REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number: **HB 3046-A**
Revenue Area: Property Tax
Economist: Mary Ayala
Date: 5/8/2007

Measure Description: Creates a property tax exemption for property used for a natural gas pipeline extension project, including later additions or improvements not to exceed 115 miles, if the project receives funds from the Oregon Unified International Trade Fund and the project is owned by a local government. Applies to tax years on or after July 1, 2007. Takes effect 91 days after sine die.

Revenue Impact:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund				
State Other Funds				
Local Government	0	<-14,500	<-14,500	<-29,000
Local School Districts	0	<-10,500	<-10,500	<-21,000

Impact Explanation: NW Natural owns 1,164 miles of pipeline. The pipeline that belongs to Coos County is 76 miles long (<1% of the total mileage owned by both entities) (Source: NW Natural Gas). At the present time, the Department of Revenue indicates that the tax imposed on NW Natural for its use of Coos County's pipeline is marginal.

Assumptions:

1. The potential tax for use of the pipeline will be based on an income approach. NW Natural derives no income currently from the use of the Coos County pipeline, except for maintenance costs. Therefore, assuming that NW Natural Gas continues to derive no income from its use of this pipeline, the property tax liability for its use will be minimal or zero.

2. The Department of Revenue uses a unitary approach that combines different methods to assess property (i.e., it is not always appropriate to rely exclusively on the income earned by a tangible property to estimate its assessed value for tax purposes). Therefore, the estimate over the forecast period is minimal
(i.e., <-$50,000 per biennium).

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