set period for claiming the credit to 10 years with no more than 20% of credit being claimed in any one year | Allowed owner or operator to transfer up to 80% of credit amount**
	2003	**HB 2166**	**588**	**1,3,5,6a,7, 9,11,15**	**Added acquisition costs to eligible costs | Modified application deadlines | Allowed lending institution not subject to taxation to sell or transfer credit to taxpayer subject to taxation | Allowed entire credit to be sold (previously limited to 80%) | Decreased total annual**
	2009	HB 2067	913	28	Placed sunset of 1/1/2014
	2011	HB 2154	471	1,2,3,4	Modified definition of "farmworker" to include handling/processing of agricultural or aquacultural crops or products | Expanded definition of "contributor" to include a person who has purchased or received the credit | Makes exception to the provision barring credits for dwellings occupied by relatives of owner in case of manufactured dwelling park nonprofit cooperatives | Modified the definition of taxpayer to include tax-exempt entities | Allows housing occupants to include farmworkers who are retired or disabled | Allows occupant to be relative of housing owner/operator if housing is a manufactured dwelling
	2013	HB 3367	750	18,19,20,2 1,22,23	Extended sunset to 1/1/2020 | Terminology modifications
Note after 316.116	1.428 Manufactured Dwelling Park Closure				
	Year	Bill	Chapter	Section(s)	Policy
	2007	**HB 2735**	**906**	**17,18**	**Enacting legislation | Credit available to individuals whose principal residence is a manufactured dwelling for which the rental agreement is being terminated due to exercise of eminent domain | Credit equal to $5,000 minus amounts paid to individual for exercise of eminent domain | Credit made refundable | Sunset 1/1/2013**
	2009	HB 2067	913	33	Placed sunset of 1/1/2014
	2013	HB 3367	750	33	Placed sunset of 1/1/2020
	2015	SB 296	348	17	Non-substantive required statutory revision