

LC 285
2025 Regular Session
10900-002
10/28/24 (ASD/ps)

D R A F T

SUMMARY

Digest: The Act would raise and index the tax rate on fuel used in aircraft with turbine engines. (Flesch Readability Score: 85.0).

Increases the tax on aircraft fuel usable in aircraft operated by turbine engines and adjusts the rate biennially according to any increase in the Consumer Price Index.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1

2 Relating to aviation fuel; creating new provisions; amending ORS 319.020,
3 319.023, 319.330, 319.410, 835.060 and 836.072; prescribing an effective date;
4 and providing for revenue raising that requires approval by a three-fifths
5 majority.

6 **Be It Enacted by the People of the State of Oregon:**

7 **SECTION 1.** ORS 319.020 is amended to read:

8 319.020. (1) Subject to subsections (2) to (4) of this section, in addition to
9 the taxes otherwise provided for by law, every dealer engaging in the dealer's
10 own name, or in the name of others, in the first sale, use or distribution of
11 motor vehicle fuel or aircraft fuel or withdrawal of motor vehicle fuel or
12 aircraft fuel for sale, use or distribution within areas in this state within
13 which the state lacks the power to tax the sale, use or distribution of motor
14 vehicle fuel or aircraft fuel, shall:

15 (a) Not later than the 25th day of each calendar month, render a state-
16 ment to the Department of Transportation of all motor vehicle fuel or air-
17 craft fuel sold, used, distributed or so withdrawn by the dealer in the State
18 of Oregon as well as all such fuel sold, used or distributed in this state by

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 a purchaser thereof upon which sale, use or distribution the dealer has as-
2 sumed liability for the applicable license tax during the preceding calendar
3 month. The dealer shall render the statement to the department in the man-
4 ner provided by the department by rule.

5 (b) Except as provided in ORS 319.270, pay a license tax computed on the
6 basis of 34 cents per gallon on the first sale, use or distribution of such
7 motor vehicle fuel or aircraft fuel so sold, used, distributed or withdrawn as
8 shown by such statement in the manner and within the time provided in ORS
9 319.010 to 319.430.

10 (2)(a) When aircraft fuel is sold, used or distributed by a dealer, the li-
11 cense tax shall be computed on the basis of 11 cents per gallon of fuel so
12 sold, used or distributed, except that when aircraft fuel usable in aircraft
13 operated by turbine engines (turbo-prop or jet) is sold, used or distributed,
14 the tax rate shall be [*three*] **six** cents per gallon.

15 **(b)(A) On or before July 1 of each odd-numbered year, the license**
16 **tax rate for aircraft fuel usable in aircraft operated by turbine engines**
17 **(turbo-prop or jet) shall be adjusted for inflation since 2025 by the**
18 **percentage increase, if any, in the Consumer Price Index for All Urban**
19 **Consumers, West Region (All Items), as published by the Bureau of**
20 **Labor Statistics of the United States Department of Labor.**

21 **(B) The license tax rate determined under subparagraph (A) of this**
22 **paragraph shall become operative on the following January 1.**

23 (3) In lieu of claiming refund of the tax paid on motor vehicle fuel con-
24 sumed by such dealer in nonhighway use as provided in ORS 319.280, 319.290
25 and 319.320, or of any prior erroneous payment of license tax made to the
26 state by such dealer, the dealer may show such motor vehicle fuel as a credit
27 or deduction on the monthly statement and payment of tax.

28 (4) The license tax computed on the basis of the sale, use, distribution or
29 withdrawal of motor vehicle or aircraft fuel may not be imposed wherever
30 such tax is prohibited by the Constitution or laws of the United States with
31 respect to such tax.

1 **SECTION 2.** ORS 319.330 is amended to read:

2 319.330. (1) Whenever any statement and invoices are presented to the
3 Department of Transportation showing that motor vehicle fuel or aircraft
4 fuel has been purchased and used in operating aircraft engines and upon
5 which the full tax for motor vehicle fuel has been paid, the department shall
6 refund the tax paid, but only after deducting from the tax paid 11 cents for
7 each gallon of such fuel so purchased and used, except that when such fuel
8 is used in operating aircraft turbine engines (turbo-prop or jet) the deduction
9 shall be [*three cents*] **the greater of six cents, or the rate determined**
10 **under ORS 319.020 (2)(b)**, for each gallon. No deduction provided under this
11 subsection shall be made on claims presented by the United States or on
12 claims presented where a satisfactory showing has been made to the depart-
13 ment that such aircraft fuel has been used solely in aircraft operations from
14 a point within the State of Oregon directly to a point not within any state
15 of the United States. The amount so deducted shall be paid on warrant of
16 the Oregon Department of Administrative Services to the State Treasurer,
17 who shall credit the amount to the State Aviation Account for the purpose
18 of carrying out the provisions of the state aviation law. Moneys credited to
19 the account under this section are continuously appropriated to the Oregon
20 Department of Aviation.

21 (2) If satisfactory evidence is presented to the Department of Transporta-
22 tion showing that aircraft fuel upon which the tax has been paid has been
23 purchased and used solely in aircraft operations from a point within the
24 State of Oregon directly to a point not within any state of the United States,
25 the department shall refund the tax paid.

26 **SECTION 3.** ORS 319.023, as amended by section 1, chapter 82, Oregon
27 Laws 2024, is amended to read:

28 319.023. (1)(a) The following amounts shall be distributed in the manner
29 prescribed in this section:

30 [(a)] (A) Any amount of tax on aircraft fuel usable in aircraft operated
31 by turbine engines that is computed on a basis in excess of [*one cent*] **two**

1 **cents** per gallon and any amount of tax on all other aircraft fuel that is
2 computed on a basis in excess of nine cents per gallon, under ORS 319.020
3 (2); and

4 [(b)] **(B)** Any amount of tax on aircraft fuel usable in aircraft operated
5 by turbine engines in excess of [one cent] **two cents** per gallon and any
6 amount of tax on all other aircraft fuel in excess of nine cents per gallon,
7 that is deducted before the refunding of tax under ORS 319.330 (1).

8 **(b)(A) On or before July 1 of each odd-numbered year, the per-**
9 **gallon rate used to determine the excess amount of tax on aircraft fuel**
10 **usable in aircraft operated by turbine engines under paragraph (a) of**
11 **this subsection shall be adjusted for inflation since 2025 by the same**
12 **percentage increase determined under ORS 319.020 (2)(b).**

13 **(B) The per-gallon rate determined under subparagraph (A) of this**
14 **paragraph shall become operative on the following January 1.**

15 [(2)(a) *Applications for distributions under subsection (5) of this section*
16 *may not be approved unless the applicant demonstrates a commitment to con-*
17 *tribute at least five percent of the costs of the project to which the application*
18 *relates. The Oregon Department of Aviation shall adopt rules for purposes of*
19 *this paragraph.*]

20 [(b) *The department may adopt rules that:*]

21 [(A) *Set higher minimum contribution commitment requirements; or*]

22 [(B) *Establish maximum grant amounts.*]

23 [(3)(a) *The State Aviation Board shall establish a review committee com-*
24 *posed of one member from each of the area commissions on transportation*
25 *chartered by the Oregon Transportation Commission.*]

26 [(b) *The review committee shall meet as necessary to review applications for*
27 *distributions of amounts pursuant to this section. In reviewing applications,*
28 *the review committee shall consider:*]

29 [(A) *Whether a proposed project:*]

30 [(i) *Reduces transportation costs for Oregon businesses or improves access*
31 *to jobs and sources of labor in this state;*]

1 [(ii) *Results in an economic benefit to this state;*]

2 [(iii) *Connects elements of Oregon's aviation system in a way that will*
3 *measurably improve utilization and efficiency of the system;*]

4 [(iv) *Is ready for construction or implementation; and*]

5 [(v) *Has a useful life expectancy that offers maximum benefit to this state;*
6 *and*]

7 [(B) *How much of the cost of the proposed project can be borne by the ap-*
8 *plicant from sources other than Oregon Department of Aviation funds or the*
9 *Connect Oregon Fund.*]

10 [(c) *The review committee shall recommend applications to the State Avi-*
11 *ation Board for approval.*]

12 [(4)(a)] **(2)(a)** Five percent of the amounts described in subsection (1) of
13 this section are appropriated to the Oregon Department of Aviation for the
14 costs of the department and the State Aviation Board in administering this
15 section.

16 (b) The remaining 95 percent of the amounts described in subsection (1)
17 of this section shall be distributed pursuant to subsections [(5) and (6)] **(3)**
18 **and (4)** of this section.

19 [(5)(a)] **(3)(a)** Seventy-five percent of the amounts described in subsection
20 [(4)(b)] **(2)(b)** of this section shall be distributed for the following purposes:

21 (A) To assist airports in Oregon with match requirements for Federal
22 Aviation Administration grants.

23 (B) To make grants for emergency preparedness and infrastructure
24 projects, in accordance with the Oregon Resilience Plan or the Oregon Avi-
25 ation Plan.

26 (C) To make grants for:

27 (i) Services critical or essential to aviation, including, but not limited to,
28 fuel, sewer, water and weather equipment;

29 (ii) Aviation-related business development, including, but not limited to,
30 hangars, parking for business aircraft and related facilities; or

31 (iii) Airport development for local economic benefit, including, but not

1 limited to, signs and marketing.

2 (D)(i) To assist commercial air service to rural Oregon.

3 (ii) The Oregon Department of Aviation may adopt a definition of “rural
4 Oregon” for purposes of this subparagraph.

5 (b) The State Aviation Board may establish by rule priorities for the
6 distributions made pursuant to this subsection.

7 [(6)] (4) Twenty-five percent of the amounts described in subsection
8 [(4)(b)] (2)(b) of this section shall be distributed to state-owned airports for
9 the purposes of:

10 (a) Safety improvements recommended by the State Aviation Board and
11 local community airports.

12 (b) Infrastructure projects at public use airports.

13 [(7)(a) *Not later than September 15 of each year, the State Aviation Board*
14 *shall submit the reports described in paragraph (b) of this subsection, in the*
15 *manner provided in ORS 192.245, to the interim committees, as applicable, of*
16 *the Legislative Assembly related to air transportation.*]

17 [(b) *The reports required under this subsection shall describe in detail the*
18 *projects for which applications have been submitted and approved, the airports*
19 *affected, the names of the applicants and the persons who will perform the*
20 *work proposed in the applications, the progress of projects for which applica-*
21 *tions have been approved and any other information the board considers nec-*
22 *essary for a comprehensive analysis of the implementation of this section.*]

23 **SECTION 4. ORS 319.023 and section 5 of this 2025 Act are added to**
24 **and made a part of ORS 319.010 to 319.430.**

25 **SECTION 5. (1)(a) Applications for distributions under ORS 319.023**
26 **(3) may not be approved unless the applicant demonstrates a commit-**
27 **ment to contribute at least five percent of the costs of the project to**
28 **which the application relates. The Oregon Department of Aviation**
29 **shall adopt rules for purposes of this paragraph.**

30 (b) The department may adopt rules that:

31 (A) Set higher minimum contribution commitment requirements;

1 or

2 (B) Establish maximum grant amounts.

3 (2)(a) The State Aviation Board shall establish a review committee
4 composed of one member from each of the area commissions on
5 transportation chartered by the Oregon Transportation Commission.

6 (b) The review committee shall meet as necessary to review appli-
7 cations for distributions of amounts pursuant to this section.

8 (3) In reviewing applications, the review committee shall consider:

9 (a) Whether a proposed project:

10 (A) Reduces transportation costs for Oregon businesses or improves
11 access to jobs and sources of labor in this state;

12 (B) Results in an economic benefit to this state;

13 (C) Connects elements of Oregon's aviation system in a way that
14 will measurably improve utilization and efficiency of the system;

15 (D) Is ready for construction or implementation; and

16 (E) Has a useful life expectancy that offers maximum benefit to this
17 state; and

18 (b) How much of the cost of the proposed project can be borne by
19 the applicant from sources other than Oregon Department of Aviation
20 funds or the Connect Oregon Fund.

21 (4) The review committee shall recommend applications to the State
22 Aviation Board for approval.

23 (5)(a) Not later than September 15 of each year, the State Aviation
24 Board shall submit the reports described in paragraph (b) of this sub-
25 section, in the manner provided in ORS 192.245, to the interim com-
26 mittees of the Legislative Assembly related to air transportation.

27 (b) The reports required under this subsection shall describe in de-
28 tail the projects for which applications have been submitted and ap-
29 proved, the airports affected, the names of the applicants and the
30 persons who will perform the work proposed in the applications, the
31 progress of projects for which applications have been approved and any

1 **other information the board considers necessary for a comprehensive**
2 **analysis of the implementation of this section.**

3 **SECTION 6.** ORS 835.060 is amended to read:

4 835.060. (1)(a) **The following shall be paid into the State Treasury**
5 **monthly:**

6 (A) All fees and other moneys received by the Oregon Department of
7 Aviation under ORS chapter 835, 836 or 837, except moneys received under
8 the provisions of ORS 835.025 and 836.070[, *shall be paid into the State*
9 *Treasury monthly.*]; **and**

10 **(B) Revenue from the license tax imposed under ORS 319.020 (2).**

11 (b) The State Treasurer shall credit such payments to the State Aviation
12 Account in the General Fund.

13 (2) Moneys in the account are continuously appropriated to the depart-
14 ment for the purpose of carrying out the provisions of this chapter **and**
15 **other provisions of the state aviation laws.**

16 (3) None of the funds in this section appropriated or hereafter made
17 available for aviation purposes shall be expended upon any aviation project
18 that is not carried out under the supervision and direction of the State
19 Aviation Board.

20 (4) Fees paid into the account pursuant to ORS 837.045 shall be expended
21 only for airport maintenance and capital construction and for payment of
22 expenses of air search and rescue.

23 [(2)] (5) The fiscal officer of the department shall keep a true and accu-
24 rate account of all sums received and all vouchers issued by the department
25 under this section.

26 **SECTION 7.** ORS 319.410 is amended to read:

27 319.410. (1) The Department of Transportation shall promptly turn over
28 the license tax to the State Treasurer to be disposed of as provided in ORS
29 802.110.

30 (2) The revenue from the license tax collected from the use, sale or dis-
31 tribution of aircraft fuel as imposed by ORS 319.020 (2) shall be transferred

1 upon certification of the department to the State Treasurer, who shall credit
2 the certified amount to the State Aviation Account **under ORS 835.060** for
3 the purpose of carrying out the provisions of the state aviation laws.

4 **SECTION 8.** ORS 836.072 is amended to read:

5 836.072. (1) Moneys from the increases in taxes by the amendments to ORS
6 319.020 by sections 1 and 3, chapter 1037, Oregon Laws 1999, shall be used
7 by the Oregon Department of Aviation to establish and fund a program to
8 maintain and preserve the pavements used for runways, taxiways and aircraft
9 parking areas at public use airports in this state.

10 (2) Projects for maintenance and preservation of pavements at public use
11 airports that are identified in the plan developed under ORS 835.015 are eli-
12 gible for funding under this section. The following expenses of projects se-
13 lected may be funded under this section:

- 14 (a) Construction expenses;
- 15 (b) Engineering expenses; and
- 16 (c) Administrative expenses.

17 (3) The Director of the Oregon Department of Aviation shall prepare a list
18 of recommended projects. Factors to be used by the director include, but are
19 not limited to:

- 20 (a) The age and condition of pavements;
- 21 (b) An airport's role in the state's aviation system, as described by the
22 plan developed under ORS 835.015; and
- 23 (c) Local financial participation in projects.

24 (4) The director shall forward the list of recommended projects to the
25 State Aviation Board for approval.

26 (5) The department may adopt such rules as it deems necessary for im-
27 plementation of the airport pavement preservation program.

28 (6) No more than [55] **77.5** percent of the combined tax revenue from air-
29 craft fuel used or distributed by a dealer and aircraft fuel usable in aircraft
30 operated by turbine engines may be used for operating expenses of the de-
31 partment.

1 (7) For purposes of this section, “operating expenses of the department”
2 includes, but is not limited to, expenses for personal services, central busi-
3 ness operating services described in ORS 835.017 (1), supplies and capital
4 outlay.

5 **SECTION 9. (1) The amendments to ORS 319.020 by section 1 of this**
6 **2025 Act apply to aircraft fuel usable in aircraft operated by turbine**
7 **engines (turbo-prop or jet) that is sold, used or distributed on or after**
8 **January 1, 2026.**

9 (2) The amendments to ORS 319.330 by section 2 of this 2025 Act
10 apply to fuel that is purchased and used in operating aircraft turbine
11 engines (turbo-prop or jet) on or after January 1, 2026.

12 **SECTION 10. Section 5 of this 2025 Act and the amendments to ORS**
13 **319.023 and 836.072 by sections 3 and 8 of this 2025 Act become operative**
14 **on January 1, 2026.**

15 **SECTION 11. This 2025 Act takes effect on the 91st day after the**
16 **date on which the 2025 regular session of the Eighty-third Legislative**
17 **Assembly adjourns sine die.**

18