

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 2083 - 2**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

Prepared by: Michael Graham
 Reviewed by: Doug Wilson, Amanda Beitel
 Date: June 20, 2023

Measure Description:

Extends the sunset dates of the pass-through business alternative income tax and related tax credit by two years.

Government Unit(s) Affected:

Department of Revenue

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action in the 2024 regular session - See analysis.

Summary of Expenditure Impact:

| | 2023-25 Biennium | 2025-27 Biennium |
|------------------------------|------------------|------------------|
| Department of Revenue | | |
| General Fund | | |
| Personal Services | \$143,497 | \$313,083 |
| Services and Supplies | \$37,645 | \$32,511 |
| Total General Fund | \$181,142 | \$345,594 |
| Other Funds | | |
| Personal Services | \$2,929 | \$6,389 |
| Services and Supplies | \$768 | \$663 |
| Total Other Funds | \$3,697 | \$7,052 |
| Total Fiscal Impact | \$184,839 | \$352,646 |
| <i>Total Positions</i> | 2 | 2 |
| <i>Total FTE</i> | 0.92 | 2.00 |

Analysis:

HB 2083, as modified by the -2 amendment, extends the sunset dates for pass-through business alternative income tax (PTE-E tax) and the related personal income tax credit for two more years. The sunset dates are extended from January 1, 2024, to January 1, 2026. The measure takes effect 91 days after adjournment *sine die*.

In 2021, the Legislative Assembly created the PTE-E tax and the related personal income tax credit through the passage of SB 727. The Department of Revenue (DOR) began accepting PTE-E tax returns in 2023. During this initial filing year, DOR has found that it must rely on a manual process for suspended returns and audit efforts to determine compliance instead of reprogramming the Business Credit Manager system to track the PTE-E tax credit. As a result, this has significantly increased the resources needed for processing PTE-E tax returns and the related tax credit.

DOR states the current staffing level is inadequate to support the PTE-E tax program and anticipates needing two permanent, full-time Administrative Specialist 2 positions (0.92 FTE) in the 2023-25 biennium to process and manually review payments and credits and handle audits and appeals after the program ends in tax year 2025. The estimated cost of these positions \$184,839 total funds (including \$181,142 General Fund) in 2023-25 and \$352,646 total funds (including \$345,594 General Fund) in 2025-27.

If the agency finds that this additional workload continues with the extension of the PTE-E program by another two years, DOR will need to return to the Legislative Assembly in the 2024 regular session or a future Emergency Board meeting to request additional funding and position authority needed to support this program.