

A-Engrossed
House Bill 3962

Ordered by the House June 17
Including House Amendments dated June 17

Sponsored by Representatives WALTERS, JAVADI, Senator WEBER; Representatives GRAYBER, HELM, HUDSON,
Senator CAMPOS

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. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act would let local transient lodging tax money be used for city or county services provided by a special district in lieu of the city or county. The Act would change the split of tax uses from at least 70 percent for tourism and no more than 30 percent for local services to at least 40 percent and no more than 60 percent. The Act would let local governments with grandfathered tax laws use the new provisions of the Act. (Flesch Readability Score: 60.3).

[Digest: The Act tells the LRO to study local taxation. (Flesch Readability Score: 75.5).]

[Requires the Legislative Revenue Officer to study issues of local taxation. Directs the Legislative Revenue Officer to submit findings to the interim committees of the Legislative Assembly related to revenue not later than December 1, 2026.]

Allows city and county services for which net local transient lodging tax revenue may be used to be provided either directly by the city or county or indirectly by a special district. Changes the division of allowable uses of net local transient lodging tax revenue from at least 70 percent for tourism-related expenses and no more than 30 percent for city or county services, to at least 40 percent and no more than 60 percent, respectively. Allows units of local government with restricted grandfathered local transient lodging tax regimes to take advantage of the new provisions of the Act.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to local taxation; creating new provisions; amending ORS 320.350; and prescribing an ef-
3 fective date.

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

5 **SECTION 1.** ORS 320.350 is amended to read:

6 320.350. (1) A unit of local government that did not impose a local transient lodging tax on July
7 1, 2003, may not impose a local transient lodging tax on or after July 2, 2003, unless the imposition
8 of the local transient lodging tax was approved on or before July 1, 2003.

9 (2) A unit of local government that imposed a local transient lodging tax on July 1, 2003, may
10 not increase the rate of the local transient lodging tax on or after July 2, 2003, to a rate that is
11 greater than the rate in effect on July 1, 2003, unless the increase was approved on or before July
12 1, 2003.

13 (3) A unit of local government that imposed a local transient lodging tax on July 1, 2003, may
14 not decrease the percentage of total local transient lodging tax revenues that are actually expended
15 to fund tourism promotion or tourism-related facilities on or after July 2, 2003. A unit of local gov-
16 ernment that agreed, on or before July 1, 2003, to increase the percentage of total local transient
17 lodging tax revenues that are to be expended to fund tourism promotion or tourism-related facilities,
18 must increase the percentage as agreed.

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 (4) Notwithstanding subsections (1) and (2) of this section, a unit of local government that is fi-
2 nancing debt with local transient lodging tax revenues on November 26, 2003, must continue to fi-
3 nance the debt until the retirement of the debt, including any refinancing of that debt. If the tax is
4 not otherwise permitted under subsection (1) or (2) of this section, at the time of the debt retirement:

5 (a) The local transient lodging tax revenue that financed the debt shall be used as provided in
6 subsection (5) of this section; or

7 (b) The unit of local government shall thereafter eliminate the new tax or increase in tax oth-
8 erwise described in subsection (1) or (2) of this section.

9 (5) Subsections (1) and (2) of this section do not apply to a new or increased local transient
10 lodging tax if all of the net revenue from the new or increased tax, following reductions attributed
11 to collection reimbursement charges, is used consistently with subsection (6) of this section to:

12 (a) Fund tourism promotion or tourism-related facilities;

13 (b) Fund city or county services, **whether emergency or nonemergency services, provided**
14 **directly by the city or county or by a special district in lieu of the city or county;** or

15 (c) Finance or refinance the debt of tourism-related facilities and pay reasonable administrative
16 costs incurred in financing or refinancing that debt, provided that:

17 (A) The net revenue may be used for administrative costs only if the unit of local government
18 provides a collection reimbursement charge; and

19 (B) Upon retirement of the debt, the unit of local government reduces the tax by the amount
20 by which the tax was increased to finance or refinance the debt.

21 (6) At least [70] **40** percent of net revenue from a new or increased local transient lodging tax
22 shall be used for the purposes described in subsection (5)(a) or (c) of this section. No more than
23 [30] **60** percent of net revenue from a new or increased local transient lodging tax may be used for
24 the purpose described in subsection (5)(b) of this section.

25 **(7)(a) Notwithstanding subsection (1) of this section, a unit of local government may use**
26 **unexpended net revenue collected before the effective date of this 2025 Act from a new tax**
27 **described in subsection (1) of this section in accordance with subsection (6) of this section.**

28 **(b) Notwithstanding subsection (2) of this section, a unit of local government may use**
29 **unexpended net revenue collected before the effective date of this 2025 Act that is attribut-**
30 **able to the rate of the local transient lodging tax in effect on July 1, 2003, and to any increase**
31 **in the rate made on or after July 2, 2003, in accordance with subsection (6) of this section.**

32 **(c) Notwithstanding subsection (3) of this section, a unit of local government may, in**
33 **accordance with subsection (6) of this section, decrease the percentage of total local tran-**
34 **sient lodging tax revenues that are actually expended to fund tourism promotion or**
35 **tourism-related facilities regardless of when the percentage went into effect.**

36 **SECTION 2. The amendments to ORS 320.350 by section 1 of this 2025 Act become oper-**
37 **ative on January 1, 2026.**

38 **SECTION 3. The amendments to ORS 320.350 by section 1 of this 2025 Act apply to net**
39 **revenue collected by units of local government before, on or after the effective date of this**
40 **2025 Act.**

41 **SECTION 4. This 2025 Act takes effect on the 91st day after the date on which the 2025**
42 **regular session of the Eighty-third Legislative Assembly adjourns sine die.**