

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2685 - 3

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Restores availability of income or corporate excise tax credit for processing or collection of woody biomass.

Government Unit(s) Affected:

Oregon Department of Forestry, Department of Revenue, Judicial Department

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

House Bill 2685, as amended by the -3 amendments, reestablishes a non-refundable tax credit available to biomass producers or collectors for biomass produced or collected in Oregon that is used for biofuel or is used to produce biofuel in Oregon. The previous program, the Biomass Producer and Collector Tax Credit program, which was administered by the Oregon Department of Energy, was transferred to the Oregon Department of Agriculture in 2017, before sunseting in 2018. The Oregon Department of Forestry (ODF) would administer this new tax credit program for woody and agricultural biomass, as well as mixed materials in the case of woody biomass.

To be eligible for the tax credit, a taxpayer must produce or collect biomass in Oregon as a feedstock for biochar, bioenergy, or biofuel production in Oregon. The credit for biomass is \$10 per bone dry ton. The tax credit applies to tax years beginning on or after January 1, 2024, and before January 1, 2030, at which point the program would sunset. The measure takes effect 91 days after adjournment *sine die*.

Oregon Department of Forestry

The measure is anticipated to have a fiscal impact on ODF, since ODF would need to develop and implement the certification process for this new tax credit. This would include rulemaking, program development, staffing, supervision, coordination across farm and forest sectors, credit assessment, and financial accounting.

ODF was unable to provide an estimate of the number of tax credit certifications that it would need to process each biennium. The number of tax certifications would significantly impact the needed resources at the agency to perform this function. ODF has indicated an assumed need for three permanent, full-time positions (2.63 FTE) in the 2023-25 biennium, including one Fiscal Analyst 2 position to provide tax credit allocation and accounting, and two Operations and Policy Analyst 3 positions to oversee implementation and certification of the tax credit program for woody biomass and agricultural biomass. The agency estimated cost of these positions, including related services and supplies, is \$656,339 in 2023-25. ODF has indicated that these positions are assumed to be funded with General Fund. The measure authorizes ODF to charge and collect a fee for certification of the tax credit. The Legislative Fiscal Office assumes that the inclusion of the ability to charge a fee for the certification of the tax credits, indicates that such fees should be established to produce revenues commensurate with the cost to provide the services. However, it is likely that some other source of funding would be required to provide the initial startup costs for the program, including associated rulemaking, until fee revenues are realized.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to the State's General Fund and ODF's biennial budget.

Other Government Units

The measure is anticipated to have a minimal fiscal impact on the Department of Revenue and the Judicial Department.