

House Bill 3468

Sponsored by Representative HELM

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Provides for portion of surplus revenue refunds to be directed to Oregon Drought Reserve Fund instead of returned to personal income taxpayers. Establishes Oregon Drought Reserve Fund. Maintains amounts of surplus returned to taxpayers with lower incomes based on taxpayer share of prior year tax liability and phases out amount returned to taxpayers with higher incomes. Modifies statutory provisions.

Applies to biennia ending on or after June 30, 2025.

Takes effect only if House Joint Resolution 23 (2023) is approved by people at next regular general election. Takes effect on effective date of constitutional amendment proposed in House Joint Resolution 23 (2023).

A BILL FOR AN ACT

1
2 Relating to directing surplus revenues to drought reserve funding; creating new provisions; amend-
3 ing ORS 291.349; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 291.349 is amended to read:

6 291.349. (1) As soon as practicable after adjournment sine die of the odd-numbered year regular
7 session of the Legislative Assembly, the Oregon Department of Administrative Services shall report
8 to the Legislative Revenue Officer and the Legislative Fiscal Officer the estimate as of July 1 of the
9 first year of the biennium of General Fund and State Lottery Fund revenues that will be received
10 by the state during that biennium. The Oregon Department of Administrative Services shall base its
11 estimate on the last forecast given to the Legislative Assembly before adjournment sine die of the
12 odd-numbered year regular session on which the printed, adopted budget prepared in the Oregon
13 Department of Administrative Services is based, adjusted only insofar as necessary to reflect
14 changes in laws adopted at that session. The report shall contain the estimated revenues from cor-
15 porate income and excise taxes separately from the estimated revenues from other General Fund
16 sources. The Oregon Department of Administrative Services may revise the estimate if necessary
17 following adjournment sine die of a special session or an even-numbered year regular session of the
18 Legislative Assembly, but any revision does not affect the basis of the computation described in
19 subsection (3) or (4) of this section.

20 (2) As soon as practicable after the end of the biennium, the Oregon Department of Adminis-
21 trative Services shall report to the Legislative Revenue Officer and the Legislative Fiscal Officer,
22 or the Legislative Assembly if it is in session, the amount of General Fund revenues collected as
23 of the last June 30 of the preceding biennium. The report shall contain the collections from corpo-
24 rate income and excise taxes separately from collections from other sources.

25 (3) If the revenues received from the corporate income and excise taxes during the biennium
26 exceed the amounts estimated to be received from such taxes for the biennium, as estimated after
27 adjournment sine die of the odd-numbered year regular session, by two percent or more, the total

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 amount of that excess shall be retained in the General Fund and used, in the manner described in
2 ORS 291.345, to provide additional funding for public education, kindergarten through grade 12.

3 (4) If the revenues received from General Fund revenue sources, exclusive of those described in
4 subsection (3) of this section, during the biennium exceed the amounts estimated to be received from
5 such sources for the biennium, as estimated after adjournment sine die of the odd-numbered year
6 regular session, by two percent or more[, *there shall be credited to personal income taxpayers an*
7 *amount equal to the total amount of that excess,*]:

8 (a) **The lesser of five percent of the total excess, or the amount sufficient to raise the**
9 **balance of the Oregon Drought Reserve Fund established under section 2 of this 2023 Act to**
10 **\$300 million, adjusted for inflation, shall be transferred to the Oregon Drought Reserve Fund**
11 **established in section 2 of this 2023 Act.**

12 (b) **After the transfer required by paragraph (a) of this subsection, the remainder of the**
13 **excess, reduced by the cost certified by the Department of Revenue under ORS 291.351 as being**
14 **allocable to credits described under this subsection[.], shall be returned to personal income tax-**
15 **payers. Except as provided in paragraph (d) of this subsection, the excess amount to be credited**
16 **shall be credited to personal income taxpayers in a percentage amount of prior year personal income**
17 **tax liability as determined under subsection (5) of this section.**

18 (c) **The amount returned to personal income taxpayers with prior year adjustable gross**
19 **income not in excess of 200 percent of the federal poverty level shall be returned as a per-**
20 **centage of the prior year liability of all personal income taxpayers, calculated before the**
21 **transfer required by paragraph (a) of this section.**

22 (d) **In order to accommodate the transfer required by paragraph (a) of this subsection,**
23 **amounts returned to personal income taxpayers with prior year adjustable gross income**
24 **equal to or in excess of 200 percent of the federal poverty level may be reduced, if necessary,**
25 **by a percentage that is inversely proportional to the income percentile of each taxpayer.**

26 (5)(a) If there is an excess to be credited under subsection (4) of this section, on or before Oc-
27 tober 1, following the end of each biennium, the Oregon Department of Administrative Services shall
28 determine and certify to the Department of Revenue the percentage amounts of credit for purposes
29 of subsection (4) of this section. The percentage amounts determined shall be percentage amounts
30 to the nearest one-tenth of a percent that will distribute the excess to be credited to personal in-
31 come taxpayers.

32 (b) The percentage amount applicable to subsection (4) of this section shall equal the amount
33 distributed under subsection (4) of this section divided by the estimated total personal income tax
34 liability for all personal income taxpayers for tax years beginning in the calendar year immediately
35 preceding the calendar year in which the excess is determined.

36 (c) The amount of the surplus credit under subsection (4) of this section is determined by
37 multiplying the percentage amount determined under paragraph (b) of this subsection by the total
38 amount of a personal income taxpayer's tax liability for the tax year beginning in the calendar year
39 immediately preceding the calendar year in which the excess is determined in order to calculate the
40 amount to be credited to the taxpayer.

41 (d) The credit shall be determined based on the tax liability as shown on the return of the tax-
42 payer or as corrected by the Department of Revenue.

43 (e) The credit shall be computed after the allowance of a credit provided under ORS 316.082,
44 316.131 or 316.292, but before the allowance of any other credit or offset against tax liability allowed
45 or allowable under any provision of law of this state, and before the application of estimated tax

1 payments, withholding or other advance tax payments.

2 (f) For personal income taxpayers, if a credit applied against tax liability as described in para-
3 graph (e) of this subsection reduces tax liability to zero and an amount of the credit remains unused,
4 the remaining unused amount shall be refunded to the taxpayer. For purposes of ORS chapters 305,
5 314, 315 and 316, refunds issued under this paragraph are refunds of an overpayment of tax imposed
6 under ORS chapter 316.

7 (g) The Department of Revenue may prescribe by rule the manner of calculating and claiming
8 a credit if the filing status of a taxpayer changes between the tax year for which a credit may be
9 claimed and the succeeding tax year.

10 (6) A refund may not be made under this section to a taxpayer if the amount of the refund is
11 less than \$1.

12 (7) Not later than October 15 following the end of the biennium, the Department of Revenue
13 shall provide information and guidance to taxpayers relating to the calculation of the credit. The
14 department may make the information and guidance available electronically or otherwise.

15 (8) The Department of Revenue may adopt rules specifying the manner for issuing refunds under
16 this section to taxpayers who filed returns for the tax year on which the credit is computed but who
17 are not required to file returns for the year in which the credit could be claimed.

18 **SECTION 2. (1) The Oregon Drought Reserve Fund is established in the State Treasury,**
19 **separate and distinct from the General Fund. Interest earned by the Oregon Drought Re-**
20 **serve Fund shall be credited to the fund. All moneys in the fund are to be used only for the**
21 **purpose of funding drought preparedness, assessment, planning, coordination, response and**
22 **resiliency, and may be used only if the Governor has declared, after consultation with the**
23 **Oregon Climate Change Research Institute established in ORS 352.823, that an area within**
24 **the state is experiencing a period of long-term water scarcity.**

25 **(2) Purposes for which the moneys in the fund may be used, after a declaration as de-**
26 **scribed in subsection (1) of this section, include the provision of:**

27 **(a) Support for cities, counties, tribes, special districts and agencies to improve drought**
28 **preparedness, assessment, planning, coordination, response and resiliency;**

29 **(b) Relief for farmers, ranchers, workers, land managers, irrigation districts and others**
30 **experiencing drought-related impacts;**

31 **(c) Investments in infrastructure and projects that promote water conservation and ef-**
32 **iciency;**

33 **(d) Support for community and domestic water systems to ensure access to safe drinking**
34 **water;**

35 **(e) Incentives for voluntary land management or stewardship practices that promote**
36 **drought resiliency;**

37 **(f) Investments in drought resiliency and protection of natural resources, wildlife and**
38 **in-stream priorities, such as addressing fish barriers, restoring streamflow and improving**
39 **river temperatures; and**

40 **(g) Investments in drought-related outreach, education, research, monitoring, data and**
41 **equipment.**

42 **(3) Moneys in the fund shall consist of:**

43 **(a) Moneys transferred to the fund under section 2 of this 2023 Act;**

44 **(b) Income earned on moneys in the fund;**

45 **(c) Moneys transferred to the fund from federal, state or local governments; and**

1 (d) Any moneys or other assets transferred, deposited or otherwise credited to the fund
2 from any source.

3 (4) When moneys in the fund exceed \$300 million, the excess funds shall be deposited in
4 the General Fund of the State Treasury.

5 (5) For each calendar year, the threshold in subsection (4) of this section shall be ad-
6 justed for inflation. The computation shall be as follows:

7 (a) Divide the monthly averaged U.S. City Average Consumer Price Index for the 12
8 consecutive months ending August 31 of the prior calendar year by the monthly averaged
9 index for the first six months of 2022.

10 (b) Recompute the threshold by multiplying \$300 million by the appropriate indexing fac-
11 tor determined as provided in paragraph (a) of this subsection. Round the amount obtained
12 under this paragraph to the nearest \$1.

13 (6) As used in this section, "U.S. City Average Consumer Price Index" means the U.S.
14 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the
15 Bureau of Labor Statistics of the United States Department of Labor.

16 SECTION 3. The amendments to ORS 291.349 by section 1 of this 2023 Act apply to
17 biennia ending on or after June 30, 2025.

18 SECTION 4. This 2023 Act does not take effect unless the amendment to the Oregon
19 Constitution proposed by House Joint Resolution 23 (2023) is approved by the people at the
20 regular general election held in November 2024. This 2023 Act takes effect on the effective
21 date of that constitutional amendment.
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