

FISCAL IMPACT OF PROPOSED LEGISLATION

80th Oregon Legislative Assembly – 2020 Regular Session
Legislative Fiscal Office

Measure: SB 1531 - A

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Prepared by: Michael Graham
Reviewed by: Ken Rocco, Steve Bender, Gregory Jolivette, Doug Wilson, Julie Neburka, John Borden
Date: February 18, 2020

Measure Description:

Makes corrections to and updates tax statutes.

Government Unit(s) Affected:

Department of Revenue (DOR), Oregon Judicial Department (OJD), Oregon Department of Transportation (ODOT), Higher Education Coordinating Commission (HECC), Special Districts, School Districts, Counties, Cities, Oregon Film and Video Office, Oregon State Police (OSP)

Summary of Fiscal Impact:

Costs related to the measure are anticipated to be minimal, but it may require budgetary action - See explanatory analysis.

Analysis:

The measure makes various changes to tax provisions codified in Oregon law, including property tax exemptions, income tax credits, short line railroad rehabilitation tax credits, special use fuel license fees, and the vehicle privilege tax. It modifies the definition of "low income," for purposes of the low-income rental property tax exemption, to mean income at or below 80 percent of an area's median income for persons occupying the property for every subsequent consecutive year of occupancy. It allows the incomes of property occupants to be averaged in determination of income for "low income" rental and nonprofit low-income rental property tax exemptions, if the property receives tax credits through the federal Low-Income Housing Tax Credit Program, which applies to housing for which an application is filed on or after the measure's effective date. The measure expands the property tax exemption for environmentally sensitive logging equipment to include logging equipment held for specified uses, which is applicable to property tax years beginning on or after July 1, 2019. It modifies the definition of "single-unit housing." It allows a city to extend the deadline for completion of construction of a single-unit housing property tax exemption up to 24 months. It extends a property tax deferral program until July 1, 2022. The measure modifies the period in which interest for a tax refund begins to accrue, which is effective for refunds owing as of January 1, 2018. It changes the individual development account donation credit sunset date to January 1, 2021 and limits the credit to donations made prior to January 31, 2020. It permits the Oregon Film and Video Office and the Higher Education Coordinating Commission to issue tax credit certifications for the current or the immediately preceding tax year if the taxpayer has not yet filed an associated tax return. The measure defines "publicly owned short line railroad." It changes the allowable amount of the short line railroad rehabilitation credit per tax year. It modifies the prioritization process in instances in which a rehabilitation project certification exceeds the overall annual cap. The measure modifies the definition of "infrastructure" as it applies to the short line railroad tax credit and makes conforming changes. It changes the biennial cap of \$4 million for the short line railroad rehabilitation credit to an annual cap of \$2 million. It repeals statutory provisions relating to the transfer of short line railroad rehabilitation credits and the suspension, revocation, or forfeiture of the certification of those credits. It updates statutory provisions on the corporate excise tax to the federal Internal Revenue Code. The Oregon Department of Transportation and the Oregon Transportation Commission shall biennially review special use fuel license fees and recommend to interim legislative committees any appropriate fee adjustments. The Department of Revenue is permitted to share information with the Department of Motor Vehicles for purposes of the vehicle privilege tax. It amends the definition of "authorized agency" to permit a municipal tax collection agency in a city with a population of at least

250,000 to contract with the Oregon State Police to conduct criminal background checks. The measure extends by three years the date by which the Department of Revenue shall report to a legislative committee on the efficacy of including global intangible low-taxed income in gross income. It takes effect 91 days after the Legislature adjourns *sine die*.

Department of Revenue

The measure would have a minimal fiscal impact on the Department of Revenue.

Oregon Judicial Department

The measure would have a minimal fiscal impact on the Oregon Judicial Department.

Oregon Department of Transportation

The measure would have a minimal fiscal impact on the Oregon Department of Transportation.

Higher Education Coordinating Commission

The measure would have no fiscal impact on the Higher Education Coordinating Commission.

Special Districts

The measure would have no fiscal impact on Special Districts.

School Districts

The measure would have no fiscal impact on School Districts.

Counties

The measure would have a minimal fiscal impact on Counties.

Cities

The measure would have a minimal fiscal impact on Cities.

Oregon Film and Video Office

The measure would have no fiscal impact on the Oregon Film and Video Office.

Oregon State Police

The measure permits a municipal tax collection agency in a city with a population of at least 250,000 residents to contract with the Oregon State Police (OSP) to conduct criminal background checks. Currently, the only city in Oregon with at least 250,000 residents is the City of Portland. OSP, which conducts criminal backgrounds for state government, is the only state agency authorized to submit a criminal background check to the Federal Bureau of Investigation.

The City of Portland, being a city with a population of at least 250,000, must comply with the Internal Revenue Service (IRS) publication 1075; otherwise, it risks losing access to federal tax information. For the city to comply with IRS publication 1075, OSP must conduct criminal background checks for city employees, employment applicants, volunteers, and contractors, specifically in the Portland Revenue and Financial Services Division. Currently, the Division has 184 employees.

OSP conducts approximately 150,000 criminal background checks each year. The agency estimates that an additional 1,000 fingerprint background checks per month would require an additional 1.33 FTE. Given the size of the Portland Revenue and Financial Services Division, the measure would probably have a minimal fiscal impact on OSP. However, because it is unclear how many additional background checks OSP would need to conduct each month, the fiscal impact to OSP is indeterminate.

If the magnitude of new background checks were to exceed the capacity of its current staffing needs, OSP would need to return to the Legislature in the 2021 session or the Emergency Board for consideration of the issue, including additional position authority and expenditure limitation.