

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

Bill Number: SB 1558 - A
Revenue Area: Dealer Privilege Tax
Economist: Mazen Malik
Date: 02-15-2022

*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):

No new revenue is introduced by this measure. This measure repartitions existing privilege tax revenue. Other sections 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 in 2017). All the new taxes in the package (payroll tax, use tax, and bicycle tax) as well as the privilege tax came as new dedicated sources of funding for various 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 As the tax was originally enacted, the Department of Revenue was required to distribute the proceeds net of administrative and enforcement expenses as follows: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, and the balance of the collected revenue to the Connect Oregon Fund, and
- 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 scenarios.

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First, if the transfer is more than \$75 million in a biennium, then the amount available will be used according to Sections 78 to 85 of HB 2017:

- 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.

Second, in the first biennium where the transfer was not expected to reach \$75 million, the Connect Oregon Part Two would not apply. The distribution for Connect Oregon will then be 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.

Changes affecting the Connect Oregon Fund were introduced by HB 2592 in the 2019 session. In Section 21 of HB 2592, grants for transportation projects from the Connect Fund would be based on the availability of \$50 million a biennium. Additionally, the 2019 bill created a sub-distribution of 7% for the Multimodal Active Transportation Fund (Bike& Ped) programs, and a 1% allowance for ODOT to administer the Connect programs. 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 that apportionment permanent. The 2021 bill effectively apportioned 65% the Privilege Tax revenue to the Connect Oregon in 2021-23, with the proportion growing in future biennia, while the \$12 million going to the Zero Incentive Fund stays fixed.

This measure as amended, 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 resulting revenue difference (\$7 to \$9 million) between the two existing funds and subprograms. The numbers in the table are based on the October 2021 forecast where collections of the privilege tax are expected to average \$71 million a biennium for the coming three biennia. However, expectations at the time of HB 2017 were at \$56 million of revenue in an average biennium. It is also important to note that the Connect Oregon Fund might not reach the threshold of \$50 million specified in HB 2592 (2019) until the tax collections exceed \$90 million a biennium.

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 (six months). The impact would be fully realized in the 2023-25 biennium and beyond. This amended measure is a compilation of several amendments. The revenue impact included in this statement represents the effect of sections 5 and 6. The impacts of other sections of the measure have a minimal revenue impact.

Creates, Extends, or Expands Tax Expenditure: Yes No