REVENUE IMPACT OF PROPOSED LEGISLATION

80th Oregon Legislative Assembly
2020 Regular Session
Legislative Revenue Office

Bill Number:	**SB 1531 - 9**
Revenue Area:	**Property Tax, Income Tax, Vehicle Privilege Tax**
Economist:	**Kyle Easton**
Date:	**2/18/2020**

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Makes relatively modest changes to multiple tax provisions including: low-income rental and nonprofit low-income rental property tax exemptions, environmentally sensitive logging equipment property tax exemption, single-unit housing property tax exemption, property tax deferral program, refund interest, individual development account donation credit, auction tax credits for Oregon Film and Video Office and Higher Education Coordinating Commission, short line railroad rehabilitation credit and vehicle privilege tax data sharing. Measure takes effect on 91st day following adjournment sine die.

Revenue Impact (in $Millions):

	Biennium		
Policy	**2019-21**	**2021-23**	**2023-25**
Property Tax			
Low-income rental housing	Minimal		
Nonprofit low-income rental housing	Minimal		
Environmentally sensitive logging equipment	Minimal		
Single-Unit housing	Minimal		
Property tax deferral program extension	See impact explanation		
Income Tax			
Refund interest	0.3	Minimal	Minimal
Individual development account donation credit	4.0	5.0	0.1
Film & Video auction credit	Minimal		
Opportunity Grant auction credit	Minimal		
Short line railroad credit	Minimal		
Total General Fund	**4.3**	**5.0**	**0.1**
Vehicle Privilege Tax			
Vehicle privilege tax data sharing	Minimal		

Impact Explanation:

Modifications to the **low-income rental** and **nonprofit low-income rental** property tax exemptions are expected to minimally impact property tax revenue. Both property tax exemptions are subject to local governing body approval.

Modification of **environmentally sensitive logging equipment** property tax exemption allows for such equipment that would otherwise be exempt, but for the property not being actively used during the tax year for a specified exempt purpose, to qualify for the exemption. As exemption limits use of the equipment in nonforest applications to not more than 20 percent of the operating hours of the equipment for the tax year, equipment not actively used for exempt purposes in the tax year may not be used at any point during the tax year for non-exempt purposes and still qualify for exemption. Estimate of minimal impact on property tax revenue resulting from the expansion of the environmentally sensitive logging equipment exemption was based on assessor survey response from potentially affected counties and an examination of the historic use of the exemption.

Modification to the **single-unit housing property** tax exemption is estimated to have a minimal impact on property tax revenue. Modification allows but does not require a participating city to allow an additional 24 consecutive months to construct a qualified single-unit housing structure. City of Portland has identified up to 20 properties at risk of missing the current law extension deadline.

Extending the **deferral program** sunset by one-year results in the 2022-23 property tax year being the final year in which property tax payments will be made by Department of Revenue on behalf of program participants. A one-year extension is estimated to reduce the deferral program revolving account balance by $10.8 million in fiscal year 2022-23.

Modification to period in which **tax refund interest** begins accruing is estimated to negate an otherwise expected reduction in revenue resulting from additional refund interest amounts being issued. A positive revenue impact is estimated for the 2019-21 biennium. Later biennia are expected to be minimally impacted because, absent modification in measure, it is expected that Department of Revenue would make necessary programming changes to generally meet the more stringent timeline of issuing refunds before interest begins accruing.

Measure effectively moves up the sunset date for the **individual development account** (IDA) contribution credit by two years. Sunsetting credit two years earlier than current law allows is estimated to positively impact revenue. Revenue impact estimate is based on an examination of IDA contributions made post 2017 federal tax law changes and subsequently released federal rules regarding the availability of charitable contribution deductions when a taxpayer receives a corresponding state credit.

Modifications to **auctioned tax credits** issued by Oregon Film and Video Office and Higher Education Coordinating Commission are expected to minimally impact income tax revenue. Allowing auctioned tax credits to be taken in an immediately preceding tax year can reduce the time between when a taxpayer bids and receives a credit certification, and when that taxpayer can claim the credit on a tax return. This shortening of the time horizon may increase the financial return to taxpayers that purchased the credits at auction thereby increasing demand for the auctioned tax credits. Recent auction experience suggests both auctioned credits will meet their $14 million fiscal year credit certification limits, however, a total of four auctions were run in the most recent fiscal year as initial auctions did not meet the respective limits. Increasing potential financial return per changes in measure may eliminate the need to run multiple auctions for each respective credit and could increase bid prices resulting in modest increases in net receipts for the Oregon Production Investment Fund and Opportunity Grant Fund.

Changes to the **short line railroad rehabilitation** tax credit are not expected to fundamentally alter credit qualifications for individual railroads but rather represent a statutory reconfiguration expected to produce similar credit outcomes for qualified short line railroads.

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Internal Revenue Code cross reference correction for the corporate excise tax is a technical correction and not expected to modify underlying tax policy.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The ***policy purposes*** of the following tax expenditures modified by the measure are unchanged: Low-income rental housing, nonprofit low-income rental housing, single-unit housing, individual development account contributions, film production development contributions, Opportunity Grant Fund contributions, and short line railroad rehabilitation.

Environmentally Sensitive Logging Equipment

The ***policy purpose*** of this measure is to expand the existing property tax exemption to exempt environmentally sensitive logging equipment that is not specifically used per exemption parameters during the tax year but otherwise still qualifies for the exemption.