

HB 3136 A BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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**Department of Revenue
2019-21**

PRELIMINARY

Budget Summary*

	2017-19 Legislatively Approved Budget ⁽¹⁾	2019-21 Current Service Level	2019-21 Committee Recommendation	Committee Change from 2017-19 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ -	\$ -	\$ 574,533	\$ 574,533	100.0%
Total	\$ -	\$ -	\$ 574,533	\$ 574,533	100.0%

Position Summary

Authorized Positions	0	0	1	1
Full-time Equivalent (FTE) positions	0.00	0.00	0.75	0.75

⁽¹⁾ Includes adjustments through December 2018

* Excludes Capital Construction expenditures

Summary of Revenue Changes

House Bill 3136 creates a pilot program under which the Department of Revenue will collect local lodging taxes under agreements with local governments. The bill is funded by diverting the cost of collection discount retained by transient lodging intermediaries for administering state and local lodging taxes. Transient lodging intermediaries, which are companies that do not own the lodgings that they rent but provide a platform for other private entities to do so, are required under Oregon law to collect transient lodging taxes on behalf of the property owner. Under current law, these intermediaries are allowed to retain a percentage of those tax collections for the cost of administering the tax on behalf of the state or local government. House Bill 3136 suspends this cost of collection discount for transient lodging intermediaries until after the Department has repaid the Oregon Tourism Commission for the cost of funds they have diverted to start up the pilot program.

The bill caps the amount of state transient lodging tax revenue that goes to stand up the pilot program but would otherwise be sent to the Oregon Tourism Commission at \$900,000. The Department is directed to pay back the amounts it retains from state and local transient lodging taxes to the Commission plus 2.0 percent interest per year.

The local and state revenue impact will be determined by the effectiveness of the Department’s enforcement efforts using the data purchased and resources provided in the Department of Revenue’s main budget bill.

Summary of General Government Subcommittee Action

The Subcommittee recommended \$574,533 in Other Funds expenditure limitation and one limited duration full-time position (0.75 FTE) for the Department of Revenue to implement House Bill 3136. Of this amount, \$114,788 will fund one limited duration Program Analyst 1 position to

administer the pilot program and to coordinate with local governments and contracted professional services providers. An additional \$18,745 will pay for position-related Services and Supplies and \$25,000 will serve as a contingency for contracted services to purchase data related to online travel company rentals, both recommended on a one-time basis. The Department of Revenue's main budget measure for the 2019-21 biennium, House Bill 5033 (2019), contains \$112,164 in Other Funds expenditure limitation for one year of a professional services contract to purchase data related to transient lodging providers from companies that collect the data from online transient lodging portals. The additional \$25,000, noted above, is recommended as a contingency for the amounts in approved in the Department's main budget bill.

To improve compliance with predominately local, and then state, lodging taxes, House Bill 3136 establishes a funding mechanism for the Department of Revenue to administer local transient lodging taxes on behalf of participating local governments. In a survey of local governments, the League of Oregon Cities found 46 city governments were either interested or very interested in using the Department to collect their local transient lodging tax. While House Bill 2400 (2017) authorized the Department to collect local transient lodging taxes, the cost of implementing these new taxes within Gentax, the Department's main tax processing software, was considered prohibitive for any one unit of local government and there was no uptake of the program.

The bill also directs the Department to contract with a contractor to collect online data from online travel companies to enforce state lodging taxes and the Department to engage in a second pilot of more detailed online data sharing with between two and four local governments for which the Department administers the local transient lodging tax. This builds on work the Department has been undertaking to confidentially share lodging tax data with local governments for purposes of enforcement, as authorized by House Bill 3180 (2017).

The bill takes effect on the 91st day following adjournment of sine die; however, there is some concern that a delayed implementation may become necessary because other new tax programs becoming law this session will take priority over some key shared resources (e.g., Corporate Activities Tax under House Bill 3427).

The Oregon Tourism Commission is a semi-independent agency that by statute falls outside of the legislative budget review process.

Local governments will have no fiscal impact.

PRELIMINARY

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Department of Revenue
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DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
SCR 006 - Business Division									
Personal Services	\$ -	\$ -	\$ 114,788	\$ -	\$ -	\$ -	\$ 114,788	1	0.75
Services and Supplies	\$ -	\$ -	\$ 43,745	\$ -	\$ -	\$ -	\$ 43,745		
SCR 030 - Core System Replacement Project									
Services and Supplies	\$ -	\$ -	\$ 416,000	\$ -	\$ -	\$ -	\$ 416,000		
TOTAL ADJUSTMENTS	\$ -	\$ -	\$ 574,533	\$ -	\$ -	\$ -	\$ 574,533	1	0.75
SUBCOMMITTEE RECOMMENDATION	\$ -	\$ -	\$ 574,533	\$ -	\$ -	\$ -	\$ 574,533	1	0.75

PRELIMINARY