CHAPTER 17. VEHICLE USE TAX

The vehicle use tax was passed in 2017 (HB 2017), and imposes a tax on vehicle purchasers who intend to use the vehicle in Oregon. The tax is 0.5 percent of the retail price of certain vehicles purchased. In general, vehicles covered by the tax are those never before registered in Oregon and with 7,500 or fewer miles on their odometer (if they have one). The tax does not apply to vehicles with a gross vehicle weight rating over 26,000 pounds.

Vehicles included in the tax are passenger vehicles, motorcycles, campers, buses, trucks, and trailers (if required to be registered in Oregon). The use tax is reduced by amounts paid for the vehicle privilege tax. See Chapter 18 for description of the privilege tax.

The tax was imposed beginning on January 1, 2018. Gross receipts forecasted by the Oregon Department of Transportation are $9.4 million and $11.9 million for the 2017-19 and 2019-21 biennia, respectively.

17.001 CERTAIN VEHICLE MODIFICATIONS (VEHICLE USE TAX)

Oregon Statute: OR Laws 2018, Chapter 93, Section 10(2)(b)
Sunset Date: 06-30-2024
Year Enacted: 2018 (HB 4059)

	Total
2017-19 Revenue Impact:	Not Available
2019-21 Revenue Impact:	Not Available

DESCRIPTION: This provision states the retail value of the following modifications are not included in the retail sales price used in calculation, under ORS 320.410(2), of the tax on the storage, use, or other consumption in Oregon of motor vehicles purchased at retail:

- Modifications to a taxable vehicle that are necessary for a person with a disability to enter or drive or to otherwise operate or use the vehicle.
- Customized industrial modifications to the chassis of a taxable vehicle (typically a medium-duty truck) that has a gross vehicle weight rating (GVWR) of at least 10,000 pounds and not more than 26,000 pounds.

The legislative intent of the vehicle use tax was not to include the retail value of these modifications in the definition of "retail sale price" of which the tax is based. Presumably it was simpler to make a general definition of retail sales price and then state what it does not include.

Because the legislation enacting this statute did not explicitly set a sunset for this tax expenditure, ORS 315.037(3) establishes the sunset as six years after the first effective tax year. In this case, the last year this is in effect is 2024.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to not include the retail value of these modifications in the retail sales prices used in calculation of the tax on the storage, use, or other consumption in Oregon of motor vehicles purchased at retail.

WHO BENEFITS: Persons who purchase a taxable vehicle with adaptive modifications and businesses who purchase taxable vehicles with customized industrial modifications.

EVALUATION: Not evaluated.

17.002 TAX PAID TO ANOTHER JURISDICTION

Oregon Statute: 320.410(4)
Sunset Date: See description
Year Enacted: 2017 (HB 2017)

	Total
2017-19 Revenue Impact:	$200,000
2019-21 Revenue Impact:	$200,000

DESCRIPTION: Motor vehicle use tax is reduced, but not below zero, by the amount of any privilege, excise, sales or use tax imposed by any jurisdiction on the sale, or on the storage, use or other consumption, of a taxable motor vehicle. The tax is reduced by showing proof of tax paid to another jurisdiction. The revenue estimate for this expenditure does not include any reduction in the Vehicle Use Tax due to the Vehicle Privilege Tax.

There is some ambiguity about whether this specific exemption is a tax expenditure as defined by ORS 291.201. It has been included in the report for informational purposes. See the Introduction for a discussion of the definition of tax expenditures.

ORS 315.037(3) establishes that any tax expenditure enacted on or after January 1, 2014 shall apply for a maximum of six tax years. If the provision of the law reducing the vehicle use tax owed because of taxes paid to another jurisdiction is a tax expenditure, then this reduction in tax would be subject to the six year limit. In that case, the last effective tax year for this exemption would be 2023. If this reduction in tax does not meet the definition of a tax expenditure, then it is not subject to the six year limit and it will not expire.

PURPOSE: The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to prevent double taxation.

WHO BENEFITS: Purchasers of taxable vehicles who pay tax to a jurisdiction outside Oregon.

EVALUATION: Not evaluated.

17.003 VEHICLES PURCHASED BY THE FEDERAL GOVERNMENT OR TRIBES

Federal Law: U.S. Constitution, Article VI, Clause 2
Sunset Date: None
Year Enacted: 2017 (tax enacted)

	Total
2017-19 Revenue Impact:	$100,000
2019-21 Revenue Impact:	$100,000

DESCRIPTION: The State of Oregon is prohibited by the U.S. Constitution from taxing the federal government or tribal governments. Oregon cannot require the federal government or tribal governments to pay the vehicle use tax.

Even though ORS 315.037 says that any tax expenditure enacted on or after January 1, 2014 that does not have a specified sunset date is in effect for a maximum of six years, the impact of Oregon law is superseded in this situation by the U.S. Constitution.

PURPOSE: To comply with federal law.

WHO BENEFITS: The federal government and tribal governments.

EVALUATION: *provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

18.001 CERTAIN VEHICLE MODIFICATIONS (VEHICLE PRIVILEGE TAX)

Oregon Statute: OR Laws 2018, Chapter 93, Section 10(2)(b)
Sunset Date: 06-30-2024
Year Enacted: 2018 (HB 4059)

	Total
2017-19 Revenue Impact:	Not Available
2019-21 Revenue Impact:	Not Available

DESCRIPTION: This provision states the retail value of the following modifications are not included in the retail sales price used in calculation under ORS 320.405(2) of the tax imposed on each vehicle dealer for the privilege of engaging in the business selling taxable motor vehicles at retail in Oregon:

- Modifications to a taxable vehicle that are necessary for a person with a disability to enter or drive or to otherwise operate or use the vehicle.
- Customized industrial modifications to the chassis of a taxable vehicle (typically a medium-duty truck) that has a gross vehicle weight rating (GVWR) of at least 10,000 pounds and not more than 26,000 pounds.

The legislative intent of the vehicle privilege tax was not to include the retail value of these modifications in the definition of "retail sales price" of which the tax is based. Presumably it was simpler to make a general definition of retail sales price and then state what it does not include.

Because the legislation enacting this statute did not explicitly set a sunset for this tax expenditure, ORS 315.037(3) establishes the sunset as six years after the first effective tax year. In this case, the last year this is in effect is 2024.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to not include the retail value of these modifications in the retail sales prices used in calculation of the tax imposed on each vehicle dealer for the privilege of engaging in the business selling taxable motor vehicles at retail in Oregon.

WHO BENEFITS: Persons who purchase a taxable vehicle with adaptive modifications and businesses who purchase taxable vehicles with customized industrial modifications.

EVALUATION: Not evaluated.

18.002 VEHICLES SOLD AT AUCTION

Oregon Statute: 320.425(2)
Sunset Date: See description
Year Enacted: 2017 (HB 2017)

	Total
2017-19 Revenue Impact:	Less than $100,000
2019-21 Revenue Impact:	Less than $100,000

DESCRIPTION: A seller of otherwise taxable motor vehicles is not liable for the vehicle privilege tax with respect to vehicles sold at an event that lasts less than seven consecutive days, for which the public is charged admission and at which otherwise taxable motor vehicles are sold at auction.

There is some ambiguity about whether this specific exemption is a tax expenditure as defined by ORS 291.201. It has been included in the report for informational purposes. See the Introduction for a discussion of the definition of tax expenditures.

ORS 315.037(3) establishes that any tax expenditure enacted on or after January 1, 2014 shall apply for a maximum of six tax years. If the provision of the law exempting vehicles sold at auction from the vehicle privilege tax is a tax expenditure, then this exemption would be subject to the six year limit. In that case, the last effective tax year for this exemption would be 2023. If this exemption does not meet the definition of a tax expenditure, then it is not subject to the six year limit and it will not expire.

PURPOSE: The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to not tax vehicles sold at auction that same as vehicles sold at retail.

WHO BENEFITS: Dealers selling taxable motor vehicles with 7,500 miles or less at auctions. Presumably, examples of vehicles sold at auction could include collector/classic vehicles, repossessed vehicles, and damaged vehicles that have never been registered in Oregon.

EVALUATION: Not evaluated.

18.003 VEHICLES SOLD FOR OUT OF STATE USE

Oregon Statute: 320.425(1)
Sunset Date: See description
Year Enacted: 2017 (HB 2017)

	Total
2017-19 Revenue Impact:	$5,200,000
2019-21 Revenue Impact:	$6,900,000

DESCRIPTION: A seller of otherwise taxable motor vehicles is not liable for the vehicle privilege tax for vehicles sold to non-Oregon residents. Sales of otherwise taxable motor vehicles to a business for use primarily outside of Oregon are also exempt.

There is some ambiguity about whether this specific exemption is a tax expenditure as defined by ORS 291.201. It has been included in the report for informational purposes. See the Introduction for a discussion of the definition of tax expenditures.

ORS 315.037(3) establishes that any tax expenditure enacted on or after January 1, 2014 shall apply for a maximum of six tax years. If the provision of the law exempting vehicles sold to non-Oregon residents from the vehicle privilege tax is a tax expenditure, then this exemption would be subject to the six year limit. In that case, the last effective tax year for this exemption would be 2023. If this exemption does not meet the definition of a tax expenditure, then it is not subject to the six year limit and it will not expire.

PURPOSE: The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to not disadvantage Oregon dealers selling taxable motor vehicles to non-residents or businesses located out-of-state.

WHO BENEFITS: Dealers selling taxable vehicles for out-of-state use.

EVALUATION: Not evaluated.