REVENUE IMPACT OF PROPOSED LEGISLATION
75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office

Bill Number:	HB 2078 A
Revenue Area:	Income Taxes
Economist:	Chris Allanach
Date:	6-16-09

Measure Description: Establishes a connection date of May 1, 2009 to the federal definition of taxable income and most other provisions. Maintains a December 31, 2008 connection date for bonus depreciation, the discharge of indebtedness, and Section 179 expensing. Maintains a December 31, 2008 connection date for deduction of unemployment compensation if HB 2649 fails to become law. Eliminates the Residential Energy Tax Credit and the Business Energy Tax Credit for gasoline-hybrid vehicles as of January 1, 2010. Refines definitions related to the biomass tax credit.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
General Fund	**- $1.7**	**$2.6**		**$0.9**	**$4.3**	**Minimal**

A minimal impact is between a revenue loss of less than $50,000 and a revenue gain of less than $50,000.

The revenue impact for each biennium is the net impact of tying to various provisions of The American Recovery and Reinvestment Act of 2009, eliminating the credit for gasoline-hybrid vehicles, and clarification of the biomass credit provisions. The provisions that result in the most significant revenue loss pertain to payments through the health insurance assistance program and the expansion of the earned income tax credit. The health insurance assistance program would allow eligible individuals (those who lose their job between September 1, 2008 and December 31, 2009) to purchase health insurance at the rate of 35 percent of the total cost. Current federal law states that the 65 percent subsidy is not taxable. Also, the federal earned income tax credit is increased for certain claimants for tax years 2009 and 2010 by increasing the percentage of earnings eligible for the credit and reducing the phase-out. One provision that results in a revenue gain is the treatment of built-in losses. Congress overturned an IRS ruling that allowed financial companies to apply the losses of an acquired company to the profits of the acquiring company. Updating the connection date reduces the amount of the built-in losses that could be claimed on Oregon tax returns.

The elimination of the tax credit for gasoline hybrids results in a revenue increase of between $4.5 and $5 million per year. The changes to the biomass tax credit are expected to have the effect of both increasing and decreasing revenue, with the net impact expected to be a revenue loss of roughly $0.5 million per year. The revenue gain is expected to come from the tightening of the definitions for biomass and biofuels. The revenue loss is expected from creation of the certification process, which adds a degree of certainty for potential transferees, and the clarification that taxpayers that qualify as both an agricultural producer and a biofuels producer are eligible for the credit. The revenue impact assumes that these credits sunset as per HB 2067 on January 1, 2012, so these changes have no effect in the 2013-15 biennium.

Creates, Extends, or Expands Tax Expenditure: No

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