

## Background

The House Bill 4079 -[5 amendment](#) creates a four-year Oregon Freedom Pilot Program in Department of Human Services. The program will provide financial payments to certain low-income individuals. The Department of Human Services must report to the Legislative Assembly on the success of the program. Funding for the program is established with a statewide sales and use tax on certain luxury items, effective January 1, 2023, that will be administered by the Department of Revenue.

## Luxury Item Sales and Use Tax

The amendment implements a statewide sales and use tax on certain items with retail sales price exceeding the specified amount for each type of item defined as a taxable luxury good. A three-percent tax imposed on the purchaser of taxable luxury goods must be collected by the seller and reported to the Department of Revenue quarterly. If the tax is not collected by the seller, the purchaser is responsible for reporting and remitting the tax to the Department of Revenue directly.

## Implementation Notes

Under average circumstances, a **new program of this magnitude** requires significant resources and implementation work estimated to take between 18 and 30 months from beginning to completion.

A sales and use tax on luxury items will have broad impact to many businesses. The Department of Revenue anticipates creating a new section in the Business Division to administer the tax – similar to implementation and administration of the Corporate Activity Tax adopted by the legislature in 2019.

The department's tax accounting system, GenTax, is undergoing a version upgrade preventing the addition of a new program to the system in 2022. With a tax start date of January 1, 2023, the department would likely contract with a third-party to administer this sales and use tax for the first two years, until the program can be added to the upgraded GenTax system.

A comprehensive communication plan will need to be developed to conduct outreach and information sessions for sellers of taxable luxury items and tax professionals, as well as a robust media campaign to inform the public of the impact on their purchases.

The Department of Revenue will request a General Fund appropriation for administration and implementation until sufficient tax revenues are received, after April 2023, for operation. Voters may choose to refer the question to the ballot; however, the department will continue implementation work until the outcome is clear.

The Department of Revenue is committed to working with interest groups, the Legislative Revenue Office, and the Legislative Fiscal Office to ensure successful implementation of this new program can be achieved.

## Agency Contact

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