REVENUE IMPACT OF PROPOSED LEGISLATION

83rd Oregon Legislative Assembly
2025 Regular Session
Legislative Revenue Office

Bill Number:	**HB 2087 - 2**
Revenue Area:	**Income Taxes | Fuel Taxes Weight-Mile Tax**
Economist:	**Kyle Easton, Jon Hart**
Date:	**6/24/2025**

Only Impacts on Original or Engrossed Versions are Considered Official

---

Measure Description:

This measure extends and modifies tax expenditures affecting personal and corporate income taxes, fuels taxes and the weight-mile tax.

Revenue Impact (in $Millions):

	Biennium		
Policy	**2025-27**	**2027-29**	**2029-31**
General Fund Tax Expenditures			
Affordable housing lender credit	-$0.1	-$0.4	-$0.7
Crop donation credit	-$0.3	-$0.7	-$0.9
Earned income tax credit	-$53.0	-$106.8	-$108.8
Film production development contribution credit	-$1.7	-$2.4	-$1.3
First-time homebuyer savings account subtraction	Minimal	-$3.3	-$4.0
Individual development account (IDA) donation credit	-$0.6	-$1.0	-$0.6
Manufactured dwelling park capital gains subtraction	-$0.6	-$0.9	-$1.0
Manufactured dwelling park closure credit	Minimal	Minimal	Minimal
Pension income credit	-$0.4	-$0.8	-$0.7
Rural volunteer emergency medical services providers credit	-$0.2	-$0.4	-$0.2
Total General Fund	**-$56.9**	**-$116.7**	**-$118.1**
Fund Receipts*			
Neighborhood Partnerships: for IDA distribution	$0.7	$1.1	$0.7
Oregon Production Investment Fund (Film & Video)	$1.7	$2.2	$1.1
Transportation Tax Expenditures			
Vehicle used for testing emissions (fuel taxes)	$0.0	$0.0	$0.0
Vehicle used for testing emissions (weight-mile tax)	-$0.5	-$0.7	-$0.7

*Fund receipts reflect transfers from proceeds of IDA credit donations made to Neighborhood Partnerships for use in funding matched individual development account savings, and net auction proceeds from film production development tax credits.

Policy Descriptions and Impact Explanations:

Sunset extensions

The following income tax expenditures have their sunsets extended without additional policy modification:

- Earned income tax credit
- Pension income credit
- Manufactured dwelling park closure credit
- Manufactured dwelling park capital gains subtraction
- First time homebuyer savings account subtraction
- Vehicle used for testing emissions

Earned income tax credit

Taxpayers allowed to claim the federal earned income tax credit (EITC) are allowed an Oregon EITC equal to either 9% or 12% of their federal credit amount allowed for the corresponding tax year. To claim the 12% credit, an Oregon taxpayer must have a dependent under the age of three at the close of the tax year. The Oregon EITC is a refundable credit, meaning the credit is first used to reduce a taxpayer's tax liability potentially to zero with any remaining credit amount being paid to the taxpayer in the form of a tax refund. As Oregon's credit is a percentage of the federal credit, Oregon's credit inherently reflects the design of the federal EITC as of a specific date. One difference from federal EITC policy is that Oregon allows taxpayers to claim an Oregon EITC using an individual taxpayer identification number (ITIN) whereas federal law requires a Social Security Number (SSN). Taxpayers claiming an Oregon EITC using an ITIN claim the credit in an amount equal to 9% or 12% of what their federal EITC would have been but for the SSN requirement.

In 2022, about 230,000 Oregon taxpayers claimed a total of $45.9 million in Oregon EITC (ITIN taxpayers accounted for about $700K of the $45.9M). The average credit amount was $200 and about 90% of the credit was claimed by taxpayers with an annual income below $40,000. In recent years the number of taxpayers claiming the credit and the credit amount claimed has varied. This recent variability reflects among other things, temporary federal changes made to the credit, Oregon credit policy changes and the underlying economic effects of the COVID-19 pandemic. Initial preliminary 2023 credit data indicates an annual total cost of the credit of about $52 million. The revenue impact estimate of extending the credit's sunset assumes the cost of the credit increases modestly in the coming years. This reflects historical annual change in credit use and Oregon's near term demographic forecast.

Pension income credit

Individuals aged 62 years or older who receive certain taxable retirement income may qualify for a tax credit equal to nine percent of their qualified net pension income. Qualified pension income includes taxable income from: a deferred compensation plan such as a 401(k) or 457 plan, employee pension benefit plan, federal/state/local public retirement system, individual retirement account (IRA) and/or employee annuity account. Net pension income qualification limits result in the credit being claimed by predominately lower income taxpayers. Net pension income qualifying for the credit is limited to $7,500 ($15,000 joint return) minus Social Security benefits minus household income over $15,000 ($30,000 joint). These two limitations effectively cause the credit to potentially phaseout with each additional dollar of Social Security income received or with each additional dollar of pension income above $15,000 ($30,000 joint).

The number of taxpayers claiming the credit for certain retirement income has been steadily declining for the past 20 years whereas the overall reduction in General Fund revenue from the credit has been relatively stable at about $800K per year. This is due to the average credit amount claimed increasing over this time-period. Future cost of the credit is expected to decline slightly reflective of a continued reduction in the number of taxpayers claiming the credit and a plateauing of the average credit amount claimed. Both assumptions reflect the impact on taxpayer qualification from the credit's income limits which are not indexed to inflation.

Manufactured dwelling park closure credit

The Manufactured Dwelling Park Closure Credit is a $5,000 refundable personal income tax credit available to owners of a manufactured dwelling where the dwelling was the owner's principal residence and the dwelling park is being closed and the rental agreement is being terminated by the landlord, or because of the exercise of eminent domain by order of a federal, state, or local agency. The $5,000 amount of the credit is reduced by any amount that was paid to the individual as compensation for the exercise of eminent domain. If more than one individual in a household qualifies for the credit, the amount of the credit is shared in proportion to each qualifying individual's respective gross income for the tax year.

Use of this credit is correlated with manufactured park closures. The high point of credit use occurred in 2007 when nearly 250 taxpayers claimed a total of about $800K in credits. From 2003 through 2008, Oregon experienced a relatively higher period of manufactured park closures with 2007 being the peak year in which 16 parks closed containing 1,040 spaces. Since 2010, use of the credit has been minimal. The total combined reduction in General Fund revenue since 2010 has been less than $100K. While the baseline impact on General Fund revenue is expected to be minimal, should a period of increased park closures occur, use of this credit could increase leading to reductions in General Fund revenue.

Manufactured dwelling park capital gains subtraction

The capital gains of individuals or corporations that sell a manufactured dwelling park are exempt from income taxation if the park is sold to a corporate entity formed by the tenants of the park, or to a qualifying nonprofit corporation or housing authority. The measure extends the sunset of the capital gains subtraction by six years, from January 1, 2026, to January 1, 2032. Estimated revenue loss due to sunset extension is based on the historical use of the subtraction.

First-time homebuyer savings account subtraction

Measure extends the sunset of the first-time home buyer personal income tax subtraction and exemption by five years, from January 1, 2037, to January 1, 2042. The deadline by which an account holder must open a first-time home buyer savings account is also extended by five years, from January 1, 2027, to January 1, 2032.

Qualifying taxpayers may annually subtract from taxable income, cash contributed to a first-time home buyer savings account along with earnings on deposits in the account, though earnings are subject to taxation when withdrawn. For tax year 2024, the subtraction is limited to $5,935 (single filers) and $11,865 (joint). Annual limits are indexed to inflation. The respective annual subtraction limits are phased out beginning at $104,000 in adjusted gross income (AGI) for single filers, and $149,000 for joint filers.

Extending the deadline to open a first-time home buyer savings account will increase initial qualification and use of the subtraction. As there is no requirement on the amount of time funds must stay in an account, a taxpayer may contribute to an account and shortly thereafter, withdraw the funds for use in a qualifying home purchase. Since 2019, about 80% of taxpayers utilizing the subtraction have done so for only a single year with about 5% using the subtraction in three or more consecutive years. Design of the subtraction allows a potential tax benefit to nearly all first-time homebuyers depending upon the homebuyer's adjusted gross income and existing Oregon tax liability. For this reason, the potential impact on revenue will depend upon the number of first-time homebuyers that fulfill the administrative requirements of establishing an account and depositing/withdrawing funds. This in turn will depend heavily upon knowledge of the program, outreach from the realtor community and participation by financial institutions.

The revenue estimate was made through an analysis of historical use of the tax subtraction in relation to home purchases by first-time home buyers in Oregon. Estimate assumes about 15% of first-time homebuyers will use the subtraction. Average reduction in tax liability due to the subtraction has averaged about $450 in previous years though benefit is assumed to increase in later years reflective of adjusting subtraction limits to inflation. Estimate assumes subtraction participation decreases slightly in later years reflective of unindexed income qualification limits.

Vehicle Used for Testing Emissions

A person operating a motor vehicle with a combined weight of 26,000 pounds or more is not required to pay the weight-mile tax or fuel taxes if they are not operating as a for-hire carrier; and they are operating the motor vehicle for the purpose of emissions research and development and the United States Environmental Protection Agency has provided a testing exemption from complying with federal emission requirements. The measure extends the sunset of the capital gains subtraction by six years, from January 1, 2026, to January 1, 2032. Estimated revenue loss due to sunset extension is based on historical miles driven by exempt heavy vehicles and the corresponding weight-mile tax rates.

Sunset extensions and modifications

Two credits with sunset extension and policy modification:

- Crop donation
- Rural volunteer emergency medical services providers

Crop donation credit

Extends the sunset of the crop donation tax credit by six years, from January 1, 2026, to January 1, 2032. Increases value of credit from 15 percent of the wholesale value of the crop donated to 25 percent. Increased percentage made applicable to tax years beginning on or after January 1, 2025.

The measure reduces General Fund revenue beginning with fiscal year 2025-26 by first increasing the percentage value of the credit in tax year 2025 and then extending the credit's applicability (with percentage increase) through tax year 2031. The revenue impact estimate includes both the percentage increase in the credit and the six-year applicability extension. Since 2014 when the credit was reinstated, the annual reduction in tax revenue due to the credit has averaged about $200K with roughly 100 taxpayers claiming the credit on average per year. The credit is non-refundable meaning taxpayers need sufficient tax liability to claim the credit. Unused credit amounts may be carried forward by the taxpayer and used to reduce tax liability in up to three succeeding tax years. The revenue impact estimate was made through an analysis of historical credit use and reflects an expected increase in the amount of credit claimed and credit carryforwards due to the increased credit percentage. The 2025-27 estimate is lower than subsequent biennia in part due to the current law sunset of the credit occurring midway through the 2025-27 biennium.

Rural volunteer emergency medical services providers credit

Increases the tax credit allowed to rural volunteer emergency medical services providers from $250 per tax year to $1,000. The credit value increase applies to tax years beginning on or after January 1, 2026. The credit certification sunset is extended by two years, from January 1, 2028, to January 1, 2030.

The revenue impact is comparatively lower in 2025-27 reflective of the increase in credit value beginning midway through the biennium. Decreased revenue loss in 2029-31 reflects credit's sunset following tax year 2029. Use of the tax credit has been declining since 2014 with about 200 taxpayers claiming the credit in tax year 2022 (most recently published figure) compared to about 600 in 2014. Revenue estimate assumes the number of taxpayers claiming the credit remains relatively consistent in future years. Most taxpayers are expected to have sufficient tax liability to claim the full $1,000 tax credit value. Estimate was made based on an analysis of historic credit use, income distribution of taxpayers claiming the credit, and employment projections for emergency medical providers.

Modified income tax expenditures

The following three income tax credits are being modified:

- Affordable housing lender tax credit
- Film production development contribution credit
- Individual Development Account (IDA) donations credit

Affordable housing lender credit

Expands qualification of affordable housing lenders tax credit. Adds 'qualified mortgage loan fund' to the definition of qualified loan and loan eligibility. Expands loan eligibility to include loan proceeds used to finance preservation or rehabilitation of housing in financial or physical distress that is certified by the Housing and Community Services Department and is or will be occupied by households earning 80 percent or less of area median income. Aligns statutory language with the existing sunset of the tax credit. Applies to tax years beginning on or after January 1, 2026.

Estimate reflects the expansion of the two types (preservation & qualified loan fund) of affordable housing that may qualify for the credit. As the value of the tax credit is spread over the 20-year term of the qualified loan, the initial reduction in revenue is lower than future biennia. The estimate in the table above reflects the credit's current law sunset of January 1, 2032, for new loans.

According to the 2023 Affordable Housing Preservation Strategy Framework prepared by Oregon Housing & Community Services, 90 affordable rent-restricted projects (5,000 units) are at risk of loss as low-income housing due to the housing's physical or financial challenges. While demand for financial support of these properties exceeds resources available, a portion of identified projects are expected to benefit from the credit's expansion. Estimate of credit was made through an analysis of historic use of the credit, affordable housing preservation previously qualifying for the credit, and identified potentially qualifying projects.

The primary beneficiary of the credit's expansion to include 'qualified mortgage loan fund' is expected to be the Amplify Oregon accelerated mortgage program. Amplify Oregon is a loan program for first-time homebuyers earning 80% or less of area median income. The program received a $7.5M appropriation in 2023 and is seeking $10M this legislative session. Estimate assumes future program funding is relatively consistent with historic and current funding request.

Auctioned credits for film production development

Reflective of expected inflationary changes, measure increases the total annual amount of tax credits auctioned for the purpose of generating proceeds to be deposited to the Oregon Production Investment Fund (OPIF). The limits are increased from $20.0 million to $20.6 million for auction(s) held in fiscal year 2025-26, and to $21.2

million for auctions held in fiscal years 2026-27 and later.

In recent auctions, the full allotment of tax credits has been successfully sold at an average price of 94% of credit face value. As credits are auctioned in $500 increments, this converts to an average purchase price of about $470 for a $500 credit (minimum allowed purchase price is $450). The difference in credit face value and the amount paid for the credit at auction causes the difference between the reduction in General Fund revenue and funding provided to OPIF.

<u>IDA donations credit</u>
Measure increases the aggregate limit on amount of tax credits allowed to all taxpayers in any tax year for donations made to the state-selected fiduciary agency for use in providing funding to Individual Development Accounts (IDA). Limits are increased from $7.5 million to $7.7M in 2025, and to $8.0M in tax years 2026 and later.

Increased annual limit on credit reflects expected adjustment needed to account for expected inflation in tax years 2025 and 2026. The revenue impact estimate assumes that the full additional amount of credits are claimed by taxpayers making qualifying IDA donations. Taxpayers receive a credit equal to 90% of their donation amount causing fund receipts to slightly exceed revenue loss to the General Fund.

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

The policy purposes of the respective tax expenditures are detailed below.

Affordable housing lender credit
The policy purpose of this change to the credit is to expand qualification for the affordable housing lender tax credit to increase the development and preservation of affordable housing.

Crop Donation credit
The policy purpose of this credit is to increase the amount of food donated to food banks, gleaning cooperatives, and other charitable organizations as well as to provide compensation to farmers for the expenses associated with donating crops.

Earned income tax credit
The policy purpose of this credit is to increase the spendable income of low-income working families and encourage individuals to enter and/or increase their labor force participation.

Film production development contribution credit
The policy purpose of the credit is to encourage film and video production in Oregon and strengthen Oregon's film and video industry infrastructure by attracting more production spending.

First-time homebuyer savings account subtraction
The law creating this subtraction, OR Laws 2018, Chapter 109, states "The Legislative Assembly finds that saving for a down payment and closing costs for the purchase of a first home is challenging in the present economy. The first-time home buyer savings account program will provide opportunities for Oregon residents to save funds for first-time home ownership and will provide Oregonians with meaningful incentives to save for the purchase of a first home."

Individual development account (IDA) donation credit
The policy purpose of the credit is to fund an asset-based antipoverty strategy that promotes personal financial management, investment, and savings for key assets.

Manufactured dwelling park closure credit
The policy purpose of this measure is to mitigate the costs to manufactured dwelling park households that are forced to move due to instances where market forces and development are causing closure of the manufactured dwelling park.

Manufactured dwelling park capital gains subtraction
The policy purpose of this subtraction is to encourage sales of manufactured dwelling parks to a corporate entity formed by the tenants of the park, or by a nonprofit corporation or housing authority.

Pension income credit
The policy purpose of this measure is to provide tax relief to low-income individuals with pension income.

Rural volunteer emergency medical services providers credit
The policy purpose of this credit is to help defray the out-of-pocket costs of rural volunteer providers of emergency medical services.

Vehicle used for testing emissions
The policy purpose of the exemption is to avoid taxing research and compliance work.