

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

Bill Number: HB 2434 - A5
Revenue Area: Aviation Fuel & Timber
Economist: Mazen Malik
Date: 06-21-2021

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

Measure Description:

Removes the sunset on the tax rate increase of jet fuel (1 to 3 cents) and aviation gasoline (9 to 11 cents), including Mo-Gas, that would have occurred on January 1, 2022. Changes the percentages of distribution allocated to certain aviation programs.

Extends privilege taxes on merchantable forest products harvested on forestlands. Establishes rates for Forest Products Harvest Tax. Sets the rate at 90 cents for the Forest Research and Experimentation account administered by Oregon State University. Sets the rate at 69 cents per MBF for to the Forestland Protection Fund. Sets the rate at \$2.07 per MBF for the purposes of administering the Forest Practices Act. Sets the rate at 21 cents per MBF for the purposes of Forestry Education.

Revenue Impact (in \$Millions):

Aviation Fuel Tax

		2021-23	2023-25	2025-27
Jet Fuel Revenue		\$5.05	\$6.89	\$6.99
AVGAS Revenue		\$0.08	\$0.10	\$0.10
TOTAL Revenue		\$5.12	\$6.99	\$7.09
Distributions	ODA Admin	\$0.26	\$0.35	\$0.35
	COAR @75%	\$3.65	\$4.98	\$5.06
	SOAR @25%	\$1.22	\$1.66	\$1.69

Forest Products Harvest Tax

Revenue Impact	2021-23	2023-25	2025-27
OFRI	\$0.00	\$0.00	\$0.00
Forestland Protection and Fire Suppression	\$0.30	\$0.50	\$0.50
OSU Research	\$4.10	\$2.62	\$0.00
Admin Forest Practices Act	\$9.43	\$6.03	\$0.00
OSU Education	\$0.96	\$0.61	\$0.00
Total	\$14.78	\$9.76	\$0.50

Impact Explanation:

Aviation Fuel Tax

House Bill 2075 of the 2015 Legislative Session increased Aviation fuel taxes and imposed a sunset date on that increase of January 1, 2022. That measure amended ORS 319.020 by increasing aircraft fuel (avgas) tax from nine cents to eleven cents per gallon and increasing jet fuel tax from one cent to three cents per gallon. The Aviation System Action Program fund (ASAP) was created as a result of the passage of HB 2075 and directs the increased fuel tax revenue (after 5% is deducted for ODA’s administration costs) into the following three programs that benefit Oregon airports and aviation:

1. Critical Oregon Airport Relief (COAR) program received 50% of the funding.
2. Rural Oregon Aviation Relief (ROAR) received 25% of the funding.
3. State Owned Airports Reserve (SOAR) program received the rest of the funds.

This Measure increases the COAR distribution from 50% to 75%, it also adds a fourth priority to the COAR Program, which is to assist commercial air service to rural Oregon. The remaining 25% will fund the SOAR program for infrastructure and safety improvements at federally and non-federally funded state-owned airports.

The revenue estimates adjust to the weakness of the Aviation industry during the COVID Era and anticipates a strong but reasonable rebound for fuel demand in the coming biennium. ODOT deducts its collection costs before transferring the net revenue to the Oregon Department of Aviation (ODA). The impact reflects only 18 months in the 2021-23 biennium, because the sunset would have occurred on January 1st, 2022.

Forest Products Harvest Tax

In this measure the two rates that are permanently in statute remain, and the rates that expire at the end of 2021, after two years in effect, are replaced by rates that also expire in two years.

The measure affects the revenue to the various programs funded by the Forest Products Harvest Tax to different degrees. Oregon Forest Resources Institute (OFRI) is unaffected by the measure because its authority remains the same under the bill. There is a 6.5 cent increase per MBF to the rate which funds forestland protection and

fire suppression. Therefore, there is an increase of approximately \$300,000 in the first biennium to this fund and approximately \$500,000 in future biennium when the measure is fully in effect.

The other three programs are funded by rates which are set to expire at the end of calendar year 2021. Therefore, the impact to these funds is relative to no tax collection, or a rate of zero, which is the default, upon expiration. Those three rates combined total \$3.18 per MBF, under the measure, and result in an increase for those three programs of \$14.48 million in the first biennium and \$9.26 million in the second biennium. In the measure, these rates are set to expire at the end of 2023, so there is no revenue from these three taxes beyond the 2023-25 biennium.

Creates, Extends, or Expands Tax Expenditure: Yes No