

**REVENUE IMPACT OF
PROPOSED LEGISLATION
81st Oregon Legislative Assembly
2021 Regular Session
Legislative Revenue Office**

Bill Number:	HB 2456 - 3
Revenue Area:	Property Tax, Income Tax
Economist:	Kyle Easton
Date:	6/9/2021

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

Measure Description:

Makes corrections to and updates tax statutes.

Revenue Impact: Minimal/indeterminate, see impact explanation.

Impact Explanation:

Updating **ABLE accounts** point in time connection date to the federal internal revenue code is expected to have a minimal revenue impact.

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 is 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.

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 purchase the credits at auction thereby increasing demand for the auctioned tax credits. Increasing potential financial return per changes in measure may increase the success of auctions, especially if a second auction is required to be held closer to the tax return deadline.

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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.

Changes to the **short line railroad rehabilitation** tax credit are technical statutory cross reference corrections and eliminations of redundant statutory language.

The estimated impact on General Fund revenue resulting from the expansion of the **manufactured park capital gain** subtraction is indeterminate. The 2020 wildfires destroyed and/or severely damaged over 20 manufactured dwelling parks in Oregon. If such a park is sold to a nonprofit organization or housing authority, changes contained in measure would allow an income tax subtraction for the capital gain amount received as a result of the sale of the park. While purchase of such parks is being actively pursued by nonprofits and housing authorities, it is unknown the number of sales that will occur, nor the amount of capital gain park owners may have accrued.

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, 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.

Manufactured Park Capital Gain

The *policy purpose* of this measure is to modify the existing income tax subtraction available to a taxpayer that sells a manufactured dwelling park to a corporate entity formed by the tenants of the park, or by a nonprofit corporation or housing authority. The modification of the tax subtraction is reflective of the many manufactured parks recently destroyed by wildfires in which the existing tax subtraction provides no tax benefit due to the lack of tenants that could form a corporate entity. Modification is intended to encourage the sale of such destroyed parks to a nonprofit corporation or housing authority that will redevelop the site as a manufactured dwelling park.