

SB 453 STAFF MEASURE SUMMARY

Joint Committee On Transportation

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Meeting Dates: 5/8

WHAT THE MEASURE DOES:

Clarifies that Oregon vehicle dealers selling or trading motor vehicles that are subject to the privilege tax to other Oregon vehicle dealers for resale are not liable for the privilege tax on such transactions. Designates such dealers as exempt from the requirement to obtain a resale certificate to prove the sale or trade is exempt from the privilege tax. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

House Bill 2017 (2017) instituted a privilege tax of 0.5 percent of the retail sales price of new motor vehicles sold by licensed Oregon vehicle dealers. Because this tax is imposed on vehicle dealers, rather than the purchaser or end user of the motor vehicle, the privilege tax is not subject to the use restrictions imposed by Article IX, section 3(a) of the Oregon Constitution, which specifies that revenues derived from taxes or excises levied on ownership, operation, or use of motor vehicles; such revenues are restricted to use exclusively for construction, reconstruction, improvement, repair, maintenance, operation, and use of public highways, roads, streets, and roadside rest areas. The Oregon Supreme Court upheld the use of vehicle privilege tax revenue for non-highway uses in *AAA Oregon/Idaho v. State of Oregon* in a decision handed down on August 2, 2018.

The roughly \$55 million generated each biennium by the vehicle privilege tax is used for two purposes: \$12 million each year is transferred to the Zero-Emission Incentive Fund to provide rebates for the purchase of electric vehicles; the remainder is deposited into the Connect Oregon Fund. Beginning January 1, 2024, all revenues from the privilege tax will go to the Connect Oregon Fund.