

HB 3362 -1 STAFF MEASURE SUMMARY

Joint Committee On Transportation

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 3/4

WHAT THE MEASURE DOES:

Imposes an excise tax on the retail sale of tires. Directs proceeds from the tax to be transferred to specified funds for purposes related to rail transit, tire pollution prevention and mitigation, and wildlife passage infrastructure. Establishes the Tire Pollution and Rail Transit Fund and the Wildlife Vehicle Collision Reduction Fund. Directs the Oregon Department of Transportation to establish a tire pollution prevention and mitigation program. Takes first on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Specifies that "taxable tire" does not include tires designed for use on vehicles with a combined weight of more than 26,000 pounds. Defines "combined weight" and "motor vehicle" for purposes of measure.

Fiscal impact:

Revenue impact

BACKGROUND:

Oregon currently lacks a significant or reliable revenue stream for funding passenger rail. Some moneys are available to railroads via grants through the Connect Oregon program, which is funded by a vehicle privilege tax imposed on the sale of new cars at retail in the State of Oregon. Moneys generated from the vehicle privilege tax are not subject to the restrictions imposed by the Oregon Constitution, Article IX, section 3(a), in that the tax is imposed on neither the ownership nor then use of a motor vehicle, but rather on the privilege of selling motor vehicles. Likewise, a tax on the retail sale of tires is also considered by many to likely avoid falling under Article IX of the Oregon Constitution, as tires are considered not a vehicle in and of itself, but rather a piece of equipment for a motor vehicle.

The Legislative Revenue Office estimated in 2020 that a \$1 per tire excise tax on all tires sold in Oregon would generate approximately \$3.1 million per year. This revenue, if bonded, would provide for a 10-year bond with a yield of \$24 million, a 15-year bond with a yield of \$32 million, or a 20-year bond with a yield of \$38 million. Tires could also be taxed as a percentage of the retail price, with the price of tires ranging roughly from \$60 to more than \$1,000 per tire. A per-tire percentage tax rate of 0.77 percent would generate roughly the same revenue as the \$1 per tire tax.