REVENUE IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly
2017 Regular Session
Legislative Revenue Office

Bill Number:	**HB 2407 - A**
Revenue Area:	**Property Taxes**
Economist:	**Kyle Easton**
Date:	**5/12/2017**

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Eliminates deferred billing credit statutory language following effective date of act. Deferred billing credits issued prior to effective date of measure are unaffected by changes in measure as amended.

Allows county assessor to issue a potential refund credit in instances where deferred billing credits are allowed under current law. Requires taxpayer to pay amount of taxes included in potential refund credit. Upon issuance of potential refund credit, requires county treasurer to withhold amount of taxes included in potential refund credit and deposit withheld amounts in investment pool or any other investment account. Requires county treasurer to provide for proper accounting of any interest accruing on withheld amount. Upon final resolution of appeal to which potential refund credit relates, requires amount withheld and interest accrued to be refunded to taxpayer or deposited into unsegregated tax collections account depending upon outcome of appeal. Eliminates assessor quarterly reporting of deferred billing credits, requires assessor to annually report potential refund credits. Takes effect on 91st day following adjournment sine die.

Revenue Impact: Indeterminate, however, potential increase in property tax revenue (see impact explanation).

Impact Explanation:

Measure eliminates ability of assessors to issue deferred billing credit (DBC) while providing assessors the ability to issue potential refund credit (PRC) in same scenarios.

A DBC or PRC is designed to be issued in instances where a property tax assessment is being appealed and the dollar amount in dispute exceeds $1 million and the county assessor chooses to issue the DBC or PRC. The amount of the DBC or PRC reflects the dollar amount necessary to address the risk presented by the dispute.

The mechanics of the PRC as compared to the DBC give rise to the potential positive impact upon property tax revenue. The DBC program essentially gives a payment credit to taxpayer without requiring taxpayer to actually pay the disputed tax amount. Upon final resolution of the appeal, and depending upon the outcome of the appeal, the taxpayer may be required to make payment, but payment reflects the amount of property tax owed without any application of interest (assuming timely payment). In contrast, the PRC program requires taxpayer to pay disputed amount. Disputed amount is then invested by County Treasurer. Upon final resolution of appeal, disputed amount plus accrued interest is then used to: fulfill tax obligation and paid to taxing districts, refunded to taxpayer, or combination of the two. In instances where final resolution of appeal results in payment of funds to taxing districts, taxing districts receive the amount of the tax determined to be due, plus accrued interest. The accrued interest amount is where the positive impact upon revenue may arise.

As PRCs are to be issued in instances where tax assessment is being appealed, estimating potential impact upon revenue becomes a speculation of the outcome of tax disputes and for this reason the revenue impact is indeterminate.

To give some sense of the magnitude, based upon tax amounts under appeal, expected interest rates, DBCs issued and depending upon the outcomes and remaining litigation time periods, measure could yield thousands to potentially millions of dollars in a coming biennium. It is important to note that one outstanding tax dispute, Comcast Corporation v. Department of Revenue represents the vast majority of the outstanding tax dollar amount where DBCs are issued and where PRCs are expected to be issued. For this reason, any increase in revenue will largely be dependent upon outcome of this tax dispute (and other related Comcast tax disputes) and any sizable impact upon revenue is better viewed as a potential one-time event.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒