

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
81st Oregon Legislative Assembly
2022 Regular Session
Legislative Revenue Office

Bill Number: SB 1558 - 7
Revenue Area: Dealer Privilege Tax
Economist: Mazen Malik
Date: 02-09-2022

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

Measure Description:

Requires transportation delivery companies and third-party food delivery platforms to meet or exceed specified targets for percentage of service miles provided by zero-emission vehicles.

Revenue Impact (in \$Millions):

This measure repartitions existing privilege tax revenue. No new revenue is introduced by this measure. Other section of the measure not dealing with the tax produce minimal impacts on revenue.

		FY 2023	2023-25 BN	2025-27 BN	2027-29 BN
Transfer Increase to Zero Emission Fund		\$1.39	\$6.90	\$8.02	\$9.19
Reductions to other Transportation Funds		(\$1.39)	(\$6.90)	(\$8.02)	(\$9.19)
	Reduction Details				
	Connect Oregon	(\$1.28)	(\$6.35)	(\$7.38)	(\$8.45)
	Bike and Ped	(\$0.10)	(\$0.48)	(\$0.56)	(\$0.64)
	ODOT C.O. Admin	(\$0.01)	(\$0.07)	(\$0.08)	(\$0.09)

Impact Explanation:

The Privilege Tax is a tax on dealer’s sales of new vehicles in Oregon. This new tax was one of the new sources of revenue that comprised the comprehensive transportation package (HB 2017). All the new taxes in the package (payroll tax, use tax, bicycle tax) as well as the privilege tax came as new dedicated sources of funding for the different transportation modes. The privilege tax became effective (even before final judicial decision) on 1/1/18 and was levied at the rate of 0.5% of the new vehicle retail price. This revenue is not considered a highway fund source, thus can be used to fund other programs. As the tax was originally enacted, the Department of Revenue was required to distribute the proceeds net of administrative and enforcement expenses as follows:

- Up to December 31, 2023, \$12 million to the Zero-Emission Incentive Fund to provide rebates for the purchase of light-duty zero-emission or plug-in hybrid electric vehicles.
- The balance of the collected revenue to the Connect Oregon Fund.
- After January 1, 2024, all net privilege tax Revenue to the Connect Oregon Fund.

The Connect Oregon fund itself was further distributed under two different assumptions.

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- 1) If the transfer is more than \$75 million in a biennium, then the amount available will be used according to Sec (78 to 85 of HB 2017) and as follows:
 - 47% to Connect Oregon Part One (Traditional) for: Air, Marine, Rail.
 - 7% to Connect Oregon Part One for Bike and Ped programs.
 - 1% to ODOT to pay administrative cost for the Connect Oregon program.
 - 45% to Connect Oregon Part Two (with new criteria) for Air, Marine, and Rail.

- 2) In the first biennia where the transfer was not expected to reach \$75 million then the Connect Oregon Part Two would not apply. Thus, the distribution for Connect Oregon will be used as follows:
 - 92% to Connect Oregon Part One for: Air, Marine, and Rail.
 - 7% to Connect Oregon Part One for Bike and Ped programs.
 - 1% to ODOT to pay Connect Oregon administrative cost.

The 2021 regular session passed HB 2065, which removed the (12/31/2023) sunset on the \$12 million transfer to the Zero Emission Incentive Fund making it permanent.

This measure with the “-5” amendment, reconfigures the split of the privilege tax revenue into 45% going to the Zero Emission Incentive Fund, and 55% going to the connect Oregon fund with all its sub-distributions. The table in the impact section of this statement shows how this reconfiguration will reallocate the existing revenues between the existing fund and programs. The numbers in the table are based on the October forecast, and collections of the privilege tax are expected at \$71 million a biennium, while the expectations at the time of HB-2017 were at \$56 million.

The effective date for this measure is 1/1/2023. This will make the implementation date fall within the current biennium. Thus, the measure will have a small impact on the 2023 Fiscal year and the 2021-23 biennium. The full impact would be more fully realized in the 2023-25 biennium and beyond.

This “-7” amendment is a compilation of the “-1”, “-2” and “-5”. The impacts for the “-1”, and “-2” have a minimal impact, while the “5” impact represents most of what is included in this statement.

Creates, Extends, or Expands Tax Expenditure: Yes No