

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: SB 1 - 2**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

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

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**Measure Description:**

Directs Department of Revenue to develop schedule allowing personal income taxpayers to voluntarily report taxpayers' self-identified race and ethnicity identifiers.

**Government Unit(s) Affected:**

Department of Revenue, Oregon Health Authority, Department of Administrative Services, Legislative Revenue Office

**Summary of Fiscal Impact:**

Costs related to the measure may require budgetary action - See analysis.

**Summary of Expenditure Impact:**

	<b>2023-25 Biennium</b>	<b>2025-27 Biennium</b>
<b>Department of Revenue</b>		
<b>General Fund</b>		
Personal Services	\$277,874	\$461,295
Services and Supplies	\$192,850	\$25,812
<b>Total General Fund</b>	<b>\$470,724</b>	<b>\$487,107</b>
<b>Total Fiscal Impact</b>	<b>\$470,724</b>	<b>\$487,107</b>
<i>Total Positions</i>	3	4
<i>Total FTE</i>	1.42	3.25

**Analysis:**

Senate Bill 1, as amended by the -2 amendments, directs the Department of Revenue (DOR) to attach to personal income tax returns a schedule that allows taxpayers to voluntarily provide their racial and ethnicity identifiers. The data collection schedule must, among other things, allow taxpayers to select from the full list of demographic data categories of racial or ethnic identifiers, adopted as uniform standards by the Oregon Health Authority (OHA); allow each individual taxpayer listed on an income tax return to select one primary identifier and as many as two additional identifiers; provide individuals filing a joint return the ability to each elect whether to indicate identifiers on the schedule; and provide taxpayers the ability to opt out of completion of the schedule. DOR must establish policies and procedures to enable individuals who are not required to file an income tax return for a given tax year the ability to complete the schedule without filing a tax return. DOR must ensure that all data collected is used only for the purposes specified in the measure; is maintained and stored separately from other information; and is accessible only to certain staff at DOR, staff of the Legislative Revenue Office (LRO), and staff of the Office of Economic Analysis within the Department of Administrative Services (DAS). If DOR, LRO, or DAS include this data in any reports, the data must be presented in an aggregated and anonymized form.

Beginning in 2024, DOR must report on the status of the development and implementation of the data collection schedule, the use of the data, and measures undertaken to ensure data security to an appropriate legislative committee related to information management and technology by September 15 of each year. DOR must first attach the data collection schedule to personal income tax returns filed for the 2024 tax year. To the extent

feasible, DOR must use the data collected on the data collection schedule to inform the development of racial impact statements; analysis of proposed rulemaking and budget requests; and responses to information requests from the Legislative Assembly. DOR must develop programming and forms for the implementation of the data collection schedule. The measure takes effect 91 days after adjournment *sine die*.

### **Department of Revenue**

The measure is anticipated to have a fiscal impact on DOR. DOR will need to create the schedule and implement policies and procedures for maintaining and using the collected data securely and properly. Programming of department systems will allow for the storage of the collected data, as well as setting up a method for non-filers to elect to complete the schedule. DOR will coordinate with LRO and DAS on accessing the data. DOR will also track implementation of the schedule and data collection for reports to the Legislative Assembly.

In the 2023-25 biennium, DOR would need an estimated three positions (1.42 FTE), including one permanent, full-time Public Service Representative 3 position (0.29 FTE) to respond to taxpayer inquiries, phone calls, and correspondence; one permanent, full-time Research Analyst 3 position (0.25 FTE) to research and prepare the data for analysis, development of racial impact statements, proposed rulemaking, and budget requests; and one limited duration, full-time Operations and Policy Analyst 3 position (0.88 FTE) to oversee and develop this program prior to January 2025 when taxpayers begin to file their 2024 tax returns. DOR would also incur an estimated \$169,400 General Fund for professional information technology and other services for development, configuration, and testing of the changes to GenTax and Quick Modules. Other costs (generally one-time) of implementing this new data collection will be absorbed by using existing DOR staff. In the 2025-27 biennium, DOR would need four positions (3.25 FTE), including one seasonal, full-time Data Entry Operator (0.25 FTE) to process and enter data on the new schedules for taxpayers and non-filers; two full-time, permanent Public Service Representative 3 positions (2.00 FTE) to respond to taxpayer inquiries, phone calls, and correspondence; and one Research Analyst 3 positions (1.00 FTE) to research and prepare data for analysis, development of racial impact statements, proposed rulemaking, and budget requests. The total estimated fiscal impact to DOR is \$470,724 General Fund in 2023-25 and \$487,107 General Fund in 2025-27.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to the state's General Fund and DOR's biennial budget.

### **Other Government Units**

The measure is anticipated to have a minimal fiscal impact on OHA, LRO, and DAS.