

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2080 - 3

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

Prepared by: Michael Graham

Reviewed by: Michelle Deister, Amanda Beitel, Doug Wilson, John Borden

Date: June 7, 2023

Measure Description:

Extends the sunset dates of various property tax exemptions. Modifies the provisions of various property tax exemptions.

Government Unit(s) Affected:

Housing and Community Services Department, Department of Revenue, Judicial Department, Counties, Cities

Summary of Fiscal Impact:

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

Summary of Expenditure Impact:

	2023-25 Biennium	2025-27 Biennium
Housing and Community Services Department		
General Fund		
Personal Services	\$195,569	\$223,508
Services and Supplies	\$20,780	\$20,780
Total General Fund	\$216,349	\$244,288
Total Fiscal Impact	\$216,349	\$244,288
<i>Total Positions</i>	1	1
<i>Total FTE</i>	0.88	1.00

Analysis:

House Bill 2080, as modified by the -3 amendments, extends the sunset dates of various property tax exemptions, including the exemptions for industrial improvements newly constructed or installed in rural areas; federal land used by recreation facility operators under permit; food processing machinery and equipment; property of centrally assessed companies; single unit housing; and property of surviving spouses of certain public safety officers killed in the line of duty.

The measure also makes various modifications to existing property tax exemptions, including expanding the exemption for community solar projects to include non-residential projects; expanding the exemption for food processing machinery and equipment to include meat or wild game; expanding the multiple-unit housing exemption to include the entire multiple-unit housing, instead of only additions or conversions thereto; eliminating the requirement for cities to pass an ordinance or resolution to approve multiple-unit housing exemptions; expanding the low-income rental housing exemption to include housing units owned by limited equity cooperative corporations; authorizing cities or counties to establish alternate schedules for property tax exemptions of new or rehabilitated multi-unit rental housing; and allowing the surviving spouse of disabled veterans to continue to receive the exemptions for disabled veterans or surviving spouses of veterans without having to reapply.

The measure takes effect 91 days after adjournment *sine die*.

Housing and Community Services Department

The measure is anticipated to have a fiscal impact on the Housing and Community Services Department (HCSD). The changes the Oregon Affordable Housing Tax Credit, which is a state income tax credit that produces lower rents for low-income renters in affordable housing projects. The credit allows banks to reduce interest rates on loans for affordable housing and claim a state income tax credit equal to the lost interest income caused by the lower rate. Property owners must agree to pass 100% of the interest savings to low-income tenants in the form of permanent rent reductions. The measure creates a new program under the Oregon Affordable Housing Tax Credit by allowing developers to also benefit from the credit.

To implement the changes to this tax credit, HCSD will need to stand up new a tax credit program section within its Homeownership Division, creating new rules and program manuals to ensure that the tax credit does not conflict with any existing homeownership development programs. HCSD will also be required to provide long-term compliance for this type of project, which will likely be different than compliance for rental projects that use this tax credits. HCSD anticipates needing one permanent, full-time Program Analyst 3 position (0.88 FTE) to this manage this workload and oversee the long-term compliance. The estimated cost of this position, including related services and supplies, is \$216,349 General Fund in the 2023-25 biennium and \$244,288 General Fund in the 2025-27 biennium.

Other Government Units

The measure is anticipated to have a minimal fiscal impact on the Department of Revenue, Judicial Department, cities, and counties.