

SB 1526 -4, -5 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 2/6, 2/21, 2/22

WHAT THE MEASURE DOES:

Miscellaneous bill. Changes are made to property tax, income tax, and corporate activity tax in three areas—Clarification of 2023 Legislation; Policy Changes; and Technical Changes—as summarized below.

Clarification of 2023 Legislation

- Section 1: Makes ADU/Multiplex property tax exemption amount proportional to the percent of the constructed/converted property's square footage meeting requirements.
- Section 2: Aligns applicability of the Short-Line Railroad Tax Credit policy changes made in HB 3406 (2023) with the 2029 sunset of the tax credit as extended by HB 2071 (2023).
- Sections 3-4: Cancels outstanding, uncollectible, property taxes for port district property held by the federal government under a leasehold interest.
- Section 5: Aligns applicability of the Pass Through Entity Elective Tax (PTE-ET) changes made by SB 1524 (2022), with the 2025 sunset of program as extended by HB 2083 (2023).
- Sections 6-8: Adds applicability clause to the tax credit created by HB 2071 (2023), specifying it is applicable for tax years 2024 through 2029. Clarifies sharing of credit certification information.

Policy Changes

- Section 9: Expands the PTE-ET program by allowing trusts to be members of a PTE electing to be liable for the PTE-ET. Applies to tax years 2024 and 2025.
- Section 10: Extends the Industrial Site Readiness Program three years by moving the sunset from July 1, 2023, to July 1, 2026.

Technical Changes

- Sections 11-25: Technical changes to property taxes are available in the Section Contents document available in the OLIS Meeting Materials.
- Section 26: Creates general exemption from CAT for amounts collected by businesses for government purposes (e.g. taxes) from the imposition of the CAT. Deletes specific exemptions that are redundant with the new general exemption.
- Section 27: Extends the period OEA must notify DOR that a kicker has been triggered, and the period that DOR must notify the public, by moving the deadlines one month to November 1st and 15th, respectively.
- Section 28: Specifies that OEA determines amount of CAT revenue to transfer to the State School Fund, rather than LFO and LRO.

ISSUES DISCUSSED:

- Section 1 - current implementation of exemption and whether this section is more/less difficult to implement
- Section 9 - How trusts would/could claim PTE-ET credit, fiscal implications of PTE-ET expansion to include trusts
- Section 10 - Industrial site readiness, funding flow from state to local governments & related appropriations legislation (HB 4042, 2024), length of sunset extension
- Sections 12-13 - potential account activity related to ORS 311.711

EFFECT OF AMENDMENT:

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Deletes Sections 1, 24, 25, and 26.

Narrows PTE-ET expansion to trusts. Allows pass throughs with trust members to participate, though only allows individuals and grantor trust members to utilize PTE-ET SALT workaround. Extends sunset of Industrial Site Readiness program to July 1, 2029. Changes specifications of employment level and wage qualification for Regionally Significant Industrial Sites to align with available data. Clarifies that outstanding balances from repeal of expired Deferral of Special Assessments for Local Improvements remain due.

Adds Sections 29 - 40 clarifying HB 2576 (2023). Clarifies Tax Court jurisdiction, and appeals processes for local income taxes. Combines appeals process for taxes reported on income tax returns that are not “measured by income.” Specifies that Tax Court and Circuit Courts have concurrent jurisdiction for other local tax laws

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Expands property tax exemption for permanent improvements located on land owned by the United States and held in trust for a federally recognized Indian tribe or member, to certain permanent improvements consisting of solar energy systems for the purpose of heating, cooling or generating electricity.

BACKGROUND:

On January 11, 2024, there were informational meetings on SB 1526 (then, LC 169) in the Senate Interim Committee on Finance and Revenue and the House Interim Committee on Revenue.