

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3416

80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office*Only Impacts on Original or Engrossed
Versions are Considered Official*Prepared by: Michael Graham
Reviewed by: Michelle Deister
Date: 4/7/2019**Measure Description:**

For purposes of unemployment insurance law, modifies exclusion from definition of "employment" for individuals making sales of consumer goods or services in home or otherwise than in permanent retail establishment.

Government Unit(s) Affected:

Employment Department (OED)

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

Fund Type	2019-21 Biennium	2021-23 Biennium
Other Funds		
Other Fund (NL)	-6,831,103	-9,454,397
Total Funds	-\$6,831,103	-\$9,454,397

Summary of Revenue Impact:

Fund Type	2019-21 Biennium	2021-23 Biennium
Other Funds		
Other Fund (NL)	-13,094,212	-18,122,677
Total Funds	-\$13,094,212	-\$18,122,677

Analysis:

The measure would exclude any individual whose compensation substantially consists of commissions, bonuses, overrides, or profit shares for sales of consumer goods or services made in the home or in any place other than a permanent retail establishment from the definition of "employment" for purposes of Unemployment Insurance coverage. However, the measure would not apply to service performed for a nonprofit organization, the state or a political subdivision thereof, or a Native American tribe. The measure would apply to service performed on or after its effective date, January 1, 2020.

While the measure would have only a minimal fiscal impact on the Employment Department (OED), it would have a substantial impact on the Unemployment Insurance (UI) Trust Fund. The measure would exclude an estimated 10,000 employees from UI taxation and benefits payment. Newly excluded employees would no longer be eligible for UI benefits, resulting a reduction of UI benefits paid out. However, because employers of newly excluded employees would no longer pay into the UI Trust Fund, that would reduce tax revenue. Overall, the loss in tax revenue would be greater than the reduction in UI benefit payments.

In the 2019-21 biennium, OED estimates that the measure would reduce tax revenue by \$13.1 million and benefit payments by \$6.8 million, resulting in a -\$6.3 million loss to the UI Trust Fund. In the 2021-23 biennium, OED

estimates that the measure would reduce tax revenue by \$18.1 million and benefit payments by \$9.5 million, resulting in a -\$8.6 million loss to the UI Trust Fund.

The measure would require OED to modify its administrative rules to implement the measure. Since OED would be able to modify its rules with existing staff and resources, the administrative impact on OED would be minimal.