

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2449 - A13

80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Increases rate of tax for emergency communications.

Government Unit(s) Affected:

Counties, Oregon Military Department (OMD), Department of Revenue (DOR)

Summary of Fiscal Impact:

Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:

The measure would increase the tax for emergency communications from \$0.75 to \$1.00 per month for wireless telephone accounts and prepaid wireless retail transactions from January 1, 2020 through December 31, 2020. Beginning January 1, 2021, the tax for wireless telephone accounts and prepaid wireless retail transactions would increase from \$1.00 to \$1.25. Effective January 1, 2020, the measure would decrease the percentage of the emergency communications account on the date of distribution allowable for administrative expenses for the Department of Revenue from 1 percent to 0.6 percent. The measure would decrease the percentage of the emergency communications account on the date of distribution allowable for administrative expenses for the Office of Emergency Management (OEM) from 4.0 percent to 2.4 percent, effective January 1, 2021. The tax sunset date would be extended to January 1, 2030. Any interest earned by the Emergency Communications Account would be credited to the 9-1-1 Subaccount.

Counties

Based on estimates from the Oregon Military Department (OMD), the Association of Oregon Counties (AOC) projects \$15.1 million in quarterly revenue beginning in January 2020. OMD further estimates that figure would increase to approximately \$18.9 million in January 2021.

Department of Revenue

The communication and program staff within the Department of Revenue (DOR) would need to develop a plan to notify taxpayers and consumers of the rate increase, including updates to its forms, website, and GenTax. DOR anticipates that it would be able to implement these changes without any additional resources. For that reason, the measure would have a minimal fiscal impact on DOR.

DOR currently receives up to 1.0 percent of tax receipts for its administrative expenses. DOR bills its actual costs to the Office of Emergency Management, instead of taking them off the top. Because DOR’s costs are considerably less than the current cap allows, DOR believes that the decrease from 1.0 to 0.6 percent, coupled with the two rate increases, would not impact DOR’s ability to cover its administrative costs going forward.

Oregon Military Department

In terms of revenues, the Oregon Military Department estimates that emergency communications tax increases and corresponding increases of special payments to local governments would result in a fiscal impact to the Office of Emergency Management (OEM) of approximately \$28.8 million additional revenues and Special Payments expenditure limitation in the 2019-21 biennium and \$59.1 million in the 2021-23 biennium. Special payments to local governments would not increase until after the first quarter of collections of the tax increase that takes effect on January 1, 2020. The Oregon Military Department may need to return to the Legislature for additional expenditure limitation during the 2020 legislative session.

In terms of expenditures, it is unclear whether the reduction to the administrative allowance coupled with the tax rate increase would result in a budget shortfall to OEM. If it were to result in a budgetary shortfall, OMD would need to return to the Legislative Assembly in the 2020 Session for a budget adjustment. Because it is unclear at this time whether OEM would need that adjustment, the fiscal impact of the measure is indeterminate.