



February 21, 2018

Senator Lee Beyer, Chair
Representative Caddy McKeown, Chair
Joint Committee on Transportation
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

Dear Chair Beyer, Chair McKeown, and Members of the Joint Transportation Committee:

On behalf of the three national organizations that represent bicycle manufacturers, suppliers, distributors, and retailers, we are writing this letter to provide comment on recently proposed changes to Oregon's bike tax. At the February 11th Joint Transportation Committee hearing, the Committee discussed two possible changes to the state's bicycle tax: 1) subjecting electric assisted bicycles (or "e-bikes") to the bicycle excise tax rather than the motor vehicle privilege tax; and 2) eliminating the requirement that a bicycle have a wheel diameter of 26 inches or more in order to be subject to the tax. We are writing to express our support for the first change regarding e-bikes, and register our concerns regarding the second change related to wheel size. Our objection to altering the minimum wheel size requirement is premised on two issues: 1) the new bicycles that will be subject to taxation will primarily be children's bikes; and 2) it will place an additional burden on bicycle shops that have already invested resources to comply with the tax.

Application of Tax to Electric Assisted Bicycles

The application of the motor vehicle privilege tax to electric assisted bicycles is extremely confusing, and does not align with how electric assisted bicycles are regulated, sold, or used. Under the current statute, e-bikes are currently considered "taxable motor vehicles" rather than "taxable bicycles." This means they are subject to a .5% motor vehicle privilege tax rather than the \$15 bicycle excise tax.

This treatment is inconsistent with rest of the Oregon Vehicle Code, which specifically exempts electric assisted bicycles from the laws applicable to "motor vehicles" and subjects them to the same laws as "bicycles." Ore. Rev. Code § 814.405. Treating electric assisted bicycles identically to bicycles for the purposes of applying the excise tax is appropriate, particularly given that they are primarily sold at bicycle shops. We have no objection to amending the existing statutes to treat electric assisted bicycles as "taxable bicycles."

Elimination of Minimum Wheel Diameter

The second issue raised at the February 11th hearing was related to which bicycles, based on their wheel diameter, are subject to the bicycle excise tax. The discussion focused primarily on eliminating the minimum wheel diameter requirement in the current law. We are concerned that eliminating the minimum wheel diameter requirement will have two negative consequences: 1) it will primarily subject bicycles used by children (that are currently exempt due to their wheel size) to taxation; and 2) it will place new burdens on bicycle retailers that have already made investments to comply with the existing law.

The existing statute requires that a bicycle have a wheel diameter of 26 inches or more in order to be subject to the tax, and have a retail sales price of \$200 or more. We believe the legislative intent of these statutory requirements is two-fold: 1) ensure that lower-income citizens have access to affordable bicycles; and 2) prevent children's bicycles from being subject to taxation.

We understand the current concerns related to the wheel size requirement to be that some adult bicycles are not being subject to taxation, and the administration of the tax is proving difficult for the Department of Revenue. However, we do not think these issues merit removing the minimum wheel size requirement from determining whether a bicycle is taxable. In fact we believe the wheel size specification in the existing statute will actually achieve the goals that the Committee had in mind when the bicycle tax was passed last session.

a. Effect on Children's Bicycles

There are relatively few types of bicycles that retail for \$200 or more and avoid the tax based on their wheel size. These bicycles fall into one of four categories: 1) children's bicycles that retail for \$200 or more; 2) folding bicycles that retail for \$200 or more; 3) BMX bicycles that retail for \$200 or more; and 4) certain recumbent bicycles that retail for \$200 or more. Of these four categories, folding bicycles and recumbent bicycles make up an exceedingly small portion of the bicycle market, and are substantially outweighed by children's bicycles and BMX bicycles (the latter of which are commonly ridden by kids and teenagers). In sum, eliminating the minimum wheel diameter requirement will subject very few bicycles used by adults to taxation, and many more bicycles used by children to taxation.

Given this reality, we believe the current definition of "taxable bicycle" is effectively targeting the types of bicycles that the Committee intended to tax when the law was passed. The chart below summarizes the application of the existing bicycle tax to various types of bicycles in the marketplace.

Type of Bike	Wheel Size(s)	Typical User	Taxable (if price is \$200+)?
Road	700c (29")	Adults	Yes
Fitness/Commuter	700c (29"), 26"	Adults	Yes
Mountain	26", 27.5", 29"	All ages, mostly adults	Yes
BMX	20", 24"	Children, teenagers	No
Children's	12", 16", 20", 24"	Children	No
Folding	20", 24"	Adults	No
Recumbents	Various configurations	Adults	Depends on configuration

The elimination of the 26 inch wheel diameter requirement in the existing statute will undermine the Committee's objective of ensuring that bicycles ridden by kids are not subject to the bicycle excise tax. Discussion at the February 11th hearing indicated that many members believe that children's bicycles rarely meet or exceed a \$200 retail price. This is simply not true. We have included examples of children's bicycles that retail for more than \$200 from some of the most popular brands on the market to demonstrate that children's bicycles are commonly priced between \$200 and \$350. These bicycles all have wheel diameters between 12 inches and 24 inches, and they only avoid being subject to the bicycle excise tax due to the minimum wheel diameter requirement in existing law. If the statute is amended to remove the minimum wheel diameter requirement, the primary effect will be to tax more of these children's bicycles.

b. Effect on Bicycle Retailers

Beyond the issue of which bicycles would be subject to the tax if the minimum wheel size requirement were to be eliminated, we question amending the tax after bicycle retailers have diligently worked to align their inventory and point of sale systems to the requirements of the bicycle tax. Relying on the statute, retailers have made substantial investments in efforts to comply with requirements of tax. Mandating that these businesses go back and make changes to these procedures, only two months after the tax has been implemented, will be a burden.

We urge you to maintain the 26 inch wheel diameter requirement within the definition of "taxable bicycle." While there is no perfect criteria to perfectly distinguish a children's bicycle from an adult bicycles, the current statute is a reasonable and effective way to draw a line. The current law is a sensible one that furthers the Committee's objective of ensuring children's bicycles are not taxed.

Thank you for considering our input as you evaluate ways to improve the bicycle tax in Oregon. We would be happy to discuss our concerns with members of the Committee at any time.

Sincerely,

Alex Logemann
Director of State and Local Policy
PeopleForBikes Coalition

Brandee Lepak
Board Chair
National Bicycle Dealers Association

Adam Micklin
President
Bicycle Product Suppliers Association

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