REVENUE IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly
2018 Regular Session
Legislative Revenue Office

Bill Number:	**HB 4028 -A13, -A14, -A16, -A17**
Revenue Area:	**Income/Property Taxes**
Economist:	**Kyle Easton**
Date:	**3/1/2018**

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Measure with amendments makes changes to several income tax credits and property tax exemptions. This statement describes the changes by policy.

For purposes of Oregon affordable housing lender credit, includes new requirement through which entities may be considered a qualified borrower on a loan to finance a manufactured dwelling park. New requirement allows a nonprofit corporation or housing authority that has a controlling interest in the real property that is financed by a qualified loan to be considered a qualified borrower.

In instances where Legislative Assembly appropriates funds for deposit into the Oregon Production Investment Fund per ORS 315.516, such amount required to be reduced by the amount previously certified for the film production development contributions tax credit in the current fiscal year. Allows appropriations for upcoming fiscal year equal to total amount that would otherwise be certified for tax credits. Limits certification of credits for the corresponding fiscal year.

For purposes of tax credit for a producer or collector of manure used as biofuel or to produce biofuel, clarifies that the term "bovine" refers to "cattle". Specifies that cattle means: cows, heifers, bulls, steers or calves. Modifies $5 million annual credit claimed limitation to $5 million in annual credit certifications, as issued by the State Department of Agriculture for any calendar year.

Amends working family household and dependent care tax credit. Measure limits amount of employment-related expenses to lesser amount attributable to either spouse on a combined return plus spouse's imputed income if applicable.

For cemetery property currently exempt from property taxation, allows additional taxes that would otherwise be due at time of cemetery property no longer being used as cemetery property, to remain a potential tax liability that is not imposed. Specifies requirements in order for additional taxes to remain a potential tax liability. Requirements include land being used or held for the purpose of providing low income housing that will be exempt from property taxation per specified statutes. After land has been used to provide exempt low income housing for period of at least ten years, additional taxes end.

Makes changes to statutes governing local government permissive property tax exemption made available to qualified industrial property. Defines eligible location to include a location that has not formerly been used for industrial purposes. Clarifies definition of eligible property to include property whether appraised by the county or the Department of Revenue. Expands areas where exemption may be made available by changing definition of rural area to include an area in unincorporated territory. Clarifies definition of rural area to include area in a city with a population less than 40,000 that is located entirely outside of the urban growth boundaries of any and all cities with populations of 40,000 or more.

Extends sunset of property tax exemption for newly constructed low income rental housing from January 1, 2020 to July 1, 2020.

Revenue Impact (in $Millions):

Working family household and dependent care tax credit (A17):

	Fiscal Year			Biennium		
		2018-19		2017-19	2019-21	2021-23
General Fund		$1.0		$1.0	$2.0	$1.1

Affordable housing lender credit (A):	Minimal
Oregon Production Investment Fund (A):	No Impact
Manure producer or collector credit (A):	Minimal
Newly constructed low-income rental housing (A16):	Minimal
New industrial property in rural areas (A14):	Indeterminate (see impact explanation)
Cemetery land transferred to low-income housing (A13):	Indeterminate (see impact explanation)

Impact Explanation:

Working family household and dependent care tax credit (A17):
Measure limits amount of employment-related expenses to lesser amount attributable to either spouse on a combined return. Using the lesser of the two spouse's income has the effect of reducing applicable expenses in instances where actual employment related expenses exceed the lesser income of the spouse's income. Using the lesser of the two spouses income was administrative practice prior to changes made in 2017 session where limit was set to income earned in Oregon and reported on the taxpayer's return. Measure expands potential credit to taxpayers that reside in Oregon that earn income in another state.

New industrial property in rural areas (-A14)
Changes to the definition of rural area contained in amendment will increase areas in the state where permissive new industrial property tax exemption is available. As underlying property tax exemption being modified by amendment remains permissive, authority to provide exemption remains with local authorities. As such, the impact upon property tax revenue is indeterminate.

Cemetery land transferred to low-income housing (-A13)
The proposed amendment provides for a transfer from a tax-exempt cemetery status to a tax-exempt low income housing status, without triggering a 10 year clawback on the back taxes for the cemetery property. The actual revenue impact would depend on when the property is sold, if it is sold, and the intended future use.

On a particular 71 acre parcel in Eugene of Lane County, the owner would like to convert the use of 21 of those acres to housing. If the property is converted to low income housing, the owner (or purchaser) would not be, under measure as amended be required to pay the 10 years of back taxes that would normally be due upon cessation of property for cemetery and crematory purposes. Given a property tax rate of $18.6901 per $1,000 of property value the contemplated 21 acres would, under current law, yield local tax revenue of $231,492.64. Under this bill, if qualified low-income housing was built on this property, the local government would forgo this tax revenue.

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

The changes to: affordable housing lender credit, film production development contributions credit and credit for producer or collector of manure used as biofuel or to produce biofuel contained in measure are largely technical and as such, no policy statement is included for these three credits.

-A14 amendment would make a series of clarifications to the existing new industrial property in rural areas permissive property tax exemption as well as expansions of the exemption (discussed in impact explanation section above). Underlying policy purpose of exemption remains the same as originally described in enrolled SB 1565 (2016). The policy purpose of this measure is to allow cities and counties the ability to provide temporary property tax relief to industrial property owners newly constructing or installing qualified industrial improvements in rural areas, thereby encouraging business investment in such property and contributing to overall economic development.

The policy purpose of the property tax exemption being created in the -A13 amendment is to eliminate the potential tax burden when transferring property from cemetery to low income housing use, thereby encouraging such practice.