

**HB 3158 STAFF MEASURE SUMMARY**

**House Committee On Climate, Energy, and Environment**

---

**Prepared By:** Erin Pischke, LPRO Analyst

**Sub-Referral To:** Joint Committee On Transportation

**Meeting Dates:** 2/15

---

**WHAT THE MEASURE DOES:**

**CLEAN DIESEL ENGINE TAXES**

Defines terms. Imposes excise tax at the rate of three percent of the retail sales price of the taxable tire on retail sale of tires. Requires seller to collect excise tax from purchaser of the taxable tire at the time of the taxable sale. Imposes privilege tax, computed at the rate of 1.5 percent of the retail sales price or total lease price of the non-road diesel equipment, for engaging in business of providing non-road diesel equipment. Establishes that the privilege tax becomes due when the sale or lease contract becomes enforceable. Authorizes provider to collect the amount of the privilege tax from the contractee. Imposes tax, computed at the rate of 1.5 percent of the retail sales price of the non-road diesel equipment, on use in Oregon of non-road diesel equipment purchased out of state at retail. Establishes criteria for reducing the use tax, for disclosing tax amount and for collecting tax. Establishes presumptions to prevent evasion of the use tax. Establishes exemptions for sellers who are not liable for collecting privilege tax. Establishes that clean diesel engine tax expenditures are in continuous effect until the Legislative Assembly expressly provides otherwise. Requires Department of Revenue (Department) to refund an excess tax payment if the amount of clean diesel engine taxes paid by a seller, provider or purchaser exceeds the amount of taxes due. Requires Department to deposit all revenue collected from the clean diesel engine taxes in a suspense account established under ORS 293.445 for the purpose of receiving the revenue. Authorizes the Department to pay the actual expenses of the department for the administration and enforcement of the clean diesel engine taxes out of moneys received from the clean diesel engine taxes. Establishes each tax is considered a tax upon the seller that is required to collect the tax, and the seller is considered a taxpayer who is required to file a return with the Department. Establishes liability for payment of clean diesel engine taxes, amounts held in trust, warrants for collection, and terms for a conference. Establishes when purchasers are required to remit excise tax and use tax and period of time sellers and providers are required to keep records. Establishes appeal rights related to tax liability. Requires Department to administer and enforce clean diesel engine tax laws. Prohibits a local government from imposing a tax 1) on the privilege of engaging in the business of providing non-road diesel equipment; and 2) any privilege, excise, sales, or use tax imposed on or with respect to taxable property or tax base transactions under certain circumstances.

**RENTAL TAX ON NON-ROAD DIESEL EQUIPMENT**

Imposes tax on the rental price received for any qualified heavy equipment at the following rates: 1) 3.5 percent for rentals of non-road diesel equipment; and 2) 2 percent for rentals of all other qualified heavy equipment.

**PRIVILEGE TAX ON HEAVY-DUTY MOTOR VEHICLES**

Defines terms. Requires moneys attributable to the privilege tax imposed on heavy-duty vehicles be transferred to the Clean Diesel Engine Fund.

**FUEL TAX ON DYED DIESEL USED IN NONROAD DIESEL EQUIPMENT**

Requires moneys attributable to the license tax on dyed diesel be transferred to Clean Diesel Engine Fund.

**CLEAN DIESEL ENGINE FUND**

## HB 3158 STAFF MEASURE SUMMARY

Establishes that the Clean Diesel Engine Fund consists of but not limited to: moneys from the clean diesel engine taxes imposed under sections 1 to 18 of the Act; moneys attributable to the heavy equipment rental tax imposed under ORS 307.872 on rentals of nonroad diesel equipment transferred to the fund; moneys attributable to the privilege tax imposed on heavy-duty vehicles under ORS 320.405 and transferred to the fund under ORS 320.435; and moneys attributable to the license tax imposed under ORS 319.020 on dyed diesel and transferred to the fund under ORS 319.410. Increases cap on grants or loans awarded from Clean Diesel Engine Fund for repower of non-road diesel engine to 50 percent of certified costs. Directs Environmental Quality Commission to establish preference for grants and loans from fund for replacements, repowers, or retrofits necessary to satisfy certain title and registration requirements for heavy- or medium-duty trucks powered by diesel engines.

Takes effect on 91st day following adjournment sine die.

- *REVENUE: May have revenue impact, but no statement yet issued*
- *FISCAL: May have fiscal impact, but no statement yet issued*

*Subsequent Referral to Joint Committee on Transportation*

### ISSUES DISCUSSED:

### EFFECT OF AMENDMENT:

No amendment.

### BACKGROUND:

Diesel is the fuel most frequently used by the commercial transportation sector; approximately 80 percent of all freight in the U.S. is moved by diesel engines. Diesel engines also power most non-road equipment, including equipment used in the construction, agricultural, marine, and locomotive sectors. Diesel engines are used extensively because of their reliability, durability, power, and fuel efficiency. However, diesel engines also emit nitrogen oxides, particulate matter, and toxic air pollutants that are dangerous to human health and contribute to global warming. In 2019, the Legislative Assembly enacted House Bill 2007 which directed the Environmental Quality Commission to establish diesel emission standards for medium- and heavy-duty trucks, including the requirement for model 2010 or newer engines in all such trucks registered by Oregon by January 1, 2029.

According to the Oregon Department of Revenue, corporations doing business in Oregon must file one of two corporation tax returns: an **excise tax** return if they do business in Oregon, or an **income tax** return if not doing business in Oregon, but they have income from an Oregon source. Corporations can use tax credits to reduce its Oregon tax liability. A **use tax** applies to vehicles that are required to be registered and titled in Oregon, but that were purchased from out-of-state dealers.

House Bill 3158 would impose an excise tax on retail sale of tires, a privilege tax for engaging in business of providing non-road diesel equipment, a tax on use in Oregon of non-road diesel equipment purchased out of state at retail, a heavy equipment rental tax on rentals of non-road diesel equipment, a privilege tax on heavy-duty vehicles, and a license tax on dyed diesel for transfer to the Clean Diesel Engine Fund.