REVENUE IMPACT OF PROPOSED LEGISLATION

82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office

Bill Number:	**HB 3406 -A**
Revenue Area:	**Income Tax**
Economist:	**Easton/Malik**
Date:	**6/20/2023**

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Expands existing tax credit available to personal and corporate income taxpayers based upon short line railroad rehabilitation project costs actually paid or incurred by the taxpayer in the year in which the tax credit is claimed. Removes the credit distinction between tier 1 and tier 2 short line railroads, causing an increase in the potential annual amount of credit a railroad of 200+ miles may qualify for, from $1,000 multiplied by the number of track miles to $3,500 multiplied by the number of track miles. Disallows from use in determining Oregon short line rehabilitation tax credit, rehabilitation costs that are used, or could be used, to claim federal short line railroad rehabilitation tax credit. If the biennial tax credit certification cap of $4 million is reached, tax credits are first reduced to no more than $400,000 annually for a single railroad. If further reduction is required, tax credits are then allocated proportionally based on the amount each taxpayer would have otherwise received. Applies to tax years beginning on or after January 1, 2024, and before January 1, 2026. Permits a road authority to allow person to operate, in a parade, a vehicle otherwise prohibited from operating on highways. Revises requirements for Highway Cost Allocation Study (HCAS) to include examination of most recent study period to determine accuracy of published HCAS results, and of prospective study period based on projected data. Directs Department of Administrative Services to submit report analyzing at least the three most recent iterations of HCAS to evaluate proportionate share paid by users of each vehicle class.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2023-24	2024-25		2023-25	2025-27	2027-29
General Fund		-$0.4		-$0.4	-$1.7	Minimal

Impact Explanation:

The impact shown in the table above is a result of sections 1 through 4 of the measure as amended.

Under current law, the tax credit for short line railroad rehabilitation will sunset following the 2025 tax year. Credit modifications by measure are effective for tax years 2024 and 2025. Credit modifications are estimated to increase the use of the credit in the respective tax years causing a reduction in General Fund revenue in the 2023-25 and 2025-27 biennia. Eliminating the tier 1 and tier 2 distinction is expected to increase the value of the tax credit for three short line railroads currently classified as tier 1. The increased value of the credit will likely cause the biennial limit to be reached in 2023-25, which will cause individual short line railroads to be limited to $400K in credit certification in 2024. Proportional reduction for all other short line railroads in 2024 is not expected. The biennial credit certification limit is not expected to be reached in 2025-27 as the changes are applicable through tax year 2025. This revenue impact estimate was made through an analysis of Oregon Department of Transportation tax credit certification data.

The impact of the other sections of the measure (sections 5 through 9) is minimal.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is to encourage improvement and development of short line railroads by equalizing the value of the tax credit for all short line railroads.

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