

Heavy Equipment Rental Tax (HERT)

2018 HB 4139

House Committee On Revenue

State of Oregon

Legislative Revenue Office

September 22, 2022



Program Description

- Payment in lieu of property taxes.
- 2% tax imposed on rental fee.
- Administrative fee collected by Department of Revenue (5%).
- Counties without rental location receive allocation (2% of 95%).
- Remaining collections distributed to counties (remainder).





Q-HERT providers

- Primary business is rental of mobile heavy equipment, attachments, associated trailers, and other equipment and tools that:
- Typically require an operator for use, and
- Can be used for construction, mining, earthmoving, or industrial activities.

Source: Department of Revenue





Program Design Mechanics - Interim

Interim years : 2019/2020

- Construction rental companies become Qualified Heavy Equipment (Q-HERT) providers
- Q-HERT providers are required to submit equipment lists to the Department
- Q-HERT providers remit 2% tax quarterly
- The aforementioned equipment list is used to calculate the but-for property tax absent HERT
- The Department refunds and re-bills for individual tax neutrality

*The Department of Revenue posts a link to administrative rules, forms and instructions on its website
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Program Design - Ongoing

Out years –post 2020

- Q-HERT providers remit 2% tax quarterly
- Q-HERT providers are exempt from Property Tax





True-up Recap

	# of Qualified Companies		Tax dollars		company count		%	
	In compliance	Out of compliance	HERT revenue collected	Exempted Property Tax	# of refunds	# of re-bills	HERT tax \$s unverified	HERT participants out of compliance
2019	54	5	\$ 5,231,861	\$ 5,836,641	38	15	1%	8%
2020	53	13	\$ 5,298,708	\$ 6,420,917	29	24	9%	20%

Source: Department of Revenue





Takeaways

- Test years were performed during Pandemic
- Noncompliance increased in second of two test years
- There is no statutory penalty for non-reporting of the equipment list in the test years
- More Qualified HERT providers received a refund, than those who underpaid.
- Lack of information on non-compliant companies makes overall revenue comparison, and therefore program performance impossible.
- Revenue Neutrality – participant perspective / overall perspective





Potential Pathways

- No change
- Reinststate a reporting / true-up period
- Sunset the HERT exemption program
- Alter the requirements of a Qualifying Heavy Equipment Rental Provider.
- Alter the rate and/or create a tiered rate
- Other





For More Information

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