

FISCAL IMPACT OF PROPOSED LEGISLATION80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office**Measure: HB 3136 - A <REVISED>*****Only Impacts on Original or Engrossed Versions are Considered Official***Prepared by: Michael Graham
Reviewed by: Kim To, John Borden, Ken Rocco
Date: 5/21/2019**Measure Description:**

Requires Oregon Tourism Commission to transfer moneys to Department of Revenue for department's use in collecting local transient lodging taxes on local, rather than regional, level on behalf of units of local government.

Government Unit(s) Affected:

Department of Revenue (DOR), Oregon Tourism Commission (Travel Oregon), Counties, Cities

Summary of Fiscal Impact:

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

Summary of Expenditure Impact:**Department of Revenue**

Other Funds	2019-21 Biennium	2021-23 Biennium
Personal Services	\$450,214	\$172,945
Services and Supplies	649,745	18,452
Capital Outlay		
Total Other Funds	\$1,099,959	\$191,397
Positions	1	1
FTE	0.75	1.00

Summary of Revenue Impact:**Oregon Tourism Commission**

Other Funds	2019-21 Biennium	2021-23 Biennium
Services and Supplies	-\$630,000	
Special Payments	-270,000	
Total Other Funds	-\$900,000	\$0

Analysis:

The measure would require the Department of Revenue (DOR) to withhold up to \$900,000 from distributions of the state transient lodging tax to the Oregon Tourism Commission (Travel Oregon) to fund DOR's actual start-up costs to collect local transient lodging taxes on behalf of local governments on a local level, rather than regional level. DOR would need to reimburse Travel Oregon for the amount withheld from distribution, from state and local lodging taxes collection reimbursement charges that would otherwise be due to transient lodging intermediaries, plus two percent (2%) interest. DOR would be required to notify Legislative Counsel once it has fully reimbursed Travel Oregon. DOR would also need to refund to transient lodging intermediaries amounts received above \$900,000 that would otherwise have been withheld by intermediaries as a collection reimbursement charge. The measure would also require DOR to purchase raw metadata of transient lodging listings that are scraped from transient lodging intermediary websites. DOR would need to implement a data-scraping pilot program including two to four local governments for which DOR would administer local lodging

taxes. Costs for the metadata and pilot program would be paid from DOR's two percent (2%) administration allowance of state lodging tax revenues. The measure would take effect 91 days after the Legislative Assembly adjourns *sine die*.

Cities and Counties

The measure would have no fiscal impact on Cities and Counties.

Oregon Travel Commission (Travel Oregon)

The measure would decrease the amount DOR transfers to transient lodging taxes to the Travel Oregon by \$900,000 in the 2019-21 biennium. Travel Oregon estimates it would reduce services and supplies by \$630,000. Travel Oregon also estimates it would reduce special payments to the Regional Cooperative Tourism Program (20% of \$900,000) and the Grants Program (10% of \$900,000) by \$270,000.

Department of Revenue (DOR)

<Revised to include additional information.>

DOR would withhold distributions to Travel Oregon to fund actual start-up costs to administer local transient lodging taxes, in addition to amounts of collection reimbursement charges that would have been due to transient lodging intermediaries, not to exceed \$900,000 for start-up costs. While the start-up costs would be funded by Travel Oregon through the transient lodging intermediaries' portion of the collection reimbursement charges, DOR would need an increased \$900,000 Other Funds expenditure limitation to cover its start-up costs.

In the 2019-21 biennium, DOR estimates expenditures of approximately \$1.1 million Other Funds, including \$450,214 in personal services and \$649,745 in services and supplies. DOR would need one permanent Program Analyst 1 (PA1) position (0.75 FTE). The PA1 would develop a "toolkit" reference sheet for local governments to identify ordinance requirements, work with local governments to determine the feasibility of DOR administering and collecting local transient lodging taxes, respond to increased inquiries, and work with the Communications Section to revise the lodging tax return, develop website content, and correspondence. DOR would also incur an estimated \$416,000 to contract with FAST Enterprises, LLC to reconfigure and test GenTax to collect additional information from local transient lodging tax returns, including payments, return suspense edits, accounting, billing, collection, distributions, reports, and discovery. DOR has been quoted \$200,000 for two years of raw metadata and \$15,000 for one year for up to two local governments and approximately 650 address level matches. The requirement for DOR to purchase raw metadata and conduct the pilot for local governments would expire at end of 2019-21 biennium.

In the 2021-23 biennium, DOR estimates expenditures of approximately \$191,397 Other Funds, including \$172,945 in personal services and \$18,452 in services and supplies. DOR would need a permanent PA1 position (1.00 FTE) to handle the increased calls from taxpayers and local governments. DOR would charge local governments for the administration and collection of the local lodging tax, which would be sufficient to cover the cost of administering and collecting the local lodging taxes.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its budgetary impact on DOR, including expenditure limitation and position authority.