

2023 - 2025

# TAX EXPENDITURE REPORT

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STATE OF OREGON



Governor Tina Kotek

*Tina Kotek*

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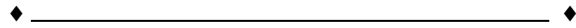
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State of Oregon

2023–2025



# Tax Expenditure Report

Department of Revenue  
Research Section

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# INTRODUCTION

Oregon’s 1995 Budget Accountability Act (the Act) requires the Governor, with the assistance of the Department of Revenue (DOR) and the Department of Administrative Services, to produce a tax expenditure report every biennium, along with the Governor’s Budget. The report was first prepared in 1996 for the 1997–99 biennium. This report covers tax expenditures for the 2023–25 biennium.

## Tax Expenditure Defined

The Act (see ORS 291.201) defines a tax expenditure as:

any law of the federal government or of this state that exempts, in whole or in part, certain persons, income, goods, services, or property from the impact of established taxes, including, but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates, and tax credits.

The term “tax expenditure” derives from the parallel between these tax provisions and direct government expenditures. For example, a program to encourage businesses to purchase pollution abatement equipment could be structured with an incentive in the form of a tax credit or a direct payment by the state to businesses.

It’s not always entirely clear which provisions meet Oregon’s definition of tax expenditure. For example, a law could exempt certain persons, income, goods, services, or property from the impact of a tax, but it may not be obvious whether that exemption was meant to be an *exemption from the established tax*, or if it was intended to *define the base of the established tax*.

For this report, a number of factors were considered to determine if a provision of law was included in this report. More information about the criteria used can be found on DOR’s website in the associated document “Factors Used in Identifying Tax Expenditures Included in Oregon’s Tax Expenditure Report.”

This report describes 368 tax expenditures in 18 Oregon tax programs. Because tax expenditures impart special treatment to groups of taxpayers, it is necessary to begin with a clear explanation of how the tax generally works. Each of the 18 chapters in the report begins with a general description of the tax program, including a forecast of revenues based on current law.

In some tax programs, an alternative tax or fee is imposed for recipients of a tax expenditure. In the interest of being comprehensive, this report includes provisions involving tax relief from a specific tax, even if those taxpayers are subject to an alternative tax. The alternative taxes or fees paid are reported as *In Lieu* payments in the descriptive information for each tax expenditure.

This report provides general information about Oregon’s tax expenditures. It is not intended as legal advice and is not a complete statement of Oregon laws and rules.

## Purpose of the Tax Expenditure Report

The Act declares the necessity of:

a review of the fairness and efficiency of all tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates, and tax credits. These types of tax expenditures are similar to direct government expenditures because they provide special benefits to favored individuals or businesses, and thus result in higher tax rates for all individuals...It is in the best interest of this state to have prepared a biennial report of tax expenditures that will allow the public and policy makers to identify and analyze tax expenditures and to periodically make criteria-based decisions on whether the expenditures should be continued. The tax expenditure report will allow tax expenditures to be debated in conjunction with on-line budgets and will result in the elimination of inefficient and inappropriate tax expenditures, resulting in greater accountability by state government and a lowering of the tax burden on all taxpayers.

The Act specifies that the report include the following information: a list of the tax expenditures; the statutory authority for each; the purpose for which each was enacted; estimates of the revenue loss for the coming biennium; the revenue loss for the preceding biennium; and a determination of whether each tax expenditure has achieved its purpose, including an analysis of the persons who benefit from the tax expenditure. Each tax expenditure is to be categorized according to the programs or functions it supports. Finally, for those expenditures that will sunset next biennium, the report is to include the Governor's opinion on whether the sunset should be allowed to take effect as scheduled or be revised to a different date.

## How to Use This Report

### *Organization*

This report has been designed to allow a quick overview of Oregon's current tax expenditures as well as a perusal of more extensive details. There are four main sections: the summary, the Governor's recommendations on tax expenditures scheduled to sunset in the 2023–25 biennium, an index of all tax expenditures by tax program, and detailed descriptions of each tax expenditure (Chapters 1–18).

The index of tax expenditures sorted by tax program begins on page 9 and is a good starting point to identify those expenditures for which more information is desired. The numbering system can be used as an index to locate the full description of each tax expenditure in Chapters 1–18.

The main body of this report, Chapters 1–18, is organized by tax program. Each chapter begins with a description of that chapter's tax and contains detailed descriptions of the tax expenditures associated with that tax program.

Appendices A and B include the full text of the Budget Accountability Act and a list of contributors to this report, including the agencies that evaluated the tax expenditures. Appendix C lists the tax expenditures that are new, modified, or that have been removed since this report was last published in 2020. Appendix D lists the personal income tax expenditures and corporation income tax expenditures separately along with their corresponding revenue impacts. The last section of the report is an index of all tax expenditures listed by keywords. For example, finding "veterans" in the keyword index lists all of the tax expenditures with "veterans" in the name.



### ***Program/Function Categories***

In the index of tax expenditures on page 9, each tax expenditure has been assigned to one of 10 program/function categories. Wherever possible, an expenditure was categorized as one of the budget program areas used in the Governor’s Budget: Education, Human Services, Economic and Community Development, Natural Resources, Transportation, and Consumer and Business Services. Those that did not fit one of these program areas were assigned to one of four function categories: Tax Administration, Government, Social Policy, and Federal Law. Because some tax expenditures can fit neatly into more than one category, those who wish to sum the revenue impacts by program or function should be careful that they agree with these assignments or change them accordingly.

### ***Evaluations***

Personnel in many state agencies contributed to this report, including evaluating whether these tax expenditures achieve their purpose (see Appendix B). Agencies were asked to evaluate tax expenditures if the expenditure related to their program responsibility or if they had appropriate knowledge of the subject matter.

Not all tax expenditures were evaluated. If the tax expenditure has already sunset, the revenue impact estimate for any biennia is less than \$100,000, no one qualifies for the tax expenditure, there is no specific agency with program responsibility for the tax expenditure, or the tax expenditure exists for tax administration purposes only, then it was generally not evaluated. In addition, income tax expenditures that result from Oregon’s connection to federal law are also generally not evaluated by state agencies. Instead, citations are given for the federal assessments of the federal laws.

### ***Revenue Impacts***

The revenue impact of a tax expenditure is intended to measure indirect “spending” through the tax system with respect to that one provision, or alternatively the amount of relief or subsidy being provided through that provision. The revenue impact is generally estimated as the amount of tax not collected due to the tax expenditure, but the dollar impact is NOT the amount of revenue that could be gained by repealing the tax expenditure. There are four main reasons for this:

- Many income tax credits are taken over a period of years or the taxpayer can carry forward some amount of the credit if there is insufficient tax liability to offset. Similarly, some property tax exemptions and special assessments are granted for a specified number of years which may extend beyond when the tax expenditures expire. In these and other similar cases, even if the tax expenditure were eliminated, some taxpayers would be able to continue to get a reduction in their taxes for some years after the law had sunset.
- The revenue impact estimates do not incorporate behavioral changes that may occur if a tax expenditure were eliminated.
- Each provision is estimated independently. A tax expenditure beneficiary may qualify for a tax reduction under more than one law, thus eliminating one provision might increase the use of another one.
- Administratively, governments may not be able to collect the full liability for some tax expenditures.

**For these reasons, and because tax expenditures interact with each other and the rest of the tax system, caution should be used when summing the revenue impacts.**

The tax expenditures reported here represent revenue loss to the state and local governments. For example, income tax expenditures reduce state General Fund revenue while property tax expenditures reduce revenue to local governments. The property tax is unique in that exempting property from property taxation may result in both a revenue loss to local governments and a shift of taxes to other taxpayers. A complete explanation of revenue loss and shift can be found at the beginning of Chapter 2. For all property tax expenditures, the detailed descriptions report the revenue loss and shift separately.

Revenue impact estimates are generally rounded to the nearest \$100,000. For tax expenditures with an impact greater than zero but less than \$100,000, the revenue impact is listed as “Less than \$100,000.”

Because tax expenditures reflect income or property that is not taxed, direct data often did not exist for estimating revenue impacts. For income tax expenditures, the primary and secondary data sources were Oregon and federal tax returns, respectively. Where appropriate, estimates of selected federal tax expenditures made by the Joint Committee on Taxation of the U.S. Congress were used as the basis for Oregon estimates. For property tax expenditures, information reported by county assessors was used whenever possible. For all tax programs, data from various federal and state agencies were used where available.

Estimates provided within this book are based on current law at time the publication was finalized in November 2022. Current law anticipates expiration of federal tax provisions that are scheduled to expire. Several provisions are routinely reauthorized for one- or two-year periods, often retroactively. These federal tax expenditures are commonly referred to as “tax extenders” because of their routine reauthorization. Most recently, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (P.L. 116-260) extended several federal provisions that had expired at the end of 2020. Future extension of expired or expiring federal provisions could directly affect the revenue impact of those provisions.

Because of the interactive effects between tax expenditures and the other reasons detailed above, revenue estimates should be viewed as orders of magnitude.

### ***Who Benefits***

Where possible, this report provides information about the beneficiaries of tax expenditures using the most recent tax return data available. For corporation returns, 2019 is the most recent complete tax year available; for personal income tax returns, 2020 is the most recent complete tax year available; and, for property tax information, tax year 2021–22 is the most recent year available. Note that these numbers are a snapshot at the time this report was published and could change very slightly as returns are amended, filed late, or changed as a result of an audit. Also note that, because of the COVID-19 pandemic that affected many aspects of Oregon’s economy and society, tax year 2020 was a relatively atypical year for some tax expenditures, and not necessarily representative of longer-term trends.

Where data is available for individual income tax provisions, we provide distributional tables by income for claimants. The term filer used in these tables corresponds to a filed return (either single or joint). For example, a return comprised of two people filing jointly would be reflected in the tables as one filer.

## **Acknowledgments**

Although the Department of Revenue coordinated the construction of this report, numerous Oregon state agencies provided important information and analysis regarding the objectives and effectiveness of individual tax expenditures. These agencies are listed in Appendix B. The Congressional Research Service publication, *Tax Expenditures: Compendium of Background Material on Individual Provisions*, is used extensively throughout this report to describe and evaluate the tax expenditures that result from Oregon’s connection to the federal income tax. Estimates of federal tax expenditures made by the Joint Committee on Taxation of the U.S. Congress were used to estimate many tax expenditures that result from Oregon’s connection to the federal income tax.

## SUMMARY

This report describes 368 individual tax expenditures currently specified in Oregon and federal law. Of those, 184 are related to Oregon’s personal and corporation income taxes and 138 are related to local property taxes. The remaining 46 are related to various other state tax programs. More than half of the 184 income tax expenditures result from Oregon’s connection to the federal income tax code. Oregon is tied to the federal definition of taxable income, except for a few provisions for which Oregon has explicitly disconnected. By adopting the federal definition of income, Oregon also adopts most of the exclusions and deductions from income that are part of federal personal and corporation income taxes.

It is also important to note that there are several extremely large single tax expenditures in both the property and income tax programs that influence these totals. For example, for 2023–25, roughly \$6.2 billion of the nearly \$12.0 billion of tax expenditures in the property tax program is related to three property tax expenditures: the exemption for state and local property (\$2.9 billion), the exemption of federal property (\$1.5 billion), and the exemption of personal property for personal use (\$1.8 billion). Similarly, the three largest income tax expenditures (the exclusion of employer paid medical and cafeteria plan benefits, the personal exemption, and the exclusion of pension contributions and earnings) account for about \$6.7 billion of the total \$17.0 billion for all income tax expenditures.

In addition, some tax expenditures included in this report fit the statutory definition of tax expenditure but do not fit as easily into the framework of “spending” through the tax system. For example, the federal government prohibits state and local governments from taxing certain income (such as income earned in “Indian country”) or property (such as federal property). These “tax expenditures” do not represent the same explicit policy decisions as some of the more direct Oregon subtractions and credits.

<b>SUMMARY OF OREGON TAX PROGRAMS WITH TAX EXPENDITURES (Dollars in Millions)</b>				
Tax Program	Number	Estimated	Revenue Impact	
		Revenues 2023-25	2021-23	2023-25
Income (Personal and Corporate)	184	\$23,495.9	\$15,250.7	\$16,966.0
Federal Exclusions	62		\$7,492.7	\$8,633.4
Federal Adjustments/Deductions	36		\$3,504.6	\$3,689.1
Oregon Subtractions	29		\$2,359.0	\$2,672.9
Oregon Credits	49		\$1,638.5	\$1,717.5
Other Oregon Provisions	8		\$255.9	\$253.1
Property	138	\$18,400.0	\$11,185.0	\$11,961.3
Full Exemption	94		\$9,721.5	\$10,341.1
Partial Exemption	30		\$749.4	\$849.0
Special Assessment	13		\$710.9	\$769.6
Other Assessment	1		\$3.2	\$1.6
All Other State Taxes with Tax Expenditures	46	\$8,771.6	\$122.9	\$123.6
<b>All Taxes with Tax Expenditures</b>	<b>368</b>	<b>\$50,667.5</b>	<b>\$26,558.6</b>	<b>\$29,050.9</b>

*For reasons explained in the Revenue Impacts section on page 3, there are difficulties with summing tax expenditures. This table is intended only to provide rough orders of magnitudes for large groups of tax expenditures and caution should be exercised when adding revenue impacts.*

# SUNSETTING TAX EXPENDITURES AND GOVERNOR’S RECOMMENDATIONS

Many tax laws are explicitly written with a limited period of applicability; the last day the law is in effect is referenced in this book as the **sunset date**. In addition to explicit sunsets written into statute, ORS 315.037 specifies sunsets for recently enacted tax expenditures:

- (1) As used in this section, “tax expenditure” has the meaning given that term in ORS 291.201.
- (2) Any tax credit enacted by the Legislative Assembly on or after January 1, 2010, shall apply for a maximum of six tax years beginning with the initial tax year for which the credit is applicable, unless the Legislative Assembly expressly provides for another period of applicability.
- (3) Any tax expenditure enacted by the Legislative Assembly on or after January 1, 2014, shall apply for a maximum of six tax years beginning with the initial tax year for which the tax expenditure is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

ORS 315.037 has added two sources of uncertainty to identification and reporting of sunset dates. The first source of uncertainty is the statutory definition of tax expenditure in ORS 291.201. The definition is difficult to apply because it relies on identifying exemptions from an “established tax,” which is undefined. The second source of uncertainty is that “period of applicability” is not defined for purposes of ORS 315.037.<sup>1</sup> For provisions in this report that have an unclear sunset status, the source of uncertainty is noted in the description of the provision.

## ***Governor’s Recommendations***

ORS 291.214 requires that the Governor’s Tax Expenditure Report:

Identify each tax expenditure that has a full or partial sunset that, if allowed to take effect, will have a fiscal impact on the state or on school districts for the next biennium, and shall prepare a recommendation as to each tax expenditure identified under this paragraph that indicates the Governor’s opinion on whether the full or partial sunset of the tax expenditure should be allowed to take effect as scheduled or should be revised to a different date.

According to Oregon statute “full sunset” means any provision that completely eliminates an existing tax expenditure on a specified date, while “partial sunset” means any provision that reduces the amount of an existing tax expenditure or that alters the eligibility requirements for the expenditure as of a specified date. On the following pages are the 14 tax expenditures that are set to expire during the 2023–25 biennium, and the Governor’s recommendation as to whether the specific tax provision should be allowed to sunset as scheduled, or have the sunset date changed. The table includes the revenue impact the tax expenditure will have under current law, and the additional cost if the tax expenditure were extended through the end of the 2023–25 biennium. For more details on these tax expenditures, see their entries in the full report.

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<sup>1</sup> For example, many statutes have language such as “This Act applies to tax years beginning on or after January 1, 2023 and before January 1, 2029,” which suggests a clear period in which the tax expenditure is applicable. Other statutes have language like this: “This Act applies to tax years beginning on or after January 1, 2023.” It is unclear if the absence of the end date, as shown in the latter example, implies that the Legislature intended the six-year limit from ORS 315.037 to apply.

## TAX EXPENDITURES SCHEDULED FOR SUNSET IN 2023-25

As part of the 1995 Budget Accountability Act, the governor is required to identify each tax expenditure that has a full or partial sunset occurring in the coming biennium and prepare a recommendation that indicates whether the full or partial sunset should be allowed to take effect. Below are those tax expenditures.

TAX EXPENDITURE NAME	TYPE	SUNSET	2023-25 REVENUE IMPACT (\$000)*	2023-25 COST TO EXTEND (\$000)*	GOVERNOR'S RECOMMENDATION
1.403 Opportunity Grant Fund Contributions	Income Tax Credit	12/31/2023	12,400	14,800	Extend Sunset
1.439 Fish Screening Devices	Income Tax Credit	01/01/2024	Less than 100	Less than 100	Extend Sunset
2.012 Construction in Process in an Enterprise Zone	Property Tax Exemption	Partial Sunset 06/30/2025	Incl. in 2.011	Incl. in 2.011	Extend Sunset
2.013 Enterprise Zone Businesses	Property Tax Exemption	Partial Sunset 06/30/2025	98,700	0	Extend Sunset
2.014 Long Term Rural Enterprise Zone (Property Tax)	Property Tax Exemption	06/30/2025	334,000	0	Extend Sunset
2.017 New Industrial Property in Rural Areas	Property Tax Exemption	01/01/2024	100	Less than 100	Extend Sunset
2.022 Transfer of Cemetery Land for Low-Income Housing	Property Tax Exemption	06/30/2024	Less than 100	Less than 100	Extend Sunset

\* The revenue impact includes the effect of the currently scheduled sunset. The cost to extend is the additional revenue impact if the tax expenditure is extended.

## TAX EXPENDITURES SCHEDULED FOR SUNSET IN 2023-25

As part of the 1995 Budget Accountability Act, the governor is required to identify each tax expenditure that has a full or partial sunset occurring in the coming biennium and prepare a recommendation that indicates whether the full or partial sunset should be allowed to take effect. Below are those tax expenditures.

TAX EXPENDITURE NAME	TYPE	SUNSET	2023-25 REVENUE IMPACT (\$000)*	2023-25 COST TO EXTEND (\$000)*	GOVERNOR'S RECOMMENDATION
2.024 Federal Land Under Recreation Facility	Property Tax Exemption	06/30/2024	100	Less than 100	Extend Sunset
2.033 Food Processing Equipment	Property Tax Exemption	06/30/2025	8,700	0	Extend Sunset
2.049 Cooperative Providing Heat by Combustion of Biomass	Property Tax Exemption	06/30/2025	Not Available	0	Extend Sunset
2.101 Cap on Central Assessment for Certain Companies	Partial Property Tax Exemption	06/30/2025	22,800	0	Extend Sunset
2.103 Certain Single-Unit Housing	Partial Property Tax Exemption	12/31/2024	4,500	0	Extend Sunset
2.120 Surviving Spouse of Public Safety Officer	Partial Property Tax Exemption	06/30/2024	Less than 100	Less than 100	Extend Sunset
2.129 Historic Property	Property Tax Special Assessment	06/30/2024	5,500	0	Extend Sunset

\* The revenue impact includes the effect of the currently scheduled sunset. The cost to extend is the additional revenue impact if the tax expenditure is extended.

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2021-23	2023-25	
<b>INCOME TAX</b>						
<i>Federal Exclusions</i>						
1.001	Scholarship and Fellowship Income	Education	1954	316.048	30,000	32,000
1.002	Qualified Education Savings (Federal)	Education	1996	316.048	12,000	17,000
1.003	Exclusion of Employer Provided Tuition Reduction	Education	1984	316.048	2,300	2,300
1.004	Certain Foster Care Payments	Human Services	1982	316.048	4,700	5,000
1.005	Employee Adoption Benefits	Human Services	1996	316.048	Less than 100	Less than 100
1.006	Compensatory Damages	Human Services	1918	316.048	15,000	15,000
1.007	Employer Paid Medical and Cafeteria Plan Benefits	Human Services	1918	316.048	1,630,000	1,770,000
1.008	Special Benefits for Disabled Coal Miners	Human Services	1969	316.048	Less than 100	Less than 100
1.009	ABLE Account Earnings	Human Services	2014	316.048	Less than 100	Less than 100
1.010	Pension Contributions and Earnings	Human Services	1921	316.048	2,890,000	3,630,000
1.011	Social Security Benefits (Federal)	Human Services	1938	316.048	750,000	806,000
1.012	Regional Economic Development Incentives	Economic/Community	1993	316.048, 317.013	Less than 100	Less than 100
1.013	Capital Gain Invested in Opportunity Zone	Economic/Community	2017	316.048, 317.013	32,000	23,000
1.014	Exclusion of Gain from Certain Small Business Stock	Economic/Community	1993	316.048	20,000	14,000
1.015	Imputed Interest Rules	Economic/Community	1984	316.048, 317.013	5,600	5,800
1.016	Employer Provided Dependent Care	Economic/Community	1981	316.048	4,700	5,900
1.017	Capital Gains on Home Sales	Economic/Community	1997	316.048	477,000	537,000
1.018	Income Earned Abroad by U.S. Citizens	Economic/Community	1926	316.048	56,000	65,000
1.019	Cancellation of Mortgage Debt	Economic/Community	2007	316.048	4,500	4,900
1.020	Employer Paid Group Life Insurance Premiums	Economic/Community	1920	316.048	31,000	32,000
1.021	Employer Paid Accident and Disability Insurance	Economic/Community	1954	316.048	36,000	39,000
1.022	Employer Provided On-Site Gyms	Economic/Community	1984	316.048	13,000	14,000
1.023	Miscellaneous Fringe Benefits	Economic/Community	1984	316.048	70,000	76,000
1.024	Employee Meals and Lodging (Nonmilitary)	Economic/Community	1918	316.048	59,000	62,000
1.025	Employee Stock Ownership Plans	Economic/Community	1974	316.048, 317.013	37,000	43,000
1.026	Employee Awards	Economic/Community	1986	316.048	3,400	3,400
1.027	Employer Provided Education Benefits	Economic/Community	1997	316.048	11,000	11,000
1.028	Spread on Acquisition of Stock	Economic/Community	1981	316.048	6,500	5,800
1.029	Meal and Entertainment Expenses	Economic/Community	1984	316.048	3,400	3,400
1.030	Veterans' Benefits and Services	Economic/Community	1917	316.048	120,000	133,000
1.031	Military and Dependents TRICARE Insurance	Economic/Community	1925	316.048	55,000	59,000
1.032	Magazine, Paperback, and Record Returns	Economic/Community	1978	316.048, 317.013	300	300
1.033	Cash Accounting, Other than Agriculture	Economic/Community	1916	316.048, 317.013	20,000	15,000
1.034	Inventory Methods of Valuation	Economic/Community	1938	316.048, 317.013	14,200	14,200
1.035	Agriculture Cost-Sharing Payments	Natural Resources	1978	316.048, 317.013	300	300
1.036	Cancellation of Debt for Farmers	Natural Resources	1986	316.048	500	500
1.037	Energy Conservation Subsidies (Federal)	Natural Resources	1992	316.048	800	800
1.038	Pass Through Status of Specified Publicly Traded Partnerships	Natural Resources	1987	317.013	3,600	3,700
1.039	Earnings of Certain Environmental Settlement Funds	Natural Resources	2005	317.013	200	200
1.040	Nonprofit's Gain from Brownfield	Natural Resources	2004	317.013	200	200
1.041	Employer Paid Transportation Benefits	Transportation	1992	316.048	33,000	35,000
1.042	Certain Disaster Mitigation Payments	Consumer and Business Services	2005	316.048, 317.013	400	400

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
1.043 Credit Union Income	Consumer and Business Services	1951	317.080(1)	24,000	24,000
1.044 Elimination of Tax Exempt Interest Allocation for Banks	Consumer and Business Services	2009	317.013	3,400	3,400
1.045 Workers' Compensation Benefits (Medical)	Consumer and Business Services	1918	316.048	56,000	62,000
1.046 Workers' Compensation Benefits (Nonmedical)	Consumer and Business Services	1918	316.048	25,000	30,000
1.047 Gain on Nondealer Installment Sales	Tax Administration	1921	316.048, 317.013	44,000	49,000
1.048 Gain on Like-Kind Exchanges	Tax Administration	1921	316.048, 317.013	90,000	95,000
1.049 Allowances for Federal Employees Abroad	Government	1943	316.048	4,400	4,600
1.050 Interest on Oregon State and Local Debt	Government	1913	316.048	45,100	47,900
1.051 Voluntary Employees' Beneficiary Associations	Social Policy	1928	316.048	8,800	9,000
1.052 Rental Allowances for Clergy Housing	Social Policy	1921	316.048	6,800	7,500
1.053 Certain Payments to Controlling Exempt Organizations	Social Policy	2006	317.013	200	200
1.054 Discharge of Certain Student Loan Debt	Social Policy	1984	316.048	1,500	1,500
1.055 Capital Gains on Inherited Property	Social Policy	1921	316.048	507,000	548,000
1.056 Capital Gains on Gifts	Social Policy	1921	316.048	38,000	72,000
1.057 Life Insurance Proceeds	Social Policy	1954	316.048, 317.013	114,000	116,000
1.058 Public Safety Officer Survivor Annuities	Social Policy	1997	316.048	200	200
1.059 Disability Benefits of Military and Victims of Terrorism	Social Policy	1942	316.048	2,900	2,900
1.060 Benefits and Allowances of Armed Forces Personnel	Social Policy	1925	316.048	58,000	64,000
1.061 Combat Pay	Social Policy	Pre-1955	316.048	5,800	6,100
1.062 Deferral of Interest on Savings Bonds	Social Policy	1951	316.048	5,000	5,000

## *Federal Adjustments*

1.101 Teacher Classroom Expenses	Education	2002	316.048	1,600	1,800
1.102 Interest on Student Loans	Education	1997	316.048	8,700	22,000
1.103 Self-Employment Health Insurance	Human Services	1986	316.048	83,500	89,300
1.104 Health Savings Accounts	Human Services	1996	316.048	96,000	111,000
1.105 IRA Contributions and Earnings	Human Services	1974	316.048	204,000	234,000
1.106 Moving Expenses	Economic/Community	1964	316.048	100	100
1.107 Overnight Travel Expenses of National Guard and Reserve Members	Social Policy	2003	316.048	1,400	1,400

## *Federal Deductions*

1.201 Medical and Dental Expenses	Human Services	1942	316.695	247,000	283,000
1.202 Removal of Architectural Barriers	Human Services	1976	316.048, 317.013	Less than 100	Less than 100
1.203 Deduction of Certain Film and Television Production Costs	Economic/Community	2004	316.048, 317.013	900	700
1.204 Accelerated Depreciation of Buildings	Economic/Community	1954	316.048, 317.013	3,900	3,900
1.205 Accelerated Depreciation of Equipment	Economic/Community	1954	316.048, 317.013	297,000	54,000
1.206 Research and Development Costs	Economic/Community	1954	316.048, 317.013	6,200	Less than 100
1.207 Section 179 Expensing Allowances	Economic/Community	1959	316.048, 317.013	49,000	65,000
1.208 Amortization of Business Start-Up Costs	Economic/Community	1980	316.048, 317.013	2,000	2,000
1.209 Foreign-Derived Intangible Income	Economic/Community	2017	317.013	228,000	326,000
1.210 Accelerated Depreciation of Rental Housing	Economic/Community	1954	316.048, 317.013	34,000	31,000
1.211 Home Mortgage Interest	Economic/Community	1913	316.695	854,000	915,000
1.212 Property Taxes	Economic/Community	1913	316.695	594,000	662,000



# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2021-23	2023-25	
1.213	Cash Accounting for Agriculture	Natural Resources	1916	316.048, 317.013	Less than 100	Less than 100
1.214	Soil and Water Conservation Expenditures	Natural Resources	1954	316.048, 317.013	800	800
1.215	Fertilizer and Soil Conditioner Costs	Natural Resources	1960	316.048, 317.013	1,200	1,200
1.216	Extended Carryback of Farming Loss	Natural Resources	1999	316.048	300	300
1.217	Development Costs for Nonfuel Minerals	Natural Resources	1951	316.048, 317.013	Less than 100	Less than 100
1.218	Intangible Development Costs for Fuels	Natural Resources	1978	316.695, 317.013	1,700	1,700
1.219	Energy Efficient Commercial Property	Natural Resources	2006	316.695, 317.013	500	500
1.220	Special Depreciation for Recycling Equipment	Natural Resources	2008	316.048, 317.013	Less than 100	Less than 100
1.221	Mining and Solid Waste Reclamation Reserves	Natural Resources	1984	316.048, 317.013	Less than 100	Less than 100
1.222	Amortization of Air Pollution Control Facilities	Natural Resources	2005	317.013	Less than 100	Less than 100
1.223	Expensing Timber-Growing Costs	Natural Resources	1986	316.048, 317.013	3,000	3,200
1.224	Expensing and Amortization of Reforestation Costs	Natural Resources	1980	316.048, 317.013	1,100	1,100
1.225	Magazine Circulation Expenditures	Tax Administration	1950	316.048, 317.013	100	100
1.226	Completed Contract Rules	Tax Administration	1986	316.048, 317.013	6,900	7,200
1.227	Charitable Contributions	Social Policy	1917	316.695, 317.013	762,000	849,000
1.228	Casualty and Theft Losses	Social Policy	1913	316.695	700	800
1.229	Local Income Taxes	Social Policy	1913	316.695	15,000	21,000

## *Oregon Subtractions*

1.301	Land Donated to Schools	Education	1999	316.852, 317.488	Less than 100	0
1.302	Oregon 529 College Savings Network	Education	1999	316.699	4,700	700
1.303	Scholarship Awards Used for Housing Expenses	Education	1999	316.846	1,000	1,100
1.304	AmeriCorps Awards	Education	2021	316.847	200	200
1.305	Medical Subtraction for Elderly	Human Services	2013	316.693	59,700	63,100
1.306	Additional Deduction for Elderly or Blind	Human Services	1989	316.695(7)	26,100	27,400
1.307	ABLE Account Contributions	Human Services	2015	316.699	Less than 100	Less than 100
1.308	Social Security Benefits (Oregon)	Human Services	1985	316.054	1,070,000	1,170,000
1.309	Film Production Labor Rebate	Economic/Community	2005	316.698, 317.394	900	900
1.310	Artist's Charitable Contribution	Economic/Community	1979	316.838	Less than 100	Less than 100
1.311	Oregon Investment Advantage	Economic/Community	2001	316.778, 317.391	Not Available	Not Available
1.312	Dividend Received from an IC-DISC	Economic/Community	2013	316.749(1)	9,000	9,600
1.313	Individual Development Accounts (Exclusion and Subtraction)	Economic/Community	1999	316.848	Less than 100	Less than 100
1.314	Mobile Home Park Capital Gain	Economic/Community	2005	Ore. Laws 2005 c.826 §6-10	600	300
1.315	First Time Home Buyer Savings	Economic/Community	2018	316.798	1,300	1,300
1.316	Manufactured Dwelling Tenant Payment	Economic/Community	2007	316.795, 317.092	Less than 100	Less than 100
1.317	Interest from State and Local Government Bonds	Economic/Community	1987	316.056	300	300
1.318	Depletion Costs for Metal Mines	Natural Resources	Pre-1953	317.374	Not Available	Not Available
1.319	Energy Conservation Subsidies (Oregon)	Natural Resources	1981	316.744, 317.386	Less than 100	Less than 100
1.320	Agriculture Sector Net Operating Loss Carryback	Natural Resources	2022	Ore. Laws 2022 c.82 §12-15	0	10,800
1.321	Wet Marine and Transportation Policies	Consumer and Business Services	1995	317.080(8)	1,600	1,600
1.322	Hydroelectric Dam and Waterway Workers	Tax Administration	1997	316.127(8) and (10)	Not Available	Not Available
1.323	Income Earned in "Indian Country"	Government	1977	316.777	7,400	7,400
1.324	Federal Pension Income	Government	1998	316.680(1)(e)	122,000	120,000
1.325	Legislative Per Diem and Allowance	Government	1967	171.072(7)	100	100
1.326	Oregon State Lottery Prizes	Government	1985	461.560	300	200
1.327	Federal Income Tax Subtraction	Social Policy	1929	316.680(1)(b), 316.685, 316.695	985,000	1,180,000

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2021-23	2023-25	
1.328	Military Active Duty and Related Pay	Social Policy	1969	316.792	48,900	50,900
1.329	Interest and Dividends on U.S. Obligations	Federal Law	1970	316.680(1)(a)	19,900	27,000
<i>Oregon Credits</i>						
1.401	Employer Provided Scholarships	Education	2001	315.237	Less than 100	Less than 100
1.402	Contributions of Computer Equipment	Education	1985	317.151	Less than 100	Less than 100
1.403	Opportunity Grant Fund Contributions	Education	2018	315.643	27,200	12,400
1.404	Employee Training	Education	2017	315.523	Less than 100	Less than 100
1.405	Contributions to 529 Account	Education	2019	315.650	17,900	19,700
1.406	Earned Income Credit	Human Services	1997	315.266	115,000	122,000
1.407	Child with a Disability	Human Services	1985	316.099(3)	9,200	10,100
1.408	Rural Medical Practice	Human Services	1989	315.613, 315.616, 315.619	12,600	11,500
1.409	Volunteer Rural Emergency Medical Providers	Human Services	2005	315.622	100	100
1.410	Severe Disability	Human Services	1985	316.758	7,700	7,700
1.411	Contributions to ABLE Account	Human Services	2019	315.650	500	500
1.412	Farmworker Housing Lender's Credit	Economic/Community	1989	317.147	Less than 100	Less than 100
1.413	Agriculture Workforce Housing Construction	Economic/Community	1989	315.164	6,700	9,000
1.414	Film Production Development Contributions	Economic/Community	2003	315.514, 315.516	37,700	38,800
1.415	Renewable Resource Equipment Manufacturing Facilities	Economic/Community	2011	315.341	Less than 100	Less than 100
1.416	Oregon Low Income Community Jobs Initiative	Economic/Community	2011	315.533(2)	6,300	2,300
1.417	Qualified Research Activities	Economic/Community	1989	317.152	9,100	0
1.418	Qualified Research Activities (Alternative)	Economic/Community	1989	317.154	1,900	0
1.419	Long Term Rural Enterprise Zone Facilities (Income Tax)	Economic/Community	1997	317.124	Not Available	Not Available
1.420	Reservation Enterprise Zone (Income Tax)	Economic/Community	2001	315.506	Less than 100	Less than 100
1.421	Electronic Commerce Enterprise Zone (Income Tax)	Economic/Community	2001	315.507	2,000	0
1.422	Public University Venture Development Fund	Economic/Community	2005	315.640	500	500
1.423	Working Family Household and Dependent Care	Economic/Community	2015	315.264	47,900	66,300
1.424	Contributions to Office of Child Care	Economic/Community	2001	315.213	Less than 100	Less than 100
1.425	Individual Development Account Donation (Credit)	Economic/Community	1999	315.271	14,000	14,000
1.426	Oregon Affordable Housing Lender's Credit	Economic/Community	1989	317.097	18,700	18,700
1.427	Manufactured Dwelling Park Closure	Economic/Community	2007	316.090	Less than 100	Less than 100
1.428	Agricultural Worker Overtime	Natural Resources	2022	Ore. Laws 2022 c.115	Not Applicable	17,000
1.429	Timber Harvested Near Forest Conservation Area (Income Tax)	Natural Resources	2022	Ore. Laws 2022 c.34 §2	Not Applicable	Not Available
1.430	Bovine Manure	Natural Resources	2017	315.176(3)(a)	3,000	700
1.431	Crop Donation	Natural Resources	1977	315.156	400	400
1.432	Energy Conservation Lender's Credit	Natural Resources	1981	317.112	Less than 100	Less than 100
1.433	Transportation Projects	Natural Resources	2011	315.336(1)	200	Less than 100
1.434	Alternative Energy Devices (Residential)	Natural Resources	1977	316.116	700	200
1.435	Business Energy Facilities, Conservation and Renewables	Natural Resources	1979	315.354	2,200	300
1.436	Energy Conservation Projects	Natural Resources	2011	315.331(1)	1,000	Less than 100
1.437	Weatherization Lender's Credit	Natural Resources	1977	317.111	Less than 100	Less than 100
1.438	Production or Collection of Biomass	Natural Resources	2007	315.141	Less than 100	0
1.439	Fish Screening Devices	Natural Resources	1989	315.138	Less than 100	Less than 100
1.440	Alternatives to Field Burning	Natural Resources	1975	315.304	Less than 100	0
1.441	Pollution Control	Natural Resources	1967	315.304	Less than 100	0

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
1.442 Reforestation	Natural Resources	1979	315.104	Less than 100	0
1.443 Short Line Railroad Rehabilitation	Transportation	2019	315.593	Not Available	Not Available
1.444 Oregon Life and Health IGA Assessments	Consumer and Business Services	1975	734.835	1,200	700
1.445 Political Contributions	Government	1969	316.102	6,100	6,300
1.446 Oregon Cultural Trust	Social Policy	2001	315.675	8,200	8,600
1.447 Personal Exemption	Social Policy	1985	316.085	1,280,000	1,340,000
1.448 Oregon Veterans' Home Physicians	Social Policy	2007	315.624	Less than 100	Less than 100
1.449 Certain Retirement Income	Social Policy	1991	316.157	1,300	1,400

*Other*

1.501 Public Warehouse Sales Throwback Exemption	Economic/Community	2005	314.665	Less than 100	Less than 100
1.502 Tax Rates for Certain Pass Through Income	Economic/Community	2013	316.043(2)	239,000	236,000
1.503 Income Averaging for Farmers	Natural Resources	2001	314.297	1,300	1,300
1.504 Capital Gains from Farm Property	Natural Resources	2001	316.045, 317.063, 318.020	4,700	4,300
1.505 Nonresident Income from Disaster or Emergency Related Work	Consumer and Business Services	2015	401.690	Not Available	Not Available
1.506 Apportionment for Utility and Telecommunication Companies	Consumer and Business Services	2001	314.280	600	600
1.507 Nonresident Armed Forces	Social Policy	2015	316.027, 316.127(7)	10,300	10,900
1.508 Nonresident Spouse of Nonresident Servicemember Serving in Oregon	Social Policy	2009	Public Laws 111-97, 115-407	Not Available	Not Available

## PROPERTY TAX

*Full Exemption*

2.001 Academies, Day Care, and Student Housing	Education	1957	307.145	65,300	70,900
2.002 Student Housing Furnishings	Education	1957	307.195	100	200
2.003 Leased Student Housing Publicly Owned	Education	1947	307.110(3)(a)	31,300	35,200
2.004 Higher Education Parking Space	Education	1989	307.110(3)(f)	Incl. in 2.079	Incl. in 2.079
2.005 Private Libraries for Public Use	Education	1854	307.160	Less than 100	Less than 100
2.006 Leased Rural Health Care Property	Human Services	1999	307.110(3)(i)	Less than 100	Less than 100
2.007 Senior Services Centers	Human Services	1993	307.147	400	400
2.008 Land Owned by Nonprofit for Purpose of Building Low-Income Housing	Economic/Community	2015	307.513	Less than 100	Less than 100
2.009 Agricultural Housing and Day Care Facilities	Economic/Community	1973	307.485	1,400	1,600
2.010 Fairground Leased Storage Space	Economic/Community	1987	307.110(3)(d) and (e)	Less than 100	Less than 100
2.011 Commercial Buildings Under Construction	Economic/Community	1959	307.330	40,400	44,800
2.012 Construction in Process in an Enterprise Zone	Economic/Community	2003	285C.170	Incl. in 2.011	Incl. in 2.011
2.013 Enterprise Zone Businesses	Economic/Community	1985	285C.175	96,900	98,700
2.014 Long Term Rural Enterprise Zone (Property Tax)	Economic/Community	1997	285C.409	280,000	334,000
2.015 Certain Property Owned by a Port	Economic/Community	2013	307.110(3)(j) and Ore. Laws 2013 c.287	0	0
2.016 Brownfield Development	Economic/Community	2016	Ore. Laws 2016 c.96, 2019 c.492	Less than 100	Less than 100
2.017 New Industrial Property in Rural Areas	Economic/Community	2016	Ore. Laws 2016 c.112, 2018 c.111 §15, 2019 c.575	100	100
2.018 Industry Apprenticeship/Training Trust	Economic/Community	1983	307.580	1,400	1,500
2.019 Rural Renewable Energy Development Zone	Economic/Community	2003	285C.362	7,100	10,900
2.020 Housing Authority Rental Properties	Economic/Community	1937	307.092	34,100	38,600
2.021 Local Government Owned Low Income Housing	Economic/Community	2013	307.110(3)(h)	1,300	1,500

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2021-23	2023-25	
2.022	Transfer of Cemetery Land for Low-Income Housing	Economic/Community	2018	307.158	Less than 100	Less than 100
2.023	Federal Land Under Summer Homes	Economic/Community	1975	307.183, 307.184	Not Available	Not Available
2.024	Federal Land Under Recreation Facility	Economic/Community	1975	307.182	100	100
2.025	Nonprofit Elderly Housing State Funded	Economic/Community	1977	307.242	*	3,800
2.026	Inventory	Economic/Community	1969	307.400	856,000	902,000
2.027	Business Personal Property	Economic/Community	1979	308.250(2)(a)	10,300	11,000
2.028	Cargo Containers	Economic/Community	1979	307.835	200	300
2.029	Leased Docks and Airports	Economic/Community	1947	307.120	18,600	20,300
2.030	Ship Repair Facility Materials	Economic/Community	1957	308.256(7)	Incl. in 2.026	Incl. in 2.026
2.031	Railroad Cars Being Repaired	Economic/Community	1973	308.665	700	700
2.032	Low-Income Housing Owned by Religious Organization	Economic/Community	2021	307.140(4)	Included in 2.087	Included in 2.087
2.033	Food Processing Equipment	Natural Resources	2005	307.455	10,500	8,700
2.034	Farm Machinery and Equipment	Natural Resources	1973	307.394	95,200	98,700
2.035	Mobile Field Incinerators	Natural Resources	1971	307.390	Incl. in 2.034	Incl. in 2.034
2.036	Crops, Plants, and Fruit Trees	Natural Resources	1957	307.320	18,500	19,600
2.037	Agricultural Products Held by the Farmer	Natural Resources	1965	307.325	Less than 100	Less than 100
2.038	Nursery Stock	Natural Resources	1971	307.315	5,600	6,200
2.039	Leased State and Local Farming and Grazing Land	Natural Resources	1971	307.110(3)(b)	Incl. in 2.079	Incl. in 2.079
2.040	Leased Federal Grazing Land	Natural Resources	1961	307.060	Incl. in 2.093	Incl. in 2.093
2.041	Shellfish Growing on State Land	Natural Resources	1969	622.290	Less than 100	Less than 100
2.042	Center Pivot Irrigation Equipment	Natural Resources	1973	307.398	Incl. in 2.034	Incl. in 2.034
2.043	Other Farm/Aquaculture/Egg Equipment	Natural Resources	1973	307.397	Incl. in 2.034	Incl. in 2.034
2.044	Field Burning Smoke Management Equipment	Natural Resources	1973	307.391	Incl. in 2.034	Incl. in 2.034
2.045	Crab Pots	Natural Resources	1969	508.270	400	400
2.046	Land Leased From State Land Board	Natural Resources	1982	307.168	2,800	3,000
2.047	Natural Gas Pipeline Extension	Natural Resources	2007	307.107	Less than 100	Less than 100
2.048	Solar Projects	Natural Resources	2015	Ore. Laws 2015 c.571, 2019 c.628, 2021 c.571	8,000	9,100
2.049	Cooperative Providing Heat by Combustion of Biomass	Natural Resources	2019	308.521	Not Available	Not Available
2.050	Nonprofit Sewage Treatment Facilities	Natural Resources	1997	307.118	Less than 100	Less than 100
2.051	Riparian Habitat Land	Natural Resources	1981	308A.362	500	600
2.052	Environmentally Sensitive Logging Equipment	Natural Resources	1999	307.827	6,400	7,200
2.053	Skyline and Swing Yarders	Natural Resources	1999	307.831	Incl. in 2.052	Incl. in 2.052
2.054	Forest Fire Protection Association	Natural Resources	1957	307.125	300	300
2.055	Federal Standing Timber Under Contract	Natural Resources	1965	307.050	2,800	2,900
2.056	State and Local Standing Timber Under Contract	Natural Resources	1965	307.100	1,900	1,900
2.057	Western Private Standing Timber	Natural Resources	1977	321.272	480,000	520,000
2.058	Eastern Private Standing Timber	Natural Resources	1961	321.829	37,500	30,700
2.059	Private Farm and Logging Roads	Natural Resources	1963	308.236	36,000	40,000
2.060	Nonprofit Public Park Use Land	Natural Resources	1971	307.115	300	300
2.061	Inactive Mineral Interests	Natural Resources	1997	308.115	Less than 100	Less than 100
2.062	Mining Claims on Federal Land	Natural Resources	1889	307.080	700	800
2.063	Small Watercraft	Natural Resources	1959	830.790(3)	32,700	33,400
2.064	Motor Vehicles and Trailers	Transportation	1919	803.585	1,130,000	1,180,000
2.065	ODOT Land Under Use Permit	Transportation	1981	307.110(3)(c)	Less than 100	Less than 100
2.066	Tollways and Related Facilities	Transportation	1995	383.017(1)	0	0
2.067	Foreign-Owned Aircraft and Aircraft Not Owned by Air Transportation Companies	Transportation	1987	308.558(4) and (5)	31,100	31,800

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
2.068 Nonprofit Water Associations	Consumer and Business Services	1937	307.210	300	400
2.069 Nonprofit Electrical Distribution Associations	Consumer and Business Services	1943	308.805	31,300	33,200
2.070 Property Used for Disaster or Emergency Related Work	Consumer and Business Services	2015	401.690(1)(d)	Not Available	Not Available
2.071 Beverage Containers Requiring Deposit	Tax Administration	1983	307.402	Less than 100	Less than 100
2.072 Manufactured Structure in High-Population County	Tax Administration	2010	308.250(2)(b) and (3)	8,000	8,900
2.073 Personal Property for Personal Use	Tax Administration	1854	307.190	1,736,000	1,830,000
2.074 Heavy Equipment Rental	Tax Administration	2018	307.872	11,300	12,600
2.075 Beach Lands	Government	1969	307.450	Not Available	Not Available
2.076 Property of Indians and on Tribal Trust Land	Government	1854	307.180, 307.181(1), 307.181(2)	Not Available	Not Available
2.077 Equipment for Maritime Emergency Response	Government	2010	307.197	Less than 100	Less than 100
2.078 Interstate Bridges of Local Governments	Government	2017	381.310(10)(a)	0	0
2.079 State and Local Property	Government	1854	307.090	2,770,000	2,920,000
2.080 Corporations for Irrigation, Drainage, Water Supply or Flood Control	Government	1963	554.320	Incl. in 2.079	Incl. in 2.079
2.081 Local Government Public Ways	Government	1895	307.200	Not Available	Not Available
2.082 Interstate Bridges of Other States or Subdivisions	Government	2014	381.824	0	0
2.083 Indian Property Used Exclusively for Government Services	Government	2012	307.181(3)	Not Available	Not Available
2.084 Federally Leased High-Voltage Electricity Transmission Property	Government	2013	307.040(3)	Less than 100	Less than 100
2.085 Charitable, Literary, and Scientific Organizations	Social Policy	1854	307.130	256,000	293,000
2.086 Fraternal Organizations	Social Policy	1961	307.136	20,000	25,500
2.087 Religious Organizations	Social Policy	1854	307.140	147,000	170,000
2.088 Cemeteries, Burial Grounds, and Mausoleums	Social Policy	1854	307.150	6,500	6,700
2.089 City Owned Sports Facility	Social Policy	2001	307.171	3,600	3,800
2.090 Exempt Lease from Taxable Owner	Social Policy	1977	307.112	Incl. in others	Incl. in others
2.091 Exempt Lease from Exempt Owner	Social Policy	1973	307.166	Incl. in others	Incl. in others
2.092 Property of LLC Owned by Nonprofit Corporation	Social Policy	2005	307.022	Incl. in others	Incl. in others
2.093 Federal Property	Federal Law	1848	307.040	1,380,000	1,460,000
2.094 Amtrak Passenger Railroad	Federal Law	1983	308.515(3)(d)	4,600	4,800
<i>Partial Exemption</i>					
2.095 Fraternities, Sororities, and Cooperatives	Education	1973	307.471	600	600
2.096 New Rural Health Care Facilities	Human Services	2001	307.804(2)	Less than 100	Less than 100
2.097 Long Term Care Facilities	Human Services	1999	307.811	100	100
2.098 Facilities with Prepayment Agreement	Economic/Community	1975	311.865	100	200
2.099 Certain Communication Related Property	Economic/Community	2001	308.671	61,000	73,800
2.100 Strategic Investment Program	Economic/Community	1993	307.123	562,000	630,000
2.101 Cap on Central Assessment for Certain Companies	Economic/Community	2015	308.674	18,500	22,800
2.102 Vertical Housing Development Zone	Economic/Community	2001	307.864	3,100	3,400
2.103 Certain Single-Unit Housing	Economic/Community	1989	307.664	4,200	4,500
2.104 Rehabilitated Housing	Economic/Community	1975	308.459	Less than 100	Less than 100
2.105 Multi-Unit Rental Housing in Designated Areas	Economic/Community	1975	307.612	17,900	20,700
2.106 Low Income Multi-Unit Rental Housing	Economic/Community	1999	307.612	Incl. in 2.105	Incl. in 2.105
2.107 Property for Low Income Rental	Economic/Community	1989	307.517, 307.518	3,100	3,400
2.108 Nonprofit Low Income Rental Housing	Economic/Community	1985	307.541	36,200	42,200

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
2.109 New or Rehabilitated Multi-Unit Rental Housing	Economic/Community	2017	Ore. Laws 2017 c.624	Less than 100	Less than 100
2.110 Home Share Program Low-Income Housing	Economic/Community	2019	Ore. Laws 2019 c.566	Less than 100	Less than 100
2.111 Disabled Veterans or Surviving Spouses of Veterans	Economic/Community	1921	307.250	30,700	34,500
2.112 Veterans in Nonprofit Elderly Housing	Economic/Community	1969	307.370	300	300
2.113 Workforce Housing	Economic/Community	2021	Ore. Laws 2021 c.527	Less than 100	Less than 100
2.114 Affordable Housing Covenant	Economic/Community	2021	307.555	Not Available	Not Available
2.115 Alternative Energy Systems	Natural Resources	1975	307.175	6,800	7,500
2.116 Pollution Control Facilities	Natural Resources	1967	307.405	Less than 100	Less than 100
2.117 Watercraft Centrally Assessed	Natural Resources	1925	308.515	Not Available	Not Available
2.118 Aircraft Under 75,000 Pounds Owned by Air Transportation Companies	Transportation	1987	308.558(2),(3), 308.565(5)	700	700
2.119 Homestead Exemption for Active Duty Military	Social Policy	2005	307.286	200	200
2.120 Surviving Spouse of Public Safety Officer	Social Policy	2016	307.295	Less than 100	Less than 100
2.121 Seismic Upgrades	Social Policy	2017	Ore. Laws 2017 c.537	Less than 100	Less than 100
2.122 Railroad Right of Way in Water District	Social Policy	1943	264.110	Less than 100	Less than 100
2.123 Railroad Right of Way in Highway Lighting District	Social Policy	1947	372.190	Less than 100	Less than 100
2.124 Railroad Right of Way in Rural Fire District	Social Policy	1969	478.010(2)(d)	3,900	4,100

## *Special Assessment*

2.125 Use-Restricted Multi-Unit Rental Housing	Economic/Community	2001	308.704	4,800	5,300
2.126 Nonprofit Housing for the Elderly	Economic/Community	1969	308.490	Less than 100	Less than 100
2.127 Farmland	Natural Resources	1967	308A.062, 308A.068, 308A.128	485,500	528,500
2.128 Farm Homesites	Natural Resources	1987	308A.253	30,300	32,800
2.129 Historic Property	Natural Resources	1975	358.505	8,600	5,500
2.130 Wildlife Habitat	Natural Resources	1993	308A.415	2,000	2,400
2.131 Conservation Easements	Natural Resources	2007	308A.456	900	1,000
2.132 Open Space Land	Natural Resources	1971	308A.300	1,500	1,700
2.133 Forest Homesites	Natural Resources	1989	308A.253	9,500	10,200
2.134 Western Private Forestland	Natural Resources	1977	321.354	119,000	130,000
2.135 Eastern Private Forestland	Natural Resources	1971	321.833	16,500	17,700
2.136 Small Tract Forestland Option	Natural Resources	2003	321.722	27,300	29,500
2.137 Watercraft Locally Assessed	Natural Resources	1925	308.256	5,000	5,000

## *Other Assessment*

2.138 Destroyed or Damaged Property	Social Policy	1971	308.146, 308.425	3,200	1,600
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## **GAS, USE, AND JET FUEL TAXES**

3.001 Forest Products: Gasoline	Natural Resources	1945	319.320(1)(b) and (d)	0	0
3.002 Forest Products: Other than Gasoline	Natural Resources	1965	319.831(1)(c) and (g)	0	0
3.003 Vehicle Used for Testing Emissions (Gas and Use Fuel Taxes)	Transportation	2015	825.475	0	0
3.004 Fuel for Aircraft Departing U.S.	Transportation	1959	319.330(2)	Less than 100	Less than 100
3.005 Public Services	Government	1961	319.831(1)(d-f, h-k)	11,400	11,700
3.006 Public Transportation	Government	1969	267.200, 267.570(2)	600	600

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
<b>WEIGHT-MILE TAX</b>					
4.001 Farming Operations	Natural Resources	1983	825.017(4), 825.024	23,800	23,800
4.002 Forest Products on County Roads	Natural Resources	1977	825.017(8)	Less than 100	Less than 100
4.003 Vehicle Used for Testing Emissions (Weight-Mile Tax)	Transportation	2015	825.475	300	400
4.004 Elementary and Secondary School Vehicles	Government	Pre-1953	825.017(1)	6,700	6,700
4.005 Fire Protection	Government	1977	825.017(16)	Less than 100	Less than 100
4.006 Government Owned or Operated Vehicles	Government	Pre-1953	825.017(10)	2,400	2,400
4.007 Public Mass Transit Vehicles	Government	1977	825.017(11)	3,200	3,200
4.008 Charitable Organizations	Social Policy	1977	825.017(13)	600	600
<b>CIGARETTE TAX</b>					
5.001 Small Quantity by Consumers	Tax Administration	1965	323.060	Less than 100	Less than 100
5.002 Federal and Veterans Institutions (Cigarette)	Federal Law	1965	323.055	400	400
<b>OTHER TOBACCO PRODUCTS TAX</b>					
6.001 Federal and Veterans Institutions (Other Tobacco Products)	Federal Law	1985	323.515	Less than 100	Less than 100
<b>BEER AND WINE TAXES</b>					
7.001 Small Wineries	Economic/Community	1977	473.050(5)	4,900	5,100
7.002 Wine Marketing Activities	Economic/Community	2001	473.047	0	0
7.003 Oregon Grapes for Wine Without Oregon Designation or AVA	Natural Resources	2019	473.046	Not Available	Not Available
<b>911 EMERGENCY COMMUNICATIONS TAX</b>					
8.001 State and Local Subscribers	Government	1981	403.205(1)	8,200	8,500
8.002 Federal Subscribers	Federal Law	1981	403.205(1)	900	900
8.003 Indian Reservation Subscribers	Federal Law	1981	403.205(1)	900	900
<b>CORPORATE ACTIVITY TAX</b>					
9.001 Sales of Prescription Drugs by Eligible Pharmacies	Human Services	2022	Ore. Laws 2022 c.82 §10	100	200
9.002 Manufactured Dwelling Cooperatives	Economic/Community	2020	317A.100(4)(L)	Less than 100	Less than 100
9.003 Subcontracting Payments for Labor Costs for Residential Construction	Economic/Community	2019	317A.122	1,300	1,400
9.004 Milk Sales by Dairy Farmers Who are not Members of an Agricultural Cooperative	Natural Resources	2020	317A.100(1)(b)(VV)	Not Available	Not Available
9.005 Insurers Subject to Retaliatory Tax	Consumer and Business Services	2021	317A.100(4)(h)	Not Available	Not Available
<b>ELECTRIC COOPERATIVE TAX</b>					
10.001 Revenue from Government Leased Lines	Natural Resources	1969	308.805, 308.807(1)	200	200

# INDEX OF TAX EXPENDITURES BY TAX PROGRAM (CONT.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
<b>OIL AND GAS PRIVILEGE TAX</b>					
11.001 State and Local Interests	Government	1981	324.090(1)	Not Available	Not Available
11.002 Credit for Property Taxes Paid	Natural Resources	1981	324.090(2)	Not Available	Not Available
<b>MEDICAL PROVIDER TAXES</b>					
12.001 Excluded Hospitals	Human Services	2003	414.853(b)	**	**
12.002 Oregon Veterans' Home	Human Services	2003	409.803	**	**
12.003 Type A and B Hospitals	Human Services	2017	414.855(3)(c)	**	**
<b>LODGING TAX</b>					
13.001 Exempt Dwelling Units	Social Policy	2005	320.308	Not Available	Not Available
13.002 Lodging Paid for by the Federal Government	Federal Law	2003	U.S. Constitution, Article VI, Clause 2	800	900
<b>LOCAL CONSTRUCTION TAX</b>					
14.001 Exempt Construction	Social Policy	2007	320.173	Not Available	Not Available
<b>ESTATE TRANSFER TAX</b>					
15.001 Natural Resource and Fishing Property	Natural Resources	2007	118.140	14,600	13,900
15.002 Timber Harvested Near Forest Conservation Area (Estate Transfer Tax)	Natural Resources	2022	Ore. Laws 2022 c.34 §2	Not Available	Not Available
<b>MARIJUANA TAX</b>					
16.001 Marijuana Purchased for Medical Use	Human Services	2016	475C.678	28,000	24,900
<b>VEHICLE USE TAX</b>					
17.001 Certain Vehicle Modifications (Vehicle Use Tax)	Economic/Community	2018	320.400(2)(b)	Not Available	Not Available
17.002 Tax Paid to Another Jurisdiction	Tax Administration	2017	320.410(4)	300	400
17.003 Vehicles Purchased by the Federal Government or Tribes	Federal Law	2017	U.S. Constitution, Article VI, Clause 2	200	200
<b>VEHICLE PRIVILEGE TAX</b>					
18.001 Certain Vehicle Modifications (Vehicle Privilege Tax)	Economic/Community	2018	320.400(2)(b)	Not Available	Not Available
18.002 Vehicles Sold at Auction	Economic/Community	2017	320.425(2)	200	300
18.003 Vehicles Sold for Out of State Use	Economic/Community	2017	320.425(1)	12,900	16,000

\*No revenue loss, taxes paid by state

\*\*No revenue loss, tax expenditure results in a shift in tax liability from exempt to nonexempt taxpayers



## CHAPTER 1. INCOME TAX (PERSONAL AND CORPORATION)

This chapter describes tax expenditures in Oregon’s personal and corporation income tax programs. The chapter is divided into sections based on the legal source and form of the tax expenditures. A more complete discussion of how Oregon tax expenditures are identified is available at [www.oregon.gov/DOR/Stats](http://www.oregon.gov/DOR/Stats). The following is a brief summary of how tax expenditures are identified for the income tax programs.

Oregon law defines a tax expenditure as a reduction in tax resulting from a deviation from the “established tax.” For tax expenditures resulting from Oregon’s connection to the federal definition of taxable income, we adopt the definition of the tax expenditures used by the U.S. Congressional Research Service (CRS) and the federal Joint Committee on Taxation (JCT). Under that definition, the tax base is income from all sources, including both monetary and nonmonetary income, less any expenses incurred in earning investment and business income. Monetary income includes wages, salaries, interest, dividends, public assistance payments, and all other monetary income. Examples of nonmonetary income include the value of health benefits provided by employers, the value of gifts received by the individual, and discounts that employees may receive when they buy products from their employer. For business income, the expenses necessary to produce the income are not considered income, so deductions that result from economic expenses like wages and rents are not considered tax expenditures.

For tax expenditures that are specific to Oregon, we report provisions that create specific reductions in taxable income, differential tax rates, tax credits, and other provisions that reduce tax and are explicit in Oregon law.

The starting point for calculating Oregon’s personal and corporate income taxes is income taxable at the federal level, and this connection to the federal tax code has important implications for Oregon’s tax. Using the same definition of income helps simplify the Oregon tax return, reducing the number of calculations taxpayers need to make. The connection to the federal definition of taxable income also makes the tax easier for the state of Oregon to administer.

In 2017, significant changes were made to the federal income tax system by the law generally known as the Tax Cuts and Jobs Act of 2017 (TCJA). For individuals, TCJA temporarily increased the standard deduction, eliminated the personal exemption, lowered tax rates, and made changes to itemized deductions. Most of those changes do not directly affect Oregon’s definition of taxable income, but a federal cap of \$10,000 in deductible state and local income taxes impacts Oregon tax paid by taxpayers who itemize Oregon deductions and have property taxes in excess of \$10,000. For corporations, TCJA made several permanent changes, including a reduction in the tax rate and significant changes in the way international corporations’ income is taxed. Oregon is not connected to federal tax rates, but does have a connection to many federal provisions, including changes in treatment of depreciation and expensing, as well as the changes in international taxation.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 made several temporary changes that either directly or indirectly affected Oregon taxable income, mostly for tax year 2020 only. Changes included expanding net operating loss carrybacks, increasing the deduction allowed for charitable contributions, granting a limited charitable contributions deduction for those taxpayers who do not itemize, and waiving the minimum distribution requirement of certain employer-provided qualified retirement plans and IRAs for calendar year 2020. Additionally, a refundable tax credit for tax year 2020 was available to most United States citizens who were not dependents and had income below a certain threshold. The American Rescue Plan Act of 2021 continued these payments in calendar year 2021. These payments did not affect federal taxable income, but they did affect Oregon taxable income through a reduced federal tax subtraction.

Oregon has some deviations from federal taxable income. Income taxed federally but not by Oregon is subtracted from federal adjusted gross income (AGI) when computing Oregon tax (called subtractions). There are also additions to federal income: income Oregon taxes that is not taxed federally. After those calculations are complete, Oregon also has tax expenditures expressed as tax credits or preferential tax rates.

## Personal Income Tax

The personal income tax, sometimes called the individual income tax, is the state of Oregon’s largest source of revenue. For the 2021–23 biennium, this revenue is estimated to be \$23.9 billion, or 84 percent of General Fund revenues, and \$21.5 billion for 2023–25. The Department of Revenue publishes an annual report that provides detailed information and statistics on the personal income tax. The most recent edition of *Oregon Personal Income Tax Statistics* is at [www.oregon.gov/DOR/Stats](http://www.oregon.gov/DOR/Stats).

## Corporation Excise and Income Taxes

Oregon’s corporation excise and income taxes are the taxes on corporate profits where net income is the measure of profitability. Virtually all corporate tax filers pay the excise tax, and very few pay the income tax. Because the taxes are nearly identical and the tax base is net income, we refer here to both taxes as the corporation income tax.

The corporation income tax is the second largest source of revenue for the state General Fund. For the 2021–23 biennium, this revenue is estimated to be \$2.65 billion, or 9 percent of General Fund revenues, and \$1.96 billion for 2023–25. The Department of Revenue publishes an annual report that provides detailed information and statistics on the corporation income tax. The most recent version of *Oregon Corporate Excise and Income Tax* is at [www.oregon.gov/DOR/Stats](http://www.oregon.gov/DOR/Stats).

## Changes to Tax on Corporations’ International Earnings

The Tax Cuts and Jobs Act of 2017 made significant changes to how taxes are applied to corporations. Four major features of the federal system for taxing corporations with international operations are particularly relevant to state-reported tax expenditures. Noting that, in Oregon, a tax expenditure is a provision that exempts income from “the impact of established taxes,” the established tax base of corporations with international operations is taken to be income earned within the U.S.

- **Participation Exemption:** Corporations are taxed on their profits within the U.S. and not taxed on the profits of their foreign subsidiaries. This is accomplished by allowing a 100 percent deduction for dividends paid by foreign corporations to U.S. based corporations with at least 10 percent ownership in the payer. The exemption of foreign profits from domestic tax is considered the established tax base for a territorial tax system and is not reported as an Oregon tax expenditure.
- **Global Intangible Low Taxed Income (GILTI):** Corporations are required to add earnings in foreign countries that exceed 10 percent of their investment to the otherwise territorial base as taxable income. They are then allowed a deduction and a limited credit for foreign taxes paid on that income. Because those earnings would not be included in a purely territorial tax base, this acts as a minimum tax on foreign profits. The deduction that corresponds to the additional income included by GILTI is not reported as a tax expenditure in Oregon.
- **Foreign Derived Intangible Income (FDII):** Corporations with earnings in the U.S. that are attributable to exports can deduct a portion of those earnings that exceed 10 percent of their investment. This income is part of a territorial tax base, and therefore, the deduction is intended to selectively benefit exporters. This benefit is reported as an Oregon tax expenditure because it provides favorable treatment of some income that would otherwise be included in the territorial tax base.
- **Base Erosion and Anti-Abuse Tax (BEAT):** This federal provision acts as a minimum tax to very large corporations making significant payments to foreign affiliates. Oregon is not connected to the BEAT.

## TAX EXPENDITURES IN FEDERAL TAXABLE INCOME

Like many states, Oregon’s income tax calculations begin with the definition of taxable income in federal law, with some specific exceptions. Tying to the federal definition of taxable income implicitly adopts many of the tax expenditures that exist in the federal tax code. Special provisions allowed by the federal government that reduce taxable income will flow through to Oregon’s tax and result in lower Oregon tax collections.

The listing of federal tax expenditures is based on the November 2020 estimates prepared by the federal Joint Committee on Taxation.<sup>2</sup> That publication is our primary source of information used to estimate the Oregon revenue reduction associated with federal tax expenditures. An additional source of information is from the revenue estimates prepared by JCT for the Taxpayer Certainty and Disaster Tax Relief Act of 2020, which extended several federal provisions that had expired at the end of 2020.

For several of the tax expenditures, revenue impacts were estimated from Oregon personal income tax return information. Beginning with tax year 2018, a new schedule was created to complement the Oregon personal income tax return, where taxpayers who itemize deductions for Oregon are required to list their itemized deductions. This allowed for a more direct measure of the revenue impact for several of the tax expenditures related to itemized deductions.

The tax expenditures in this report differ from those reported by JCT in the following ways:

- Oregon does not have an automatic connection to federal tax credits, federal rates, or taxable income for insurance companies, so related federal tax expenditures are not presented,
- deviations from a “normal tax structure” that generally result in higher taxes are not listed in this report (JCT refers to these as negative tax expenditures),
- earnings of businesses outside the U.S. are no longer part of Oregon’s established tax base after the changes made by the Tax Cuts and Jobs Act of 2017,
- some related provisions were combined, though an attempt was made to specify which ones have been combined in the descriptions of the tax expenditures, and
- employment-related moving expenses is listed as a tax expenditure.

For federal tax expenditures that reduce Oregon receipts and have an associated revenue impact estimated by JCT, this report provides full descriptions. The descriptions rely heavily on the Congressional Research Service Compendium of Tax Expenditures,<sup>3</sup> which is a good resource to peruse for more detailed descriptions and analysis.

In addition, for these tax expenditures included in this report, if the federal counterpart is listed in the Congressional Research Service Compendium of Tax Expenditures, a specific citation is given under the Evaluation, which points to the federal *Assessment* of that federal tax expenditure.

Tax expenditures resulting from the connection to federal taxable income are categorized into exclusions, adjustments (above-the-line deductions), and deductions.

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<sup>2</sup> Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2020-2024* (JCX-23-20), November 5, 2020.

<sup>3</sup> Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*, Senate Committee Print 116-53, December 2020, U.S. Government Printing Office.  
<https://www.congress.gov/116/cprt/SPRT42597/CPRT-116SPRT42597.pdf>.

The first part of the income tax chapter of this report provides estimates and descriptions for 98 federal provisions (exclusions, deductions, and adjustments). Of those, 57 flow through to Oregon’s personal income tax, 8 flow through to corporations, and 33 flow through to both the personal and corporation income taxes.

We do not provide full descriptions of federal tax expenditures that are listed by JCT as *de minimis*, or not quantifiable. Nor do we give full descriptions of provisions that Oregon specifically does not connect to. These provisions are listed after the descriptions of itemized deductions.

## 1.001 SCHOLARSHIP AND FELLOWSHIP INCOME

**Internal Revenue Code Section:** 117

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1954

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$30,000,000	\$30,000,000
2023-25 Revenue Impact:	Not Applicable	\$32,000,000	\$32,000,000

**DESCRIPTION:** Scholarships and fellowships are excluded from personal taxable income to the extent that they cover tuition and course related expenses (e.g. books, supplies, fees and equipment) of individuals who are candidates for undergraduate or graduate degrees at colleges, universities, or other educational institutions.

**PURPOSE:** This provision, "...was justified by proponents on the grounds that the awards were analogous to gifts. With the development of grant programs based on financial need, which today account for most awards, justification now rests upon the hardship taxation would impose." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Individuals receiving scholarship or fellowship income or reduced tuition. Students attending schools with higher tuition costs will generally benefit more because tuition and course-related fees are greater.

**EVALUATION:** See Exclusion of Scholarship and Fellowship Income, *Assessment*, p. 649 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.002 QUALIFIED EDUCATION SAVINGS (FEDERAL)

**Internal Revenue Code Sections:** 529 and 530

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted:** 1996

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$12,000,000	\$12,000,000
2023-25 Revenue Impact:	Not Applicable	\$17,000,000	\$17,000,000

**DESCRIPTION:** Individuals may establish tax-deferred and tax-exempt college savings plans through state-sponsored savings plans, trust or custodial accounts, or prepaid tuition accounts through qualifying educational institutions. These accounts are set up for the purpose of paying education-related expenses or tuition on behalf of a designated beneficiary.

Qualifying distributions from savings or prepaid tuition plans are excluded from taxable income. Nonqualifying distributions are subject to a federal penalty, and the earnings of the nonqualifying distribution are subject to income taxation.

Under federal law, contributions to these accounts are not tax deductible, but the earnings on the account balances are excluded from income. The revenue impact for this expenditure is based on earnings on the accounts.

The estimated revenue loss for this tax expenditure includes the following components listed separately by the U.S. Joint Committee on Taxation:

- Prepaid Tuition Programs.
- Savings Account Programs.
- Exclusion of earnings of trust accounts for higher education (“Coverdell ESAs”).

Oregon also has a tax benefit for taxpayers who contribute to an Oregon 529 College Savings Network account in the form of a refundable tax credit. See 1.405, Contributions to 529 Account.

**PURPOSE:** “...529 plans were intended to encourage families to save for college...” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020). Presumably, the purpose of the exclusion is to further encourage families to contribute to 529 plans as a way to save for college.

**WHO BENEFITS:** Students and families of students are able to defer and eventually avoid tax on earnings of these accounts and therefore may accumulate savings more quickly for future higher education expenses. Tax benefits are more likely to accrue to higher income families reflecting higher tax rates and means to save for college.

**EVALUATION:** See Assessments for tax expenditures related to Education Savings, p. 621 and 633 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.003 EXCLUSION OF EMPLOYER PROVIDED TUITION REDUCTION

**Internal Revenue Code Section:** 117(d)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1984

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$2,300,000	\$2,300,000
2023-25 Revenue Impact:	Not Applicable	\$2,300,000	\$2,300,000

**DESCRIPTION:** Tuition reductions for employees of educational institutions may be excluded from federal income taxes provided they do not represent payment for services. The exclusion also applies to tuition reductions for an employee’s spouse and dependent children. Tuition reductions can occur at schools other than where the employee works, provided they are granted by the school attended, and not paid by the employing school. Tuition reductions cannot discriminate in favor of highly compensated employees.

**PURPOSE:** “Tuition reductions are provided by education institutions to employees as a fringe benefit, which may reduce costs of labor and job turnover.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020).

**WHO BENEFITS:** Employees of education institutions who receive untaxed tuition reductions.

EVALUATION: See Exclusion of Employer-Provided Tuition Reduction Benefits, *Assessment*, p. 645 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.004 CERTAIN FOSTER CARE PAYMENTS

**Internal Revenue Code Section:** 131

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1982

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$4,700,000	\$4,700,000
2023-25 Revenue Impact:	Not Applicable	\$5,000,000	\$5,000,000

**DESCRIPTION:** Payments made by a state, local, or qualified foster care placement agency to a foster care provider for caring for a qualified foster individual in the provider’s home are excluded from personal taxable income of the foster care provider. Payments received in excess of actual expenses incurred represent the monies that would be taxable were it not for the exclusion. A qualified foster individual is an individual placed by a qualified foster care placement agency, regardless of age at the time of placement.

**PURPOSE:** “... payments made by charitable child-placing agencies or governments (such as child welfare agencies) were reimbursements or advances for expenses incurred on behalf of the agencies or governments by the foster parents and, therefore, not taxable.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Foster care providers for qualified individuals.

**EVALUATION:** See Exclusion of Certain Foster Care Payments, *Assessment*, p. 798 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.005 EMPLOYEE ADOPTION BENEFITS

**Internal Revenue Code Section:** 137

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1996

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Benefits that employees who adopt children receive under employer sponsored adoption assistance programs are excluded from personal taxable income. The maximum exclusion in 2022 was \$14,890 per child, including special needs children. Expenses may be incurred over several years. Employees who receive employer provided adoption assistance must do so under an established employer sponsored adoption assistance program (see IRS publication 15-B for description of employee



program parameters). In 2022, the exclusion was phased out for modified adjusted gross incomes between \$223,410 and \$263,410, at which point no exclusion was allowed. The exclusion limit and the beginning of the income phase-out range are permanently indexed to inflation. The \$40,000 range over which the exclusion is phased-out is not indexed to inflation.

- PURPOSE:** “According to the Joint Committee on Taxation, Congress enacted the ... exclusion because of the belief that the financial costs associated with the adoption process should not be a barrier to adoption.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)
- WHO BENEFITS:** Adoptive parents who receive benefits from employer sponsored adoption assistance programs.
- EVALUATION:** See Adoption Credit and Employee Adoption Benefits Exclusion, *Assessment*, p. 792 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.006 COMPENSATORY DAMAGES

**Internal Revenue Code Section:** 104(a)(2)-104(a)(5)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1918

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$15,000,000	\$15,000,000
2023-25 Revenue Impact:	Not Applicable	\$15,000,000	\$15,000,000

- DESCRIPTION:** Payments that a person receives as compensatory damages for physical injury or physical sickness, whether paid in a lump sum or in periodic payments, are excluded from taxable income.
- PURPOSE:** “It [the exclusion] is based on the reasoning that these payments are compensating for a loss.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020), Presumably, purpose of the exclusion is to avoid reducing of the value of these payments.
- WHO BENEFITS:** People who have been injured and received compensatory damages.
- EVALUATION:** See Exclusion of Damages on Account of Personal Physical Injuries or Physical Sickness, *Assessment*, p. 940 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.



## 1.007 EMPLOYER PAID MEDICAL AND CAFETERIA PLAN BENEFITS

**Internal Revenue Code Sections:** 105, 106 and 125

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1918 and 1974 (Cafeteria plan benefits)

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,630,000,000	\$1,630,000,000
2023-25 Revenue Impact:	Not Applicable	\$1,770,000,000	\$1,770,000,000

**DESCRIPTION:** Employer payments for health insurance, other employee medical expenses, and long-term care insurance are not included in the employee’s personal taxable income. Federal law does require that the imputed value of health and other fringe benefits of a domestic partner be included in adjusted gross income when cohabitating couples are not married.

Also included in this tax expenditure are employer-paid benefits under cafeteria plans, which offer employees a choice between taking monetary compensation or qualified benefits such as health insurance, dependent care assistance, and adoption assistance. The employee pays no tax when choosing the benefits but does pay tax when choosing the cash. This provision was enacted in federal law in 1974.

**PURPOSE:** “The exclusion for employer-provided health insurance is thought to exert a strong influence on the health insurance coverage for a substantial share of the nonelderly working population. Because of the subsidy, employers face a significant incentive to offer health benefits rather than taxable wages.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020).

**WHO BENEFITS:** Employees, their spouses, and dependents receiving employer-paid health benefits and employees receiving employer-paid cafeteria plan benefits.

**EVALUATION:** See Exclusion of Employer Contributions for Health Care, Health Insurance Premiums, and Long-Term Care Insurance Premiums, *Assessment*, p. 894 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.008 SPECIAL BENEFITS FOR DISABLED COAL MINERS

Internal Revenue Service Ruling 72-400, 1972-2 Cumulative Bulletin 75

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1969

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Benefits to coal mine workers or their survivors for total disability or death resulting from coal workers’ pneumoconiosis (black lung disease) paid under the Black Lung Benefits Act are not considered taxable. These benefits may be either monthly cash payments or coverage of black lung related medical costs.

**PURPOSE:** According to the Congressional Research Service, no rationale was provided when this provision was originally enacted in 1969. Presumably, the purpose is to ensure consistent treatment with workers’ compensation.

**WHO BENEFITS:** Oregon taxpayers receiving black lung benefits.

**EVALUATION:** See Exclusion of Special Benefits for Disabled Coal Miners, *Assessment*, p. 945 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.009 ABLE ACCOUNT EARNINGS

**Internal Revenue Code Section:** 529A

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None (TCJA provisions are temporary, see description)

**Year Enacted in Federal Law:** 2014

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Under federal law, contributions to ABLE (Achieving a Better Life Experience) accounts are not tax deductible, but the earnings on the account balances are excluded from income. Qualifying distributions from ABLE accounts are excluded from taxable income.

Federal legislation in 2014 created the ability for individuals to establish tax-exempt savings accounts through state-sponsored savings plans. Oregon passed enabling legislation in 2015 (SB 777) and launched the Oregon ABLE Savings Plan in December 2016.

The proceeds of these accounts are meant to be used to pay qualified disability expenses—including education, housing, employment training and support, health care, and financial management—of the designated beneficiary. Individuals diagnosed with a disability before the age of 26 are eligible for an Oregon ABLE Savings Plan account. Up to \$100,000 can be saved within an ABLE account without the assets affecting federal and state benefits, and \$16,000 can be contributed in 2022.

The 2017 Tax Cuts and Jobs Act (TCJA) temporarily expands this provision. TCJA allows contributions made by the designated beneficiary, if the beneficiary works, beyond the ordinary limit up to the lower of the prior year’s poverty level for a household of one, or the beneficiary’s compensation in that year. The TCJA also allows a beneficiary to claim the federal saver’s credit for their contributions and allows rollovers from 529 plans owned by the beneficiary or a family member into the ABLE account (subject to contribution limits). The changes made by the TCJA apply to tax years 2018 through 2025, and will revert to prior law beginning in tax year 2026.

Nonqualifying distributions are subject to a federal penalty, and the earnings on the nonqualifying distribution are subject to income tax.

Under federal law, contributions to these accounts are not tax deductible, but the earnings on the account balances are excluded from income. The revenue impact for this expenditure is based on earnings on the accounts.

Oregon also has a tax benefit for taxpayers who contribute to an Oregon ABLE account in the form of a refundable tax credit. See 1.411, Contributions to ABLE Account.

**PURPOSE:** Section 101 of the federal ABLE Act (P.L. 113-295) states the purpose is:

“(1) To encourage and assist individuals and families in saving private funds for the purpose of supporting individuals with disabilities to maintain health, independence, and quality of life.

(2) To provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, the Medicaid program under title XIX of the Social Security Act, the supplemental security income program under title XVI of such Act, the beneficiary’s employment, and other sources.”

**WHO BENEFITS:** Disabled individuals using ABLE accounts are able to defer and eventually avoid tax on earnings of these accounts and therefore may accumulate savings more quickly for future disability-related expenses. Tax benefits are more likely to accrue to higher income families reflecting higher tax rates and means to save.

**EVALUATION:** Not evaluated.

## 1.010 PENSION CONTRIBUTIONS AND EARNINGS

**Internal Revenue Code Sections:** 401–407, 410–418E, and 457

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1921

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$2,890,000,000	\$2,890,000,000
2023-25 Revenue Impact:	Not Applicable	\$3,630,000,000	\$3,630,000,000

**DESCRIPTION:** In general, all compensation (wages and benefits) of an employee is taxable income for the employee. This provision exempts employer contributions to pension plans from inclusion in the employee’s personal taxable income in the year of contribution. In addition, self-employed individuals are allowed to reduce taxable income for qualified contributions to qualified retirement accounts. Earnings on balances in those accounts are also not taxed.

Tax on contributions and earnings is deferred until distribution when withdrawals are included in taxable income. The estimated revenue impact is a net figure; the revenue foregone in a given year is offset by the amount of tax paid on withdrawals in that year. The bulk of the revenue impact in most years is from the exclusion on earnings.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Defined Benefit Plans.
- Defined Contribution Plans.

- Plans covering partners and sole proprietors (sometimes referred to as “Keogh Plans”).

More than 90 percent of the estimated revenue loss of this provision is attributable to employer (defined benefit and contribution) plans.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 made a temporary waiver of the minimum distribution requirement of certain employer-provided qualified retirement plans and IRAs for calendar year 2020. This waiver could change the timing of when taxpayers make withdrawals, hence affecting the earnings. The exact effect on the revenue impact is uncertain, however it is thought to be relatively small.

**PURPOSE:** “The major economic justification for the favorable tax treatment of pension plans is that they arguably increase savings and increase retirement income security.”  
 (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Employees and self-employed individuals with qualified retirement savings or pension benefits.

**EVALUATION:** See Assessments for tax expenditures related to pension contributions and earnings, p. 973, 982, 990 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.011 SOCIAL SECURITY BENEFITS (FEDERAL)

**Internal Revenue Code Section:** 86 (and multiple revenue rulings)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted:** 1938

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$750,000,000	\$750,000,000
2023-25 Revenue Impact:	Not Applicable	\$806,000,000	\$806,000,000

**DESCRIPTION:** A portion of Social Security and Railroad Retirement Board benefits are considered nontaxable at the federal level. Oregon extends the tax exemption to the full amount of benefits. As a result, there are two tax expenditures pertaining to these benefits. This tax expenditure pertains to those benefits that are exempt at the federal level. The tax expenditure pertaining to the portion of benefits that are taxed at the federal level but are exempt in Oregon is 1.308, Social Security Benefits (Oregon).

The portion of benefits subject to federal taxation depends on the amount of “provisional income” above certain thresholds. Provisional income is adjusted gross income plus one-half of Social Security benefits and otherwise tax-exempt interest income (i.e., interest from tax-exempt bonds). Taxpayers with provisional income under \$25,000 (single) or \$32,000 (married filing jointly) pay no federal tax.

If provisional income is above these thresholds but below \$34,000 (single) or \$44,000 (joint) then the amount of benefits subject to tax is the lesser of: (1) 50 percent of benefits, or (2) 50 percent of income above the first threshold. If income is above the second threshold, the amount of benefits subject to tax is the lesser of: (1)

85 percent of benefits, or (2) 85 percent of income above the second threshold, plus the smaller of \$4,500 (single) or \$6,000 (joint), or 50 percent of benefits. For couples filing separately, taxable benefits are the lesser of 85 percent of benefits or 85 percent of provisional income.

- PURPOSE:** The Congressional Research Service cited three reasons for the original exclusion: (1) Congress did not intend for these benefits to be taxed, (2) the benefits were intended to be in the form of “gifts,” and (3) taxing these benefits would defeat their intended purposes.
- WHO BENEFITS:** Oregon taxpayers who receive federally taxable Social Security or Railroad Retirement Board benefits. For 2020, about 430,000 full-year Oregon filers used this exclusion or the related Oregon subtraction.
- For more detail, see the distributional table presented with the Oregon subtraction, 1.308, Social Security Benefits (Oregon).
- EVALUATION:** See Exclusion of Untaxed Social Security and Railroad Retirement Benefits, *Assessment*, p. 1042 in [\*Tax Expenditures: Compendium of Background Material on Individual Provisions\*](#), 2020.

## 1.012 REGIONAL ECONOMIC DEVELOPMENT INCENTIVES

**Internal Revenue Code Sections:** 38(b), 39(d), 45A, 168(j), 280C(a), and 1391–1397D

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** 12-31-2025

**Year Enacted in Federal Law:** 1993

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Federal law allows for the designation of up to 40 empowerment zones, 95 enterprise communities, and 40 renewal communities in the United States to receive special tax benefits. These tax benefits include a wage tax credit (Oregon is not connected to the federal tax credit), the nonrecognition of gains on rollovers of empowerment zone investments, and expanded tax-exempt financing for certain empowerment zone facilities.

Designated areas must satisfy eligibility criteria including poverty rates, population, and geographic size limits. These provisions were enacted as temporary but have been extended several times. After the most recent extension (in the Taxpayer Certainty and Disaster Tax Relief Act of 2020), designated areas are eligible for benefits through December 31, 2025.

Oregon currently has no areas that qualify for this tax expenditure. The 10-year designation of two Oregon federal Enterprise Communities in Josephine County and Portland ended on December 31, 2004. As of the publication date of this report, there has been no Oregon area designated as a federal Empowerment Zone or Renewal Community.

Oregon taxpayers may have lower taxable income due to investments in these zones despite their location outside Oregon.

**PURPOSE:** “The geographically targeted tax provisions [of this tax expenditure] may encourage increased employment and income of individuals living and working in the zones and increased incentives to businesses operating in the zones.” (Congressional Research Service, Tax Expenditures: *Compendium of Background Material on Individual Provisions*: 2020).

**WHO BENEFITS:** Both businesses and employees within the designated areas may benefit.

**EVALUATION:** See Empowerment Zone Tax Incentives, *Assessment*, p. 558 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.013 CAPITAL GAIN INVESTED IN OPPORTUNITY ZONE

**Internal Revenue Code Section:** 1400Z-2

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** 12-31-2026

**Year Enacted in Federal Law:** 2017

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$4,000,000	\$28,000,000	\$32,000,000
2023-25 Revenue Impact:	\$3,000,000	\$20,000,000	\$23,000,000

**DESCRIPTION:** Capital gains invested in or derived from investments in designated Opportunity Zones are eligible for deferral or exclusion from income.

Three tax incentives are associated with qualified Opportunity Zones:

- Federal income tax on capital gains may be temporarily deferred if the gains are reinvested in a qualified opportunity fund (QOF) within 180 days after the sale or disposition of the related asset.
- If the investment in the QOF is held for at least five years, 10 percent of the gain may be excluded from taxable income. If the asset or investment is held for at least seven years, 15 percent of the gain may be excluded from taxable income.
- QOF investments held for at least 10 years and until at least December 31, 2026, are to be eligible for permanent exclusion of capital gains tax on any gains from the qualified portion of their investment earned within the Opportunity Zone when the QOF investment is sold or disposed.

A qualified opportunity fund is a corporation or partnership that invests at least 90 percent of its assets in property in a designated qualified opportunity zone.

Designated Opportunity Zones are certain low-income census tracts designated by state governors and approved by the U.S. Treasury. In May of 2018, all 86 of Oregon’s nominated Opportunity Zones were approved.

Oregon taxpayers may have lower taxable income due to investments in these zones whether their location is inside or outside Oregon.

Opportunity Zone tax incentives are in effect from December 22, 2017 through December 31, 2026. There is no gain or deferral available with respect to any sale or exchange made after December 31, 2026, and there is no exclusion available for investments in qualified Opportunity Zones made after December 31, 2026.

**PURPOSE:** “Opportunity Zones are an economic development tool – that is, they are designed to spur economic development and job creation in distressed communities” (Internal Revenue Service Opportunity Zones Frequently Asked Questions, accessed July 2018)

**WHO BENEFITS:** Taxpayers who invest in qualified opportunity funds.

**EVALUATION:** See Qualified Opportunity Zones, *Assessment*, p. 573 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.014 EXCLUSION OF GAIN FROM CERTAIN SMALL BUSINESS STOCK

**Internal Revenue Code Section:** 1202  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1993

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$20,000,000	\$20,000,000
2023-25 Revenue Impact:	Not Applicable	\$14,000,000	\$14,000,000

**DESCRIPTION:** Individual and non-corporate business taxpayers (including pass-through entities like partnerships and S corporations) are allowed to exclude from gross income 50 percent or more of gain from the sale or exchange of qualified small business stock. The exclusion is 100 percent for stock acquired after September 27, 2010 if it meets all of the following:

- The stock must be acquired by a noncorporate taxpayer at the time of issue in exchange for money, property, or services; and then held for at least five years.
- The stock must be issued by a C corporation with no more than \$50 million in gross assets, and at least 80 percent of its assets must be employed during the five-year holding period.
- The corporation must be a “specialized small business investment company” or in any line of business excluding the following: healthcare, law, engineering, architecture, food service, lodging, farming, insurance, finance, and mining.

The exclusion is limited to the greater of \$10 million or ten times the taxpayer’s basis in the stock.

**PURPOSE:** “The exclusion for gains on the sale or exchange of QSBS [qualified small business stock] is intended to increase the flow of equity capital to new or young small firms and SSBICs [specialized small business investment companies] in a range of industries. These firms may have difficulty raising capital from other, more traditional sources such as banks or private equity firms.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Individuals who invest in qualified small business stock at the initial offering and later realize gains on that investment. According to the Congressional Research Service, most of the benefits are captured by small business owners and high-income individuals.



EVALUATION: See Exclusion for Gain from Certain Small Business Stock, *Assessment*, p. 515 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.015 IMPUTED INTEREST RULES

**Internal Revenue Code Sections:** 163(e), 483, 1274 and 1274A

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1984

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$5,600,000	\$5,600,000
2023-25 Revenue Impact:	Less than \$100,000	\$5,800,000	\$5,800,000

DESCRIPTION: For debt instruments that pay less than the market rate of interest, a higher market rate (imputed interest rate) generally must be used to calculate income and expenses for tax purposes. The imputed interest must be included as income to the recipient and is deducted by the payer.

There are several exceptions to the general imputed interest rule. Debt associated with the sale of property when the total sales price is no more than \$250,000, the sale of farms or small businesses by individuals when the sales price is no more than \$1 million, and the sale of a personal residence are not subject to the imputation rules. The reported impact of this provision is the revenue loss caused by the exceptions.

A common example of this exemption is a low interest, no interest, or “gift” loan involved in the sale of property between family members.

PURPOSE: According to the Congressional Research Service, the purpose of these exemptions is “to allow more flexibility in structuring sales of personal residences, small businesses, and farms by the owners, and to avoid the administrative problems that might arise in applying the rules to other smaller sales.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

WHO BENEFITS: Sellers of residences, small businesses, and farms who would otherwise pay tax on interest they do not charge and will not receive.

EVALUATION: See Exemptions from Imputed Interest Rules, *Assessment*, p. 451 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.



## 1.016 EMPLOYER PROVIDED DEPENDENT CARE

**Internal Revenue Code Section:** 129

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1981

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$4,700,000	\$4,700,000
2023-25 Revenue Impact:	Not Applicable	\$5,900,000	\$5,900,000

**DESCRIPTION:** Employer payments for dependent care through a dependent care assistance program are not included in the employee’s personal taxable income. The maximum exclusion is \$5,000 and may not exceed the employee’s (or employee’s spouse if married) earned income. To qualify, the employer assistance must be provided under a plan that meets certain conditions, such as eligibility requirements that do not discriminate in favor of certain employees.

**PURPOSE:** “The provision was intended to recognize the similarity of child care expenses to employee business expenses and provide a limited benefit. Some believe compassion and the desire to reduce welfare costs contributed to the enactment of this allowance.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020).

**WHO BENEFITS:** Employees receiving employer paid dependent care benefits.

**EVALUATION:** See Credit for Child and Dependent Care and Exclusion of Employer-Provided Child Care, *Assessment*, p. 775 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.017 CAPITAL GAINS ON HOME SALES

**Internal Revenue Code Section:** 121

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1997

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$477,000,000	\$477,000,000
2023-25 Revenue Impact:	Not Applicable	\$537,000,000	\$537,000,000

**DESCRIPTION:** Homeowners may exclude from personal taxable income up to \$250,000 (single taxpayers) or \$500,000 (married taxpayers filing joint returns) of capital gain realized on the sale of their principal residence. To qualify, the taxpayer must have owned and occupied the home for at least two of the previous five years. The exclusion applies only to the portion of the property associated with the residence, not portions of the property used in business activity. The exclusion is allowed each time a taxpayer meets the eligibility requirements, but generally not more than once every two years.

**PURPOSE:** “... many see the exclusion on the sale of a principal residence as justifiable because the tax law does not allow the deduction of personal capital losses, because much of the profit from the sale of a personal residence can represent inflationary gains, and because the purchase of a principal residence is less of a profit-motivated decision

than other types of investments. Taxing the gain on the sale of a principal residence might also interfere with labor mobility...” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020).

WHO BENEFITS: Homeowners who sell their principal residences for a gain.

EVALUATION: See Exclusion of Capital Gains on Sales of Principal Residences, *Assessment*, p. 337 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.018 INCOME EARNED ABROAD BY U.S. CITIZENS

**Internal Revenue Code Section:** 911

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1926

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$56,000,000	\$56,000,000
2023-25 Revenue Impact:	Not Applicable	\$65,000,000	\$65,000,000

DESCRIPTION: U.S. citizens (except U.S. federal employees) who live abroad may exclude from personal taxable income any salary or wages earned from employment overseas. In 2022, the maximum exclusion is up to \$112,000. The income limit of the foreign earned income exclusion is indexed to inflation. A taxpayer must meet foreign residence tests to receive the exclusion. Taxpayers may also exclude the value of employer provided foreign housing expenses if certain conditions are met.

Oregon law (ORS 316.027) clarifies that individuals qualifying for this federal exemption also generally qualify for exemption in Oregon.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Exclusion of Foreign Earned Income: Housing.
- Exclusion of Foreign Earned Income: Salary.

PURPOSE: “Historically, the foreign-earned income and housing cost exclusions have been defended on the grounds that they help increase U.S. exports, because Americans working abroad play an important role in promoting the sale of U.S. goods abroad.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

WHO BENEFITS: U.S. citizens who live and work abroad.

EVALUATION: See Exclusion of Foreign Earned Income: Housing and Salary, *Assessment*, p. 35 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.019 CANCELLATION OF MORTGAGE DEBT

**Internal Revenue Code Sections:** 108(E)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** 12-31-2025

**Year Enacted in Federal Law:** 2007

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$4,500,000	\$4,500,000
2023-25 Revenue Impact:	Not Applicable	\$4,900,000	\$4,900,000

**DESCRIPTION:** In general, when a “discharge of indebtedness” occurs, the forgiven debt is considered income to the taxpayer. An exception is allowed for debt discharged through 2025 up to \$2 million (\$1 million if married filing separately) if the debt was incurred to acquire, construct, or substantially improve the taxpayer’s principal residence. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 extended this provision, which was to expire in tax year 2020, through tax year 2025.

**PURPOSE:** “A rationale for excluding canceled mortgage debt income has focused on minimizing hardship for households in distress.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2020*)

**WHO BENEFITS:** Taxpayers who have had debt eligible discharged.

**EVALUATION:** See Exclusion of Income Attributable to the Discharge of Principal Residence Acquisition Indebtedness, *Assessment*, p. 375 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.020 EMPLOYER PAID GROUP LIFE INSURANCE PREMIUMS

**Internal Revenue Code Section:** 79

Legal Opinion 1014 and 1920-2 Cumulative Bulletin, page 8

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1920

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$31,000,000	\$31,000,000
2023-25 Revenue Impact:	Not Applicable	\$32,000,000	\$32,000,000

**DESCRIPTION:** The cost of employer provided group term life insurance plans that satisfy “anti-discrimination” provisions, net of employee contributions, above a \$50,000 (not indexed to inflation) coverage threshold is excluded from the employees’ gross income.

**PURPOSE:** The Congressional Research Service did not state a clear purpose for this federal provision. Presumably, the purpose is to encourage employers and employees to incorporate life insurance benefits into compensation packages without discriminating between type of employee. An example of discriminating between employees would be offering insurance benefits to officers, owners, and/or highly compensated employees only.

**WHO BENEFITS:** Employees who have some life insurance premiums paid by their employer.  
**EVALUATION:** See Exclusion of Other Employee Benefits: Premiums on Group Term Life Insurance, *Assessment*, p. 1017 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.021 EMPLOYER PAID ACCIDENT AND DISABILITY INSURANCE

**Internal Revenue Code Sections:** 105 and 106  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1954

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$36,000,000	\$36,000,000
2023-25 Revenue Impact:	Not Applicable	\$39,000,000	\$39,000,000

**DESCRIPTION:** Employer payments for employee accident and disability insurance premiums are not included in the employee’s personal taxable income. Benefits paid to employees are generally taxable, however payments that relate to permanent injuries are excluded from taxable income so long as those payments are computed without regard to the amount of time an employee is absent from work.

**PURPOSE:** To encourage employers and employees to incorporate accident and disability insurance into compensation packages.

**WHO BENEFITS:** Employees who have some accident and disability insurance premiums paid by their employer.

**EVALUATION:** See Exclusion of Other Employee Benefits: Premiums on Accident and Disability Insurance, *Assessment*, p. 1020 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.022 EMPLOYER PROVIDED ON-SITE GYMS

**Internal Revenue Code Section:** 132(j)(4)  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1984

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$13,000,000	\$13,000,000
2023-25 Revenue Impact:	Not Applicable	\$14,000,000	\$14,000,000

**DESCRIPTION:** The value that employees gain from having access to an on-site athletic facility provided and operated by their employer is exempt from personal income tax. The exemption applies if substantially all of the users of the facilities are employees, their spouses, and their children.

**PURPOSE:** To codify the traditional treatment of these benefits as not contributing to taxable income and to avoid the difficulty of monitoring and assigning values to them.

WHO BENEFITS: Employees with access to employer-provided on-site gyms at their workplace.  
EVALUATION: See Exclusion of Employer-Provided (On-Site) Gyms, *Assessment*, p. 743 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.023 MISCELLANEOUS FRINGE BENEFITS

**Internal Revenue Code Sections:** 132 and 117(d)  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1984

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$70,000,000	\$70,000,000
2023-25 Revenue Impact:	Not Applicable	\$76,000,000	\$76,000,000

DESCRIPTION: Certain fringe benefits are exempt from personal income tax. These benefits include no-additional-cost services (such as free standby flights for airline employees), qualified employee discounts, working condition fringe benefits, and low value fringe benefits (such as providing coffee to employees or allowing them occasional personal use of an office copy machine). Also included are subsidized parking and eating facilities. The provision of these fringe benefits must meet certain “anti-discrimination” rules to qualify. The benefits must be provided solely to employees, their spouses, and dependent children; retired employees; or the widows or widowers of former employees.

PURPOSE: To codify the traditional treatment of these benefits as not contributing to taxable income and to avoid the difficulty of monitoring and assigning values to them.

WHO BENEFITS: Employees receiving fringe benefits.

EVALUATION: See Exclusion of Miscellaneous Fringe Benefits, *Assessment*, p. 736 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.024 EMPLOYEE MEALS AND LODGING (NONMILITARY)

**Internal Revenue Code Sections:** 119 and 132(e)(2)  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1918

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$59,000,000	\$59,000,000
2023-25 Revenue Impact:	Not Applicable	\$62,000,000	\$62,000,000

DESCRIPTION: Employees do not include in personal taxable income the fair market value of meals furnished by employers if the meals are furnished on the employer’s business premises and for the convenience of the employer. In certain situations, this includes the value of meals provided to an employee at a subsidized eating facility operated by the employer.

Fair market value of lodging provided by the employer can also be excluded from income, if the lodging is furnished on business premises for the convenience of the employer, and if the employee is required to accept the lodging as a condition of employment.

The Tax Cuts and Jobs Act of 2017 included a provision denying businesses a tax deduction for 50 percent of expenses for meals provided to employees for the convenience of the employer. The federal Joint Committee on Taxation lists the increased tax paid by employers under these provisions as a “negative tax expenditure.” Oregon’s law defining tax expenditures does not contemplate this type of negative tax expenditure, so an estimate of the impact of the associated tax increase for Oregon corporate tax is not included. Predominantly the reduction in taxes paid by employees is reflected in the estimated revenue loss above. This revenue impact would also include a small amount from a “negative tax expenditure” for businesses that report their business income on their federal personal income tax return, as the Joint Committee on Taxation reports only a net revenue impact.

- PURPOSE:** To eliminate record keeping difficulties and to acknowledge that the fair market value of employer provided meals and lodging may be difficult to measure.
- WHO BENEFITS:** Employees who are furnished exempt meals or lodging by their employers.
- EVALUATION:** See Treatment of Meals and Lodging (Other Than Military), *Assessment*, p. 709 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.025 EMPLOYEE STOCK OWNERSHIP PLANS

**Internal Revenue Code Sections:** 401(a)(28), 404(a)(9), 404(k), 415(c)(6), 1042, 4975(e)(7), 4978 and 4979A

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1974

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$18,000,000	\$19,000,000	\$37,000,000
2023-25 Revenue Impact:	\$21,000,000	\$22,000,000	\$43,000,000

**DESCRIPTION:** An Employee Stock Ownership Plan (ESOP) is a defined contribution plan (similar to a 401(k) plan) that is required to invest primarily in the stock of the sponsoring employer. Generally, sponsoring employers provide the funds for the ESOP to purchase the stock for the benefit of their employees—no contribution from the employee is required, but the employees are the owners of the stock.

Employees are not taxed on the employer contributions or the earnings on invested funds until they are distributed. An employer may deduct dividends paid on stock held by an ESOP if the dividends are paid to plan participants, if the dividends are used to repay a loan that was used to buy the stock, or for dividends paid on stock in a retirement plan.

Under certain circumstances, a stockholder may defer the recognition of the gain from the sale of stock to an ESOP. The estimated tax benefit is a net figure; the revenue foregone in a given year is offset by the amount of tax paid on distributions in that year.



**PURPOSE:** According to the Congressional Research Service, the purpose of the tax incentive is to broaden employee stock ownership, provide employees with a source of retirement income, and grant employers a tax favored means of financing.

**WHO BENEFITS:** Employers and employees of participating companies.

**EVALUATION:** See Special Tax Provisions for Employee Stock Ownership Plans (ESOPs), *Assessment*, p. 694 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.026 EMPLOYEE AWARDS

**Internal Revenue Code Sections:** 74(c) and 274(j)  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1986

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$3,400,000	\$3,400,000
2023-25 Revenue Impact:	Not Applicable	\$3,400,000	\$3,400,000

**DESCRIPTION:** Tangible personal property given as awards to employees for length of service or for safety are excluded from personal taxable income. The amount of the exclusion is usually limited to \$400 but may be as much as \$1,600 for individual awards given as part of qualified employee achievement rewards plan. There are certain qualification requirements to ensure that the awards do not constitute disguised compensation.

**PURPOSE:** To encourage longevity in employment and safety practices on the job.

**WHO BENEFITS:** Employees who receive length of service or safety awards and employers who save costs related to training and time loss injuries as a result of incentives created by the awards.

**EVALUATION:** See Exclusion of Employee Awards, *Assessment*, p. 705 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.027 EMPLOYER PROVIDED EDUCATION BENEFITS

**Internal Revenue Code Section:** 127  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1997

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$11,000,000	\$11,000,000
2023-25 Revenue Impact:	Not Applicable	\$11,000,000	\$11,000,000

**DESCRIPTION:** Employer provided graduate and undergraduate assistance benefits are excluded from the personal taxable income of the recipient if they are part of an educational assistance program. The limit on the annual exclusion is \$5,250, which is not indexed for inflation. Characteristics of the program must include the following:

- The program must not discriminate in favor of highly compensated employees.
- Assistance provided to employees owning more than 5 percent of the business may not exceed more than 5 percent of the benefits.
- Employees must have reasonable notification of the program’s availability and terms.

Educational assistance includes the payment of tuition, fees, books, supplies, and equipment; however, it does not include items such as meals, lodging, and transportation. The exclusion does not apply to education pertaining to sports, games, or hobbies unless they involve the employer’s business.

**PURPOSE:** According to the Congressional Research Service, the purpose of the exclusion is to encourage employers to offer educational assistance to employees.

**WHO BENEFITS:** Employees receiving employer provided educational assistance.

**EVALUATION:** See Exclusion of Employer-Provided Education Assistance Benefits, *Assessment*, p. 688 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.028 SPREAD ON ACQUISITION OF STOCK

**Internal Revenue Code Sections:** 422 and 423

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1981

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$6,500,000	\$6,500,000
2023-25 Revenue Impact:	Not Applicable	\$5,800,000	\$5,800,000

**DESCRIPTION:** Employees who have been granted stock options under a qualified plan are allowed to exercise, or buy, those options within a specified time frame. Generally, these provisions provide options to employees allowing them to buy stock for less than the current market price. At the time the employee exercises his or her options, the stock is transferred from the company to the employee, but the difference in value between the market value and the option price is not immediately included in taxable income. The value of this exemption is that the tax is deferred until the employee sells the stock.

Contrary to normal treatment of compensation paid to employees, the employers that grants qualified options are not allowed to deduct the options as an expense. As a result, employers pay higher taxes than they would without these provisions. The Joint Committee on Taxation lists the increased tax paid by employers under these provisions as a “negative tax expenditure.” Oregon’s law defining tax expenditures doesn’t contemplate this type of negative tax expenditure, so an estimate of the impact of the associated tax increase for Oregon corporate tax is not included. Predominantly the reduction in taxes paid by employees is reflected in the estimated revenue loss above. This revenue impact would also include a small amount from a “negative tax expenditure” for businesses that report their business income on their federal personal income tax return, as the Joint Committee on Taxation reports only a net revenue impact.



This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Deferral of Taxation on Spread on Acquisition of Stock under Incentive Stock Options.
- Deferral of Taxation on Spread on Employee Stock Purchase Plans.

**PURPOSE:** “The Economic Recovery Tax Act of 1981 (P.L. 97-34) reinstated special rules for qualified stock options with the justification that encouraging the management of a business to have a proprietary interest in its successful operation would provide an important incentive to expand and improve the profit position of the companies involved.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Taxpayers who receive stock options as a form of compensation.

**EVALUATION:** See Assessments for tax expenditures related to spread on acquisition of stock, p. 713 and 717 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.029 MEAL AND ENTERTAINMENT EXPENSES

**Internal Revenue Code Sections:** 119

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1984

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$3,400,000	\$3,400,000
2023-25 Revenue Impact:	Not Applicable	\$3,400,000	\$3,400,000

**DESCRIPTION:** Employees do not include in personal taxable income the fair market value of entertainment provided by their employers. Employee holiday parties or annual picnics might be examples of employer-provided entertainment excluded by this provision.

The Tax Cuts and Jobs Act of 2017 included a provision denying businesses a tax deduction for most entertainment expenses. The federal Joint Committee on Taxation lists the increased tax paid by employers under these provisions as a “negative tax expenditure.” Oregon’s law defining tax expenditures does not contemplate this type of negative tax expenditure, so an estimate of the impact of the associated tax increase for Oregon corporate tax is not included. Predominantly the reduction in taxes paid by employees is reflected in the estimated revenue loss above. This revenue impact would also include a small amount from a “negative tax expenditure” for businesses that report their business income on their federal personal income tax return, as the Joint Committee on Taxation reports only a net revenue impact.

**PURPOSE:** To eliminate record keeping difficulties and to acknowledge that the fair market value of employer provided entertainment may be difficult to measure.

**WHO BENEFITS:** Employees who are furnished exempt entertainment by their employers.

**EVALUATION:** See Treatment of Meals and Entertainment, *Assessment*, p. 747 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.030 VETERANS’ BENEFITS AND SERVICES

**Federal Law:** U.S. Code Title 38, Section 5301

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1917

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$120,000,000	\$120,000,000
2023-25 Revenue Impact:	Not Applicable	\$133,000,000	\$133,000,000

**DESCRIPTION:** All benefits provided by the U.S. Department of Veterans Affairs (VA) are excluded from the personal taxable income of recipients, including disability compensation, pensions, and GI bill benefits.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Exclusion of Veteran’s Disability Compensation.
- Exclusion of Veteran’s Pensions.
- Exclusion of Veteran’s Readjustment [GI bill] Benefits.

**PURPOSE:** “Many have concluded that the exclusion is in recognition of the extraordinary sacrifices made by armed forces personnel, especially during periods of war.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Veterans, their survivors, and dependents and their families receiving benefits from the VA.

**EVALUATION:** See Assessments for tax expenditures related to veterans' benefits and services, p. 1052, 1058, and 1062 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.031 MILITARY AND DEPENDENTS TRICARE INSURANCE

**Internal Revenue Code Sections:** 112 and 134

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1925

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$55,000,000	\$55,000,000
2023-25 Revenue Impact:	Not Applicable	\$59,000,000	\$59,000,000

**DESCRIPTION:** Health insurance benefits provided to dependents of active-duty military personnel, retired military, and their dependents, such as medical and dental benefits, are not taxed. Some medical care for such dependents is provided in military facilities and by military doctors on a space available basis. The tax expenditure for benefits not taxed for active-duty military personnel is described in 1.060, Benefits and Allowances of Armed Forces Personnel.

The Department of Defense (DOD) has implemented TRICARE, in an effort to coordinate the efforts of armed services’ medical facilities and civilian providers. Beneficiaries can receive care under one of three options:

- TRICARE Prime, a DOD-managed HMO
- TRICARE Extra, a preferred-provider organization
- TRICARE Standard, a fee-for-service option that provides access to any authorized provider but at a higher copayment.

Under the latter two options, beneficiaries are reimbursed for portions of the costs of health care received from civilian providers. Retirees and their dependents who are eligible for Medicare and participate in Medicare Part B are allowed to retain their TRICARE coverage, which includes pharmaceutical benefits.

The revenue estimate is based on two provisions listed separately by the federal Joint Committee on Taxation. The two provisions arise by differentiating between recipients based on their eligibility for Medicare.

**PURPOSE:** “In 1925, the United States Court of Claims, in its ruling in *Jones v. United States*, 60 Ct. Cl. 552 (1925), drew a sharp distinction between the pay and the allowances received by military personnel. The court ruled that housing and housing allowances for these individuals constituted reimbursements similar to other tax-exempt benefits received by employees in the executive and legislative branches.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Retired military personnel receiving medical benefits for themselves or their dependents, and active duty military members receiving medical care benefits for their dependents.

**EVALUATION:** See Assessments for tax expenditures related to military and dependents medical care and insurance, p. 900 and 907 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.032 MAGAZINE, PAPERBACK, AND RECORD RETURNS

**Internal Revenue Code Section:** 458

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1978

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$200,000	\$100,000	\$300,000
2023-25 Revenue Impact:	\$200,000	\$100,000	\$300,000

**DESCRIPTION:** Generally, if a buyer returns goods to the seller, the seller’s income is reduced in the year in which the items are returned. This tax expenditure grants an exemption to publishers and distributors of magazines, paperbacks, and records. (Records include discs, tapes, and similar objects that contain prerecorded sounds.) These publishers and distributors may elect to exclude from corporate or personal taxable income any goods sold during a tax year that are returned shortly after the close of the tax year. Specifically, magazines must be returned within two months and 15 days after the end of the tax year. Paperbacks and records must be returned within four months and

15 days. This allows publishers and distributors to sell more copies to wholesalers and retailers than they expect will be sold to consumers.

**PURPOSE:** According to the Congressional Research Service, the purpose of this special election for publishers and distributors of magazines, paperbacks, and records is to avoid imposing a tax on accrued income when goods that are sold in one tax year are returned after the close of the year.

**WHO BENEFITS:** Publishers and distributors of magazines, paperbacks, and records.

**EVALUATION:** See Special Rules for Magazine, Paperback Book, and Record Returns, *Assessment*, p. 458 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.033 CASH ACCOUNTING, OTHER THAN AGRICULTURE

**Internal Revenue Code Sections:** 446 and 448

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1916

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$5,000,000	\$15,000,000	\$20,000,000
2023-25 Revenue Impact:	\$5,000,000	\$10,000,000	\$15,000,000

**DESCRIPTION:** Employee-owned service businesses and small businesses with average annual gross receipts of less than \$26 million for the prior three years are allowed to choose the cash method of accounting instead of the accrual method.

The Tax Cuts and Jobs Act of 2017 increased the gross receipts threshold for tax years beginning in 2018 and added indexing for inflation. The prior threshold was \$5 million in gross receipts.

This expenditure changes the timing of reporting earnings and expense but is classified here as an exclusion of income. Using the cash method of accounting for tax purposes effectively defers corporation and personal income tax by allowing qualified businesses to record income when it is received rather than when it is earned.

See also: 1.213, Cash Accounting for Agriculture.

**PURPOSE:** “Many small businesses generally prefer to use the cash method because it requires keeping fewer records than does accrual-basis accounting. The Revenue Act of 1916 allowed businesses to calculate their taxable income using the same accounting method they used to compute their income for financial reporting purposes”. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Primarily, owners of eligible small businesses and professional service corporations of all sizes.

**EVALUATION:** See Cash Accounting, Other than Agriculture, *Assessment*, p. 471 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.034 INVENTORY METHODS OF VALUATION

**Internal Revenue Code Section:** 475, 491–492

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1938

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$7,800,000	\$6,400,000	\$14,200,000
2023-25 Revenue Impact:	\$7,800,000	\$6,400,000	\$14,200,000

**DESCRIPTION:** A taxpayer who sells goods must generally maintain inventory records to determine the cost of goods sold. Inventory can be kept by tracking individual items or may use several other methods.

The method that is considered normal for purposes of this tax expenditure is FIFO (first-in, first-out, assuming the most recent good sold is the earliest one purchased). The method with the largest difference versus FIFO is known as LIFO (last-in, first-out, assuming the most recent good sold is the last one purchased). If using FIFO, a taxpayer with inventory that is valued below cost may choose the lower of cost or market (LCM) method which allows the taxpayer a further tax reduction. Taxpayers may also use a method known as specific-identification to specify which lots are sold and which are valued in inventory.

The federal Joint Committee on Taxation lists estimates of the impact of the three alternate methods separately, but the bulk of the impact of this provision is from the LIFO method.

**PURPOSE:** When LIFO was adopted for tax purposes in 1939, “The reason for adopting it was to allow a standard accounting practice.” In 1981, LIFO reporting was simplified, “...by allowing a simplified dollar value method that could be applied to all inventory by small businesses and allowed the use of external indexes. The reason was to make the method that most effectively mitigates the effects of inflation more accessible to all businesses.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Business taxpayers who use alternate methods of valuing their inventory.

**EVALUATION:** See Inventory Methods and Valuation: LIFO, LCM, and Specific Identification, *Assessment*, p. 523 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.035 AGRICULTURE COST-SHARING PAYMENTS

**Internal Revenue Code Section:** 126

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1978

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$200,000	\$100,000	\$300,000
2023-25 Revenue Impact:	\$200,000	\$100,000	\$300,000

**DESCRIPTION:** Under certain federal and state programs, governments make payments to taxpayers that represent a share of the costs of certain improvements to the land made by the taxpayer. These programs generally are designed to promote conservation, protect the environment, improve forests, or provide habitats for wildlife. Payments made under these programs are not included in the corporation or personal taxable income of the recipient. To qualify for the exclusion, the payment must not produce a substantial increase in the annual income from the property.

**PURPOSE:** To promote the conservation of soil and water resources and the protection of the environment.

**WHO BENEFITS:** Recipients of federal or state cost-sharing payments for environmental improvements to land.

**EVALUATION:** See Exclusion of Cost-Sharing Payments, *Assessment*, p. 266 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.036 CANCELLATION OF DEBT FOR FARMERS

**Internal Revenue Code Sections:** 108 and 1017(b)(4)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1986

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$500,000	\$500,000
2023-25 Revenue Impact:	Not Applicable	\$500,000	\$500,000

**DESCRIPTION:** In general, when a “discharge of indebtedness” occurs the forgiven debt is considered taxable income to the taxpayer. An exception is allowed for the discharge of farm debt that is a direct result of farm operations if at least half of the taxpayer’s gross receipts from the previous three years were from farming. The lender canceling the debt must also meet several qualifications. For instance, the lender cannot be related to the farmer. The amount of canceled debt that can be excluded from tax cannot exceed the sum of adjusted tax attributes, such as tax credits and capital losses and adjusted basis of qualified property.

This exclusion allows solvent farmers to defer the tax on the income resulting from the cancellation of a debt. By electing to offset the canceled debt through reductions in the basis of property, the taxpayer postpones the tax that would have been owed on

the canceled debt until the basis reductions in the property are recaptured when the property is sold or through reduced future depreciation of the property.

- PURPOSE:** To reduce the tax burden on farmers who have a debt discharged and to avoid forcing farmers to sell their farmland in order to pay large tax liabilities on income arising from canceled debt.
- WHO BENEFITS:** Solvent farmers who have debt canceled by lenders. Debt cancellations are not often granted, but may be of substantial value when they do occur.
- EVALUATION:** See Exclusion of Cancellation of Indebtedness Income of Farmers, *Assessment*, p. 270 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.037 ENERGY CONSERVATION SUBSIDIES (FEDERAL)

**Internal Revenue Code Section:** 136

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1992

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$800,000	\$800,000
2023-25 Revenue Impact:	Not Applicable	\$800,000	\$800,000

- DESCRIPTION:** Residential energy customers can exclude from personal taxable income subsidies provided by public utilities for the purchase or installation of an energy conservation improvement.
- Subsidies paid to corporations are not exempt under this federal provision, but can be subtracted from gross income under 1.319, Energy Conservation Subsidies (Oregon).
- PURPOSE:** According to the Congressional Research Service, the purpose of the exclusion is to encourage residential customers of public utilities to participate in conservation programs sponsored by the utility. This would enhance energy efficiency of dwelling units and encourage energy conservation in residential buildings.
- WHO BENEFITS:** Homeowners who participate in conservation programs and receive rebates to install energy saving devices.
- EVALUATION:** See Exclusion of Energy Conservation Subsidies Provided by Public Utilities, *Assessment*, p. 122 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.



### 1.038 PASS-THROUGH STATUS OF SPECIFIED PUBLICLY TRADED PARTNERSHIPS

**Internal Revenue Code Section:** 7704

**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1987

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$3,600,000	Not Applicable	\$3,600,000
2023-25 Revenue Impact:	\$3,700,000	Not Applicable	\$3,700,000

**DESCRIPTION:** With a few exceptions, publicly traded partnerships that receive at least 90 percent of their gross income from qualifying sources are treated as pass-through entities for tax purposes, and are exempt from corporate taxes that would otherwise apply. This exemption is an exception to general rules that subject partnerships traded on established securities markets to corporate taxes.

Qualifying income sources include interest, dividends, property rental income and gain from disposition of real property. In addition, income derived from certain activities related to energy or mining of natural resources also qualifies. The federal Joint Committee on Taxation classifies this as a tax expenditure affecting personal income taxpayers, and lists one provision for energy and another for mining.

**PURPOSE:** The Congressional Research Service notes that proponents of these policies may argue, "...that the industries targeted through the definition of qualified income have reason to be subsidized, and government policy should help spur investment and growth" in the energy sector and the exploration of natural resources. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Owners of publicly traded partnerships that are exempt from corporate-level taxation.

**EVALUATION:** See Assessments for tax expenditures related to pass through status of specified publicly traded partnerships, p. 111 and 249 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.039 EARNINGS OF CERTAIN ENVIRONMENTAL SETTLEMENT FUNDS

**Internal Revenue Code Section:** 468B(g)

**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 2005

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$200,000	Not Applicable	\$200,000
2023-25 Revenue Impact:	\$200,000	Not Applicable	\$200,000

**DESCRIPTION:** Hazardous waste site cleanup is sometimes funded by environmental settlement funds. These accounts are established in consent decrees between the Environmental Protection Agency and the settling parties under the jurisdiction of a federal district



court. This provision allows businesses that contribute to certain environmental settlement funds to exclude the earnings on those contributions from taxable income. Contributions to funds are treated as government owned, so that earnings are not taxable.

- PURPOSE:** According to the Congressional Research Service, this provision is intended to facilitate quick action in cleaning up hazardous waste sites by the owners at their own expense.
- WHO BENEFITS:** Businesses that establish environmental settlement funds.
- EVALUATION:** See Exclusion of Earnings of Certain Environmental Settlement Funds, *Assessment*, p. 234 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.040 NONPROFITS GAIN FROM BROWNFIELD

**Internal Revenue Code Sections:** 512 and 514

**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)

**Federal Law Sunset Date:** 12-31-2010 (property acquisition)

**Year Enacted in Federal Law:** 2004

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$200,000	Not Applicable	\$200,000
2023-25 Revenue Impact:	\$200,000	Not Applicable	\$200,000

- DESCRIPTION:** This exclusion applies to nonprofit organizations that have gains from a qualifying sale, exchange, or other disposition of a qualifying brownfield property unrelated to the organization’s tax-exempt purpose. Without the exclusion, these gains would be taxable as unrelated business income.
- The gain on qualified brownfield property acquired from an unrelated party subject to remediation and sold to another unrelated party is exempt if the property was acquired between January 1, 2006 and before January 1, 2011. The federal Environmental Protection Agency defines a brownfield site as, “real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant,” with certain legal exclusions and additions.
- PURPOSE:** The Congressional Research Service reports that the sponsor of a similar bill had indicated that tax on unrelated business income interfered with nonprofit corporations’ ability to invest in and redevelop contaminated properties.
- WHO BENEFITS:** The exclusion reduces the cost of remediating and reselling brownfields by tax-exempt organizations using debt finance.
- EVALUATION:** See Exclusion of Gain or Loss on Sale or Exchange of Brownfield Property, *Assessment*, p. 528 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.041 EMPLOYER PAID TRANSPORTATION BENEFITS

**Internal Revenue Code Section:** 132(f)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None (TCJA suspension of bike benefits is temporary, see description)

**Year Enacted in Federal Law:** 1984

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$33,000,000	\$33,000,000
2023-25 Revenue Impact:	Not Applicable	\$35,000,000	\$35,000,000

**DESCRIPTION:**

In general, all compensation (wages and benefits) of an employee is taxable income of the employee. This provision exempts employer payments for employee parking, transportation in a commuter highway vehicle, and transit passes from inclusion in employees’ personal taxable income. Employees can use pretax dollars, if their employer allows, to pay for transit passes, vanpool fares, and parking. Parking facilities provided free of charge by the employer are also excludable from income. Employees are allowed to elect taxable cash compensation in lieu of qualified transportation fringe benefits.

For 2022, the maximum exclusion for parking, transit, and commuter transportation is \$280 per month, which is adjusted each year for inflation.

The Tax Cuts and Jobs Act of 2017 (TCJA) made these benefits non-deductible for employers that provide them. The federal Joint Committee on Taxation lists the increased tax paid by employers under these provisions as a “negative tax expenditure.” Oregon’s law defining tax expenditures does not contemplate this type of negative tax expenditure, so an estimate of the impact of the associated tax increase for Oregon corporate tax is not included. Predominantly the reduction in taxes paid by employees is reflected in the estimated revenue loss above. This revenue impact would also include a small amount from a “negative tax expenditure” for businesses that report their business income on their federal personal income tax return, as the Joint Committee on Taxation reports only a net revenue impact.

TCJA also suspended the bicycle commuting exclusion for 2018 through 2025. The maximum exclusion for qualified bicycle commuting expenses was \$20 per month for employees who regularly used a bicycle for commuting and did not receive other commuting benefits. The maximum exclusion for bicycle commuting is not adjusted for inflation.

**PURPOSE:**

According to the Congressional Research Service, the exclusions for mass transit and commuter transportation were introduced because “Subsidies for mass transit and vanpools encourage use of mass transportation and may reduce congestion and pollution.” The parking benefit was given a statutory exclusion in 1984 because some employers had been providing free parking as a fringe benefit, “for many years, and employers, employees, and the Internal Revenue Service had not considered [it] taxable.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:**

The exclusion benefits both employers and employees. Employees benefit through higher compensation while their employers may benefit through lower wage costs. To the extent this exemption induces employees to use mass transportation, and assuming mass transportation reduces congestion, this exemption may lower commuting costs to all workers in urban areas.

**EVALUATION:** See Treatment of Employer-Paid Transportation Benefits (Parking, Van Pools, and Transit Passes, Black Car Services), *Assessment*, p. 550 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.042 CERTAIN DISASTER MITIGATION PAYMENTS

**Internal Revenue Code Section:** 139(g)

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 2005

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$200,000	\$200,000	\$400,000
2023-25 Revenue Impact:	\$200,000	\$200,000	\$400,000

**DESCRIPTION:** Disaster mitigation payments made to the owner of a property to mitigate hazards to that property, as paid through the Robert T. Stafford Disaster Relief and Emergency Assistance Act or the National Flood Insurance Act, are excluded from taxable income.

**PURPOSE:** To retain the value of disaster mitigation payments by not imposing tax on those payments.

**WHO BENEFITS:** Recipients of specified disaster mitigation payments.

**EVALUATION:** See Exclusion of Disaster Mitigation Payments, *Assessment*, p. 930 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.043 CREDIT UNION INCOME

**Internal Revenue Code Section:** 501(c)(14), Section 122 Fed. Credit Act (12 U.S.C. Sec. 1768)

**Oregon Statute:** 317.080(1)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1951

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$24,000,000	Not Applicable	\$24,000,000
2023-25 Revenue Impact:	\$24,000,000	Not Applicable	\$24,000,000

**DESCRIPTION:** Credit unions without capital stock, organized and operated for mutual purposes and without profit are exempt from corporate income taxation. Credit unions are nonprofit cooperatives organized by people with a common bond that distinguishes them from the general public. Members pool their funds to make loans to one another. Credit unions may be more likely to provide services to low-income individuals at rates lower than other financial institutions.

Credit union members with deposits pay federal income tax on interest earned on those deposits, independent of this federal provision.

Before 1951, the income of mutual banks, savings and loans, and credit unions was not taxed. In 1951, the exemption from mutual banks and savings and loans was removed, but credit unions retained the exemption.

**PURPOSE:** In 1951, at the time that the exemption for mutual banks and savings and loan institutions was removed, no specific reason was given for continuing the exemption of credit unions. “Supporters of the credit union exemption emphasize the uniqueness of credit unions compared to other depository institutions.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2020*)

**WHO BENEFITS:** Credit unions meeting the eligibility requirements.

**EVALUATION:** See Exemption of Credit Union Income, *Assessment*, p. 288 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.044 ELIMINATION OF TAX EXEMPT INTEREST ALLOCATION FOR BANKS

**Internal Revenue Code Section:** 265(a), 265(b), 291(e) and 141  
**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 2009

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$3,400,000	Not Applicable	\$3,400,000
2023-25 Revenue Impact:	\$3,400,000	Not Applicable	\$3,400,000

**DESCRIPTION:** This tax expenditure is a modification from complex rules intended to keep financial institutions from benefiting from two tax exemptions on interest on tax exempt bonds. Financial institutions normally deduct the interest they pay depositors from their income as a business expense. The interest deduction is required to be reduced by the percentage of a financial institution’s investments that are in tax-free bonds. For bonds issued in 2009 and 2010, the reduced interest deduction does not apply if the financial institution has less than 2 percent of its investments in tax-free bonds, or its tax-free bonds meet certain qualifying criteria.

**PURPOSE:** According to the Congressional Research Service, “The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) expanded the de minimis level for small issuers and allowed a two-percent safe harbor for financial institutions to stimulate demand for tax-exempt obligations.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2020*)

**WHO BENEFITS:** Banks that have qualified investments in tax-free bonds.

**EVALUATION:** See Eliminate Requirement that Financial Institutions Allocate Interest Expense Attributable to Tax-Exempt Interest, *Assessment*, p. 1080 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.045 WORKERS' COMPENSATION BENEFITS (MEDICAL)

**Internal Revenue Code Section:** 104(a)(1)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1918

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$56,000,000	\$56,000,000
2023-25 Revenue Impact:	Not Applicable	\$62,000,000	\$62,000,000

**DESCRIPTION:** Workers' compensation medical benefits are not included in personal taxable income. These benefits include payments for medical treatment of work-related illness or injury. The revenue impact estimates shown are for workers' compensation medical benefits only; workers' compensation nonmedical benefits are covered in tax expenditure 1.046, Workers' Compensation Benefits (Nonmedical).

**PURPOSE:** To compensate for the economic hardship imposed by work-related injury, sickness, or death and to be consistent with the tax treatment of court-awarded compensatory damages. See tax expenditure 1.006, Compensatory Damages, for more information.

**WHO BENEFITS:** Any worker covered by the workers' compensation program including injured or ill workers who receive workers' compensation medical benefits.

**EVALUATION:** See Exclusion of Workers' Compensation Benefits (Medical Benefits), *Assessment*, p. 860 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.046 WORKERS' COMPENSATION BENEFITS (NONMEDICAL)

**Internal Revenue Code Section:** 104(a)(1)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1918

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$25,000,000	\$25,000,000
2023-25 Revenue Impact:	Not Applicable	\$30,000,000	\$30,000,000

**DESCRIPTION:** Workers' compensation nonmedical benefits are not included in personal taxable income. Nonmedical workers' compensation benefits are paid to disabled workers in the case of work-related injury or to their families in cases of work-related death. The revenue impact estimates shown above are for workers' compensation nonmedical benefits only. These benefits may include cash earnings replacement payments, special payments for physical impairment, and coverage for certain injury or death-related expenses (e.g., burial costs). The effect of workers' compensation medical benefits is covered in tax expenditure 1.045, Workers' Compensation Benefits (Medical).

**PURPOSE:** To compensate for the economic hardship imposed by work-related injury, sickness, or death, and to be consistent with the tax treatment of court-awarded compensatory damages. See tax expenditure 1.006, Compensatory Damages, for more information.

**WHO BENEFITS:** Any worker covered by the workers’ compensation program including workers or their families (in cases of work-related death) receiving workers’ compensation benefits.

**EVALUATION:** See Exclusion of Workers’ Compensation Benefits (Disability and Survivors Payments), *Assessment*, p. 935 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.047 GAIN ON NONDEALER INSTALLMENT SALES

**Internal Revenue Code Sections:** 453 and 453A(b)  
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1921

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$36,000,000	\$8,000,000	\$44,000,000
2023-25 Revenue Impact:	\$40,000,000	\$9,000,000	\$49,000,000

**DESCRIPTION:** Persons who do not deal regularly in selling property (nondealers) are allowed to defer the tax on gains from sales of property that are not readily tradable by using the installment method of accounting. Under the installment method, gross profit from the sale is prorated over the years during which the payments are received. The deferral of taxes conveys a tax advantage compared to being taxed in full in the year of sale.

Interest must be paid to the federal government on the deferred taxes attributable to the portion of the installment sales that exceed \$5 million. Oregon law (ORS 314.302) requires that interest also be paid to Oregon for these deferred taxes.

**PURPOSE:** To match the timing of tax payments to the timing of the cash flow generated by the sale of the property. Requiring an up-front payment of taxes by a seller who won’t receive the bulk of payments for the property until the future can place a heavy burden on infrequent sellers of property.

**WHO BENEFITS:** Infrequent sellers of property who sell on an installment basis. “...the primary benefit probably flows to sellers of farms, small businesses, and small real estate investments.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**EVALUATION:** See Deferral of Gain on Non-Dealer Installment Sales, *Assessment*, p. 397 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.048 GAIN ON LIKE-KIND EXCHANGES

**Internal Revenue Code Section:** 1031

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1921

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$21,000,000	\$69,000,000	\$90,000,000
2023-25 Revenue Impact:	\$22,000,000	\$73,000,000	\$95,000,000

**DESCRIPTION:** Like-kind exchanges are exchanges of properties that are of the same general type but may be of very different quality and use, such as real estate. For exchanges in 2018 or later, the Tax Cuts and Jobs Act of 2017 limits the deferral of gain to real property (generally land and buildings).

Gain at the time of exchange is deferred until the property is ultimately disposed of. In the case of properties being exchanged in a series of transactions, the accumulated gains from each transaction are claimed for tax purposes only in the year the final property in the series is disposed of.

Before 2001, non-Oregon residents were required to claim the accumulated gains on property within Oregon at the time the property was disposed of in exchange for property outside Oregon. Following the passage of HB 2206 in 2001, non-Oregon resident taxpayers are allowed the same benefits as Oregon resident taxpayers in regard to continuing to defer the gains from the Oregon property until the series of like-kind exchanges is ended by the disposal of the final property.

**PURPOSE:** To recognize that the investment in the new property is much like a continuation of the investment in the old and therefore, is not a taxable event.

**WHO BENEFITS:** Taxpayers who engage in exchanges of like properties. This type of activity is concentrated in the real estate sector.

**EVALUATION:** See Deferral of Gain on Like-Kind Exchanges, *Assessment*, p. 401 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.049 ALLOWANCES FOR FEDERAL EMPLOYEES ABROAD

**Internal Revenue Code Section:** 912

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1943

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$4,400,000	\$4,400,000
2023-25 Revenue Impact:	Not Applicable	\$4,600,000	\$4,600,000

**DESCRIPTION:** U.S. federal civilian employees working abroad are allowed to exclude from personal taxable income certain special allowances that are primarily for the costs of living abroad, such as the costs of housing, education, and travel.

**PURPOSE:** “Congress determined that federal personnel overseas were engaged in ‘highly important’ duties and that the allowances merely offset the extra costs of working and



living abroad. Congress determined that the government should bear the full burden of the excess living costs, including any income taxes that would otherwise be imposed on cost-of-living allowance.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

WHO BENEFITS: Federal civilian employees working abroad.

EVALUATION: See Exclusion of Certain Allowances for Federal Employees Abroad, *Assessment*, p. 39 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.050 INTEREST ON OREGON STATE AND LOCAL DEBT

**Internal Revenue Code Sections:** 103, 141, 142, 143, 144, 145, 146 and 501(c)(3)

**Oregon Statutes:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1913

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$45,100,000	\$45,100,000
2023-25 Revenue Impact:	Not Applicable	\$47,900,000	\$47,900,000

DESCRIPTION: The interest income earned from state or local government obligations is excluded from federal corporate and personal taxable income. Oregon does not allow this exclusion for corporate income taxpayers; however, Oregon does allow this exclusion for personal income taxpayers for interest income from Oregon state or local government obligations. These obligations are primarily bonds issued by the state of Oregon and local government taxing districts such as cities, counties, and school districts. Interest and dividends on bonds and notes of other states or political subdivisions are taxable in Oregon.

These bonds fall into two categories. First, there are governmental bonds in which the bond proceeds generally are used to build capital facilities that are owned and operated by governmental entities and serve the general public interest, such as highways, schools, and government buildings. The majority of the tax benefit falls in this category.

Second, there are qualified private activity bonds where a portion of the bond benefits accrue to individuals or businesses rather than to the general public. These include the following state and local government bonds: industrial development bonds for energy production facilities, sewage, water, and hazardous waste facilities bonds, bonds for owner-occupied housing, bonds for rental housing, small issue industrial development bonds, bonds for high-speed rail, bonds for private airports, docks, and mass-commuting facilities, student loan bonds, bonds for private nonprofit hospital facilities, and bonds for veterans’ housing. Many of these bonds are subject to the state private activity bond annual volume cap set by the federal government.

Interest income on qualified private activity bonds is exempt from federal income tax as well as Oregon income tax. There are other nonqualified private activity bonds. The interest earned on these bonds is taxable at the federal level but not at the state



level. See tax expenditure 1.317, Interest from State and Local Government Bonds, for more information.

The tax benefit estimates above are based on the excluded interest income on both the governmental bonds and the qualified private activity bonds as reflected on Oregon tax returns. The federal Joint Committee on Taxation lists many related provisions, but those estimates are not used directly to derive the estimated impact of this provision.

- PURPOSE:** “... many believe the exemption for governmental bonds is still justified on economic grounds, principally as a means of encouraging state and local governments to invest in public capital.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020). Presumably, the exclusion is allowed for interest from Oregon state or local government obligations for personal income taxpayers as a way to lower the cost of borrowing for Oregon state and local governments.
- WHO BENEFITS:** In 2020, about 64,700 Oregon taxpayers reported nontaxable interest income from Oregon state or local government debt obligations, saving a total of about \$24.3 million in tax.
- EVALUATION:** See Exclusion of Interest on Public Purpose State and Local Government Bonds, *Assessment*, p. 1066 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.051 VOLUNTARY EMPLOYEES’ BENEFICIARY ASSOCIATIONS

**Internal Revenue Code Sections:** 419, 419A, 501(a), 501(c)(9), and 4976

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1928

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$8,800,000	\$8,800,000
2023-25 Revenue Impact:	Not Applicable	\$9,000,000	\$9,000,000

- DESCRIPTION:** Voluntary Employees’ Beneficiary Associations (VEBAs) generally fund the expenses of life insurance, medical, accident, and other benefits to associations of employees, their dependents, and their beneficiaries. If certain requirements are met, contributions to and income earned by VEBAs can be exempt from income taxes. Depending on the circumstances, benefit distributions to recipients from VEBAs may or may not be taxable.
- PURPOSE:** To promote the provision of life, sickness, accident, and other insurance and fringe benefits and the structuring of benefits in an irrevocable trust fund associated with a VEBA.
- WHO BENEFITS:** Recipients of the program benefits and employers who contribute.
- EVALUATION:** See Exclusion of Income Earned by Voluntary Employees’ Beneficiary Associations, *Assessment*, p. 731 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.052 RENTAL ALLOWANCES FOR CLERGY HOUSING

**Internal Revenue Code Sections:** 107 and 265

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1921

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$6,800,000	\$6,800,000
2023-25 Revenue Impact:	Not Applicable	\$7,500,000	\$7,500,000

**DESCRIPTION:** Clergy members can exclude from personal taxable income the fair rental value of a home owned or rented by a religious organization or a cash housing allowance paid as part of the clergy member’s compensation. While the terms “minister” and “church” are referenced in the Internal Revenue Code, these exclusions apply to clergy in all religions.

**PURPOSE:** “The exclusion for the housing allowances for ministers entered the federal tax code through the Revenue Act of 1921. There is no record of why Congress created the exclusion. ... In establishing the exclusion, Congress may have intended to provide tax relief to a group that was widely seen as essential to the spiritual welfare of Americans, but that often experienced economic deprivation because of their relatively low salaries.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2020*)

**WHO BENEFITS:** Clergy members who receive a housing allowance or who live in a home provided by the religious organization.

**EVALUATION:** See Exclusion of Housing Allowances for Ministers, *Assessment*, p. 722 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.053 CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS

**Internal Revenue Code Section:** 512(b)(13)(E)

**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 2006

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$200,000	Not Applicable	\$200,000
2023-25 Revenue Impact:	\$200,000	Not Applicable	\$200,000

**DESCRIPTION:** In general, tax-exempt organizations are required to pay tax on income from taxable activities of their subsidiaries. This provision provides an exception to the requirement to include payments in unrelated business taxable income (UBTI). Untaxed payments to the parent organization for goods and services are limited to the respective fair market value. The Pension Protection Act of 2006 exempted income paid to the parent organization based on a contract in place on August 17, 2006 or renewed with similar terms.

This provision was enacted temporarily in 2006 and has been extended several times. The 2015 PATH Act (P.L. 114-113) made this provision permanent, though it still applies only to contracts originally in effect on August 17, 2006.

- PURPOSE:** “Treating rent, royalty, interest, and annuity payments from controlled organizations as UBTI while similar types of payments from third parties are not taxed may raise questions related to fairness. Tax-exempt entities could claim that as long as tax-exempt parents’ dealings with controlled subsidiaries are done at arm’s length or fair market value, the scope for abuse should be limited. It is this logic that led to the enactment of the provision modifying the tax treatment of certain payments to controlling exempt organizations”. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)
- WHO BENEFITS:** Tax-exempt organizations that receive payments excluded from UBTI under this provision.
- EVALUATION:** See Exclusion From UBTI of Certain Payments to Controlling Exempt Organizations, *Assessment*, p. 292 in [\*Tax Expenditures: Compendium of Background Material on Individual Provisions\*, 2020](#).

## 1.054 DISCHARGE OF CERTAIN STUDENT LOAN DEBT

**Internal Revenue Code Sections:** 108(f), 20 U.S.C. 1087ee(a)(5), and 42 U.S.C. 2541-1(g)(3)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None (TCJA provisions are temporary, see description)

**Year Enacted in Federal Law:** 1984

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,500,000	\$1,500,000
2023-25 Revenue Impact:	Not Applicable	\$1,500,000	\$1,500,000

**DESCRIPTION:** Income for tax purposes generally includes cancelled, forgiven, or debt repaid on the borrower’s behalf. Discharged student loan debt may be excluded if the relevant loan was made by specified types of lenders, borrowed to assist an individual in attending an educational organization, and contained terms providing that some or all of the loan would be cancelled for work performed for a specified period of time, in a certain profession, and for a specified broad class of employers. Specified lenders include the federal government, state and local governments, public benefit corporations, tax-exempt public benefit corporations, and qualified educational institutions.

The major federal loans qualifying for exempt discharge of indebtedness are the William D. Ford Federal Direct Loan (DL), Federal Perkins Loan, and the Federal Family Education Loan (FFEL – no longer available, however any amount remaining amount on the loan that is cancelled may be excluded). This provision also excludes repayment of loans on behalf of graduates made under the National Health Service Corps repayment program.

The Tax Cuts and Jobs Act of 2017 temporarily expanded this provision, allowing discharge due to death or permanent disability to qualify in tax years 2018 through 2025.

The American Rescue Plan Act (ARPA) of 2021 temporarily exempted student loan forgiveness under income-driven repayment (IDR) plans from federal taxation

through 2025; forgiveness under these type of repayment plans is typically treated as taxable income.

**PURPOSE:** To encourage individuals to work for federal, state, or local government agencies and school districts where discharge of a student loan is offered as an incentive.

**WHO BENEFITS:** Individuals with student loans discharged under the program.

**EVALUATION:** See Exclusion of Income Attributable to the Discharge of Certain Student Loan Debt and Certain Federal and State Education Loan Repayment Programs, *Assessment*, p. 672 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.055 CAPITAL GAINS ON INHERITED PROPERTY

**Internal Revenue Code Sections:** 303, 1001, 1002, 1014, 1023, 1040, 1221, and 1222

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1921

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$507,000,000	\$507,000,000
2023-25 Revenue Impact:	Not Applicable	\$548,000,000	\$548,000,000

**DESCRIPTION:** In general, capital gains are taxed based on the increased value of property when it is sold or exchanged. However, when property is transferred at death, unrealized capital gains on the property are excluded from personal taxable income. The new basis for the heir is set to the market value on the date of the decedent’s death. The revenue loss estimates do not reflect any potential tax liability associated with Oregon’s estate tax.

In addition, income from redemption of stock (selling stock back to the corporation) after the decedent’s death receives the new basis and is treated as a capital gain if the stock is more than 35 percent of the estate and the redemption value does not exceed the expenses or taxes associated with the estate. This redemption of stock is listed as a separate expenditure by the federal Joint Committee on Taxation, but income from redemption of stock represents a very small part of this tax expenditure.

**PURPOSE:** At the federal level, this treatment is intertwined with the treatment of gifts given while a person is alive (“*inter vivos* gifts”). “The original rationale for nonrecognition of capital gains on *inter vivos* gifts or transfers at death is not indicated in the legislative history of any of the several interrelated applicable provisions. One current justification given for the treatment, however, is that death and *inter vivos* gifts are considered as inappropriate events to result in the recognition of income.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Recipients of inherited assets with accumulated capital gains.

**EVALUATION:** See Assessments for tax expenditures related to capital gains on inherited property, p. 392 and 520 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.056 CAPITAL GAINS ON GIFTS

**Internal Revenue Code Sections:** 1001, 1002, 1015, 1221 and 1222

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1921

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$38,000,000	\$38,000,000
2023-25 Revenue Impact:	Not Applicable	\$72,000,000	\$72,000,000

**DESCRIPTION:** When a gift is made, any capital gain accrued on the property while held by the donor is excluded from personal taxable income until the recipient disposes of the property. The recipient is taxed on the capital gains at the time of sale of the property. The tax expenditure is the net value of deferred taxes in a given year, minus the taxes on realized gains deferred in prior years.

**PURPOSE:** At the federal level, gifts given while a person is alive are often called “*inter vivos* gifts” to distinguish them from inherited property given at the time of death. “The original rationale for nonrecognition of capital gains on *inter vivos* gifts or transfers at death is not indicated in the legislative history of any of the several interrelated applicable provisions. One current justification given for the treatment, however, is that death and *inter vivos* gifts are considered as inappropriate events to result in the recognition of income.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Donors and recipients of gifts.

**EVALUATION:** See Carryover Basis of Appreciated Property Transferred by Gifts, *Assessment*, p. 486 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.057 LIFE INSURANCE PROCEEDS

**Internal Revenue Code Section:** 101

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1954

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$6,000,000	\$108,000,000	\$114,000,000
2023-25 Revenue Impact:	\$6,000,000	\$110,000,000	\$116,000,000

**DESCRIPTION:** Life insurance proceeds paid to a beneficiary because of the death of the insured person are generally excluded from taxable income. A few cases exist where proceeds may be included in taxable income, including interest on a delayed payment or certain profits from selling a policy during the lifetime of the insured person.

**PURPOSE:** Presumably, the purpose is to support family members who receive a payment from a life insurance policy.

**WHO BENEFITS:** Beneficiaries of untaxed life insurance proceeds.

EVALUATION: See Exclusion of Amounts Received Under Life Insurance Contracts, *Assessment*, p. 1024 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.058 PUBLIC SAFETY OFFICER SURVIVOR ANNUITIES

**Internal Revenue Code Section:** 101(h)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1997

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$200,000	\$200,000
2023-25 Revenue Impact:	Not Applicable	\$200,000	\$200,000

DESCRIPTION: Income received as a survivor annuity due to the death of a public safety officer killed in the line of duty is not considered taxable income. The annuity must be attributable to the officer’s service as a public safety officer and must be paid to the spouse or child of the officer to qualify for this exclusion.

PURPOSE: “Congress believed that surviving spouses of public safety officers killed in the line of duty should be subject to the same rules as survivors of military service personnel killed in combat. This provision was part of the Taxpayer Relief Act of 1997 (P.L. 105-34).” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2012)

WHO BENEFITS: Surviving family members of officers killed in the line of duty.

EVALUATION: See Exclusion of Survivor Annuities Paid to Families of Public Safety Officers Killed in the Line of Duty, *Assessment*, p. 1032 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.059 DISABILITY BENEFITS OF MILITARY AND VICTIMS OF TERRORISM

**Internal Revenue Code Section:** 104(a)(4) or (5) and 104(b)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1942

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$2,900,000	\$2,900,000
2023-25 Revenue Impact:	Not Applicable	\$2,900,000	\$2,900,000

DESCRIPTION: Individuals who were members of the armed forces on or before September 24, 1975, may be eligible for the exclusion of disability pay from personal taxable income. In addition, under the Victims of Terrorism Tax Relief Act of 2001, any civilian or member of the military whose disability is attributable to terrorism or military action anywhere in the world may exclude disability income from gross income.



For members of the armed forces, the amount of disability pay is calculated as the greater of:

- The percentage of disability multiplied by the terminal monthly basic pay
- The terminal monthly basic pay multiplied by the number of service years times 2.5.

If the percentage-of-disability method is used, the entire amount is excludable from taxable income. If the years-of-service method is used, only the portion that would have been paid under the percentage-of-disability method is excludable.

Members of the armed forces who joined after September 24, 1975, may exclude Department of Defense disability payments equivalent to disability payments they could have received from the Veterans’ Administration. Otherwise, disability pensions may be excluded only if the disability is combat related.

**PURPOSE:** To compensate for the economic hardship imposed by injury or sickness and to be consistent with the tax treatment of workers’ compensation payments and court-awarded damages, which also are not taxed.

**WHO BENEFITS:** Veterans or victims of terrorism receiving excluded disability payments.

**EVALUATION:** See Exclusion of Military Disability Benefits, *Assessment*, p. 21 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.060 BENEFITS AND ALLOWANCES OF ARMED FORCES PERSONNEL

**Internal Revenue Code Sections:** 112 and 134

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1925

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$58,000,000	\$58,000,000
2023-25 Revenue Impact:	Not Applicable	\$64,000,000	\$64,000,000

**DESCRIPTION:** Various in-kind benefits received by military personnel are not taxed. These benefits include medical and dental benefits, group term life insurance, professional education and dependent education, moving and storage, premiums for survivor and retirement protection plans, subsistence allowances, uniform allowances, housing allowances, overseas cost of living allowances, evacuation allowances, family separation allowances, travel for consecutive overseas tours, emergency assistance, family counseling and defense counsel, burial and death services, and travel of dependents to a burial site. In addition, payments made to families as death gratuities when members of the armed forces die are tax exempt.

**PURPOSE:** “For some compensation, the rationale for an exclusion was a desire to reduce the tax burden of military personnel during wartime (e.g., the exclusion for combat pay). For other compensation, the exclusion was based on the belief that these benefits were intrinsic to the military way of life”. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

WHO BENEFITS: People serving in the U.S. military.  
 EVALUATION: See Exclusion of Benefits and Allowances for Armed Forces Personnel, *Assessment*, p. 16 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.061 COMBAT PAY

**Internal Revenue Code Section:** 112  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None (TCJA provisions are temporary, see description)  
**Year Enacted in Federal Law:** Pre-1955

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$5,800,000	\$5,800,000
2023-25 Revenue Impact:	Not Applicable	\$6,100,000	\$6,100,000

DESCRIPTION: Compensation paid to members of the U.S. armed forces is generally taxable. This provision excludes income earned by active-duty armed forces members in combat zones. It also applies to members hospitalized for injury received or a disease contracted in a combat zone for up to two years after termination of combatant activities in the combat zone.

The Tax Cuts and Jobs Act of 2017 includes a temporary provision expanding the definition of combat zones to include a “qualified hazardous duty area.” Currently, the definition adds the Sinai Peninsula of Egypt. This provision applies to tax years 2016 to 2025.

PURPOSE: “Generally, compensation paid to active military personnel in a combat zone is increased to reflect the hazards inherent to duty in a combat zone. Excluding combat pay from taxation may reflect general public recognition of such military service.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

WHO BENEFITS: Active-duty military personnel serving in a combat zone.

EVALUATION: See Exclusion of Combat Pay, *Assessment*, p. 29 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.062 DEFERRAL OF INTEREST ON SAVINGS BONDS

**Internal Revenue Code Section:** 454(c)  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1951

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$5,000,000	\$5,000,000
2023-25 Revenue Impact:	Not Applicable	\$5,000,000	\$5,000,000

DESCRIPTION: Owners of U.S. Treasury Series E, Series EE, and Series I savings bonds have the option of either including interest in taxable income as it accrues or excluding interest



from taxable income until the bond is redeemed. The revenue loss shown above is the tax that would be due on the deferred interest if it were reported and taxed as it accrued.

The deferral of tax on interest income on savings bonds provides two advantages. The first advantage is the deferral of any tax payment on the accrued interest, which is equivalent to receiving an interest-free loan. The second advantage results from the taxpayer often being in a lower income tax bracket when the bond is redeemed, such as after the taxpayer has retired.

- PURPOSE:** The Congressional Research Service reports that the purpose is to encourage holding U.S. savings bonds.
- WHO BENEFITS:** Holders of savings bonds that defer the inclusion of earned interest in their taxable income. According to the Congressional Research Service, the primary beneficiaries are middle-income taxpayers.
- EVALUATION:** See Deferral of Interest on Savings Bonds, *Assessment*, p. 1089 in [\*Tax Expenditures: Compendium of Background Material on Individual Provisions\*](#), 2020.



## 1.101 TEACHER CLASSROOM EXPENSES

**Internal Revenue Code Section:** 62(a)(2)(D)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 2002

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,600,000	\$1,600,000
2023-25 Revenue Impact:	Not Applicable	\$1,800,000	\$1,800,000

**DESCRIPTION:** Eligible elementary or secondary school employees are allowed to deduct unreimbursed eligible expenses. The deduction was limited to \$300 in 2022. This amount is adjusted each year for inflation (rounded to the nearest \$50) and can be taken without itemizing (known as an adjustment or above the line deduction).

Eligible expenses are for books, supplies, computer equipment, supplementary materials used in the classroom and professional development. Eligible employees include kindergarten through grade 12 teachers, instructors, counselors, and principals working in a school for at least 900 hours during a school year.

This provision was enacted as a temporary provision in 2002 and was temporarily extended several times. The PATH Act of 2015 (P.L. 114-113) made this provision permanent, added the inflation adjustment, and added professional development as an eligible expense.

**PURPOSE:** “An above-the-line deduction targeted at educators may be considered desirable because teachers voluntarily augment school funds by purchasing items thought to enhance the quality of children’s education”. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** In 2020, about 37,800 taxpayers claimed on average, an adjustment of \$234, which resulted in a savings of \$20 in Oregon tax due to this provision. The table below shows use of this adjustment for tax year 2020.

2020 Personal Income Tax Filers						
Income Group of Full-Year Filers*	Number of Filers Taking Adjustment	Average Adjustment	Total Adjusted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group	
Below \$14,900	830	\$220	\$0.2	<\$0.1	1%	
\$14,900 - \$32,900	2,260	\$220	\$0.5	<\$0.1	5%	
\$32,900 - \$57,500	5,310	\$230	\$1.2	\$0.1	15%	■
\$57,500 - \$102,200	10,530	\$250	\$2.6	\$0.2	31%	■
Above \$102,200	14,300	\$280	\$3.9	\$0.3	48%	■
<b>All Full-Year Filers</b>	<b>33,230</b>	<b>\$250</b>	<b>\$8.4</b>	<b>\$0.7</b>	<b>100%</b>	
<b>Part-Year and Nonresident Filers</b>	<b>4,580</b>	<b>\$90</b>	<b>\$0.4</b>	<b>&lt;\$0.1</b>		

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** See Deduction for Teacher Classroom Expenses, *Assessment*, p. 600 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.102 INTEREST ON STUDENT LOANS

**Internal Revenue Code Section:** 221

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1997

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$8,700,000	\$8,700,000
2023-25 Revenue Impact:	Not Applicable	\$22,000,000	\$22,000,000

**DESCRIPTION:** A taxpayer may deduct interest on qualified higher education loans. The maximum deduction is \$2,500 and is not indexed to inflation. The deduction can be taken without itemizing (known as an adjustment or above-the-line deduction). The deduction is not allowed for individuals who may be claimed as a dependent on another taxpayer’s return.

A qualified education loan is indebtedness incurred solely to pay for qualified higher education expenses, such as tuition, fees, and room and board. Interest on loans from relatives or qualified employer plans may not be deducted. The qualifying expenses must be reduced by amounts received from other tax-free education benefits.

For 2022, the deduction was phased out for income between \$70,000 and \$85,000 (single) or \$145,000 and \$175,000 (married). For income above those upper amounts, no deduction is allowed. The phase-out range is adjusted for inflation each year.

**PURPOSE:** “The interest deduction is seen as a way to help taxpayers repay education loan debt, which had risen substantially in recent years.” Additionally, “The tax deduction can be justified both as a way of encouraging persons to undertake additional education and as a means of easing repayment burdens”. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Taxpayers who incurred indebtedness to pay qualified higher education expenses for themselves, their spouse, or their dependents. In 2020, approximately 170,000 Oregon taxpayers claimed on average, an adjustment of \$636, which resulted in a savings of \$52 in Oregon tax due to this provision. The table below shows usage of this adjustment for tax year 2020.

2020 Personal Income Tax Filers						
Income Group of Full-Year Filers*	Number of Filers Taking Adjustment	Average Adjustment (\$ millions)	Total Adjusted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group	
Below \$14,900	8,550	\$670	\$5.7	\$0.2	2%	
\$14,900 - \$32,900	20,030	\$580	\$11.6	\$0.9	11%	█
\$32,900 - \$57,500	38,420	\$650	\$25.0	\$2.2	26%	█
\$57,500 - \$102,200	45,270	\$710	\$31.9	\$2.8	34%	█
Above \$102,200	32,440	\$780	\$25.4	\$2.2	27%	█
<b>All Full-Year Filers</b>	144,700	\$690	\$99.6	\$8.3	100%	
<b>Part-Year and Nonresident Filers</b>	25,060	\$340	\$8.4	\$0.6		

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** See Deduction for Interest on Student Loans, *Assessment*, p. 614 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.103 SELF-EMPLOYMENT HEALTH INSURANCE

**Internal Revenue Code Section:** 162(L)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1986

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$83,500,000	\$83,500,000
2023-25 Revenue Impact:	Not Applicable	\$89,300,000	\$89,300,000

**DESCRIPTION:** Self-employed individuals may deduct amounts paid for health insurance. The insurance must be for themselves, their spouses, or their dependents. The deduction can be taken without itemizing (known as an adjustment or an above-the-line deduction) and is limited to the taxpayer’s earned income. This adjustment is also available to working partners in a partnership and employees of an S corporation who own more than 2 percent of the corporation’s stock.

Self-employed individuals may also adjust personal income by amounts paid for qualified long-term care insurance.

**PURPOSE:** “In establishing the deduction for spending on health insurance and long-term care insurance by the self-employed, Congress seemed to have two motivations. One was to provide those individuals with a tax benefit comparable to the exclusion from the taxable income of any employer-provided health benefits received by employees. A second motive was to improve access to health care by the self-employed.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Self-employed individuals who paid for health and/or long-term care insurance, and their immediate family. In 2020, approximately 80,500 Oregon taxpayers claimed on average, an adjustment of \$6,175, which resulted in a savings of \$521 in Oregon tax due to this provision. The table below shows usage of this adjustment for tax year 2020.

### 2020 Personal Income Tax Filers

Income Group of Full-Year Filers*	Number of Filers Taking Adjustment	Average Adjustment	Total Adjusted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$16,100	6,650	\$3,910	\$26.0	\$0.3	1%
\$16,100 - \$32,900	7,110	\$3,290	\$23.4	\$1.5	4%
\$32,900 - \$57,100	8,900	\$4,420	\$39.4	\$3.2	8%
\$57,100 - \$100,100	12,990	\$6,130	\$79.6	\$6.9	17%
Above \$100,100	28,940	\$10,430	\$301.8	\$27.9	70%
<b>All Full-Year Filers</b>	<b>64,590</b>	<b>\$7,280</b>	<b>\$470.2</b>	<b>\$39.8</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>15,900</b>	<b>\$1,690</b>	<b>\$26.8</b>	<b>\$2.1</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 364,000)

**EVALUATION:** See Deduction for Health Insurance Premiums and Long-Term Care Insurance Premiums by the Self-Employed, *Assessment*, p. 874 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.104 HEALTH SAVINGS ACCOUNTS

**Internal Revenue Code Section:** 223

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1996

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$96,000,000	\$96,000,000
2023-25 Revenue Impact:	Not Applicable	\$111,000,000	\$111,000,000

- DESCRIPTION:** Contributions to health savings accounts (HSAs) by qualified individuals, or by a qualified individual’s employer on behalf of the employee, are deductible from federal gross income. The deduction can be taken without itemizing (known as an adjustment or above-the-line deduction). Withdrawals from HSAs are exempt from income taxes if used for qualified medical expenses. HSA account earnings are tax-exempt and unused balances may accumulate without limit. The revenue loss numbers provided above include the losses related to both the adjustment and exclusion connected to HSAs.
- The accounts are used to pay medical costs incurred until an insurance deductible amount is met. To qualify for 2022, individuals must have high deductible (at least \$1,400 for individual coverage and \$2,800 for families) health insurance and generally have no other health care coverage. Contributions are limited to \$3,650 for individual coverage and \$7,300 for a family. The deductible amounts and contribution limits are adjusted annually for inflation. Individuals who are 55 or older and not yet covered by Medicare may contribute an additional \$1,000 each year.
- PURPOSE:** “HSAs are a tax-advantaged account designed to help people save and pay for unreimbursed medical expenses such as health insurance cost sharing (e.g., deductibles, copayments, and co-insurance) and services not covered by insurance ... HSAs in concert with HDHPs [high-deductible health insurance plans] allow individuals to save for routine and other medical costs while insuring against large or catastrophic medical expenses. Properly designed, they may encourage more cost-conscious health care use and the accumulation of funds for medical care ... HDHPs and HSAs have also been touted as a way to lower overall health care cost, as consumers are incentivized to find out what health care providers charge and be willing to switch to lower-cost providers or forgo a doctor’s visit for what they may consider a minor ailment.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2020*)
- WHO BENEFITS:** Taxpayers who use health savings accounts.
- EVALUATION:** See Health Savings Accounts, *Assessment*, p. 841 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.105 IRA CONTRIBUTIONS AND EARNINGS

**Internal Revenue Code Sections:** 219 and 408

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1974

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$204,000,000	\$204,000,000
2023-25 Revenue Impact:	Not Applicable	\$234,000,000	\$234,000,000

**DESCRIPTION:** There are two types of Individual Retirement Accounts (IRAs) from which taxpayers may receive a tax benefit: Traditional and Roth. The Traditional IRA allows for tax deductible contributions, while the Roth IRA allows for tax-free withdrawals. The revenue impact consists of the tax benefits from the deductibility of traditional IRAs, the tax-deferred earnings of traditional IRAs, and the tax-free earnings of Roth IRAs. This deduction can be taken without itemizing (known as an adjustment or above-the-line deduction).

The federal Joint Committee on Taxation lists the two account types as separate tax expenditures, but their estimated impact is combined here.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 made a temporary waiver of the minimum distribution requirement of certain employer-provided qualified retirement plans and IRAs for calendar year 2020. This waiver could change the timing of when taxpayers make withdrawals, hence affecting the earnings. The exact effect on the revenue impact is uncertain, however it is thought to be relatively small.

**PURPOSE:** To provide an incentive for taxpayers to save for retirement, education, and homeownership, and to provide a savings incentive for workers who do not have employer provided pension plans.

**WHO BENEFITS:** Taxpayers who contribute to eligible IRAs or have earnings within an eligible IRA.

**EVALUATION:** See Assessments for tax expenditures related to IRA contributions and earnings, p. 1001 and 1008 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.106 MOVING EXPENSES

**Internal Revenue Code Section:** 217

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Federal Law Sunset Date:** None (TCJA provisions are temporary, see description)

**Year Enacted in Federal Law:** 1964

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$100,000	\$100,000
2023-25 Revenue Impact:	Not Applicable	\$100,000	\$100,000

**DESCRIPTION:** Active-duty members of the military incurring moving expenses related to being stationed in a new location are allowed an adjustment to personal taxable income for

qualified moving expenses. The Tax Cuts and Jobs Act of 2017 suspended this provision for tax years 2018 through 2025 for non-military taxpayers.

This deduction is taken without itemizing (known as an adjustment or an above-the-line deduction). The expenses include costs of moving household goods and traveling expenses while moving.

The federal Joint Committee on Taxation does not consider this adjustment to be a tax expenditure, presumably because the costs associated with seeking income (e.g. a job) would be deductible under their “normal tax structure.”

**PURPOSE:** To reduce employment-related moving costs for active-duty members of the military.

**WHO BENEFITS:** Active-duty members of the military incurring moving expenses related to being stationed in a new location. The number of taxpayers claiming this adjustment in 2020 was about 600 and the average savings in Oregon tax from this provision was \$71.

**EVALUATION:** Not evaluated.

## 1.107 OVERNIGHT TRAVEL EXPENSES OF NATIONAL GUARD AND RESERVE MEMBERS

**Internal Revenue Code Section:** 162(p)

**Oregon Statute:** 316.048 (Connection to federal personal taxable income)

**Sunset Date:** None

**Year Enacted in Federal Law:** 2003

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,400,000	\$1,400,000
2023-25 Revenue Impact:	Not Applicable	\$1,400,000	\$1,400,000

**DESCRIPTION:** A deduction is allowed for all unreimbursed overnight travel, meals, and lodging expenses of National Guard and Reserve members. This deduction can be taken without itemizing (known as an adjustment or above-the-line deduction). To qualify, recipients must have traveled more than 100 miles away from home and stayed overnight as part of an activity while on official duty. No deduction is permitted for commuting expenses to and from drill meetings, and the amount of expenses may not exceed the general federal government per diem rate applicable to that locale.

**PURPOSE:** To offer a partial reimbursement to National Guard and Reserve members for unreimbursed overnight travel expenses incurred in the line of duty.

**WHO BENEFITS:** Members of the National Guard and Reserve.

**EVALUATION:** See Deduction for Overnight-Travel Expenses of National Guard and Reserve Members, *Assessment*, p. 25 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.



## 1.201 MEDICAL AND DENTAL EXPENSES

**Internal Revenue Code Section:** 213

**Oregon Statute:** 316.695 (Connection to federal personal deductions)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1942

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$247,000,000	\$247,000,000
2023-25 Revenue Impact:	Not Applicable	\$283,000,000	\$283,000,000

**DESCRIPTION:** Most medical expenses paid for by an individual but not reimbursed by an employer or insurance company are deductible from taxable income to the extent they exceed 7.5 percent of adjusted gross income (AGI) for the taxpayer. The Disaster Tax Relief Act of 2020 made the 7.5 percent of AGI floor permanent.

The deduction includes amounts paid for such things as:

- Health insurance premiums
- Diagnosis, treatment, mitigation, or prevention of disease
- Prescription drugs and insulin (not over-the-counter medication)
- Transportation for and/or essential to medical care
- Long-term care insurance premiums up to an age-based annual limit. For 2022 the limit ranges from \$450 for taxpayers 40 or younger, up to \$5,640 for taxpayers over 70.

See also 1.305, Medical Subtraction for Elderly, which provides a description of Oregon’s provision allowing certain qualified taxpayers to subtract medical and dental expenses.

**PURPOSE:** “For individual taxpayers who itemize, the deduction can ease the financial burden imposed by costly medical expenses. The federal tax code, in part, regards these expenses as involuntary expenses that reduce a taxpayer’s ability to pay taxes by absorbing a substantial part of income” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2020*)

**WHO BENEFITS:** In 2020, approximately 255,000 Oregon taxpayers claimed on average a deduction for medical expenses of \$8,100, which resulted in a savings of \$450 in Oregon tax. The table below shows the use of this deduction for 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Deduction	Average Deduction	Total Deducted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	51,300	\$7,180	\$368.1	\$2.7	2%
\$14,900 - \$32,900	48,100	\$7,210	\$347.0	\$13.4	12%
\$32,900 - \$57,500	46,200	\$7,780	\$359.4	\$22.1	20%
\$57,500 - \$102,200	55,800	\$8,860	\$494.1	\$36.7	33%
Above \$102,200	35,700	\$11,980	\$427.5	\$36.2	33%
<b>All Full-Year Filers</b>	<b>237,200</b>	<b>\$8,420</b>	<b>\$1,996.2</b>	<b>\$111.1</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>17,800</b>	<b>\$3,840</b>	<b>\$68.3</b>	<b>\$3.5</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

EVALUATION: See Deduction for Medical Expenses and Long-Term Care Expenses, *Assessment*, p. 882 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.202 REMOVAL OF ARCHITECTURAL BARRIERS

**Internal Revenue Code Section:** 190

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1976

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: A deduction from corporation or personal taxable income of up to \$15,000 is allowed for the removal of architectural and transportation barriers. Eligible expenses include those necessary to make facilities or transportation vehicles, for use in trade or business, more accessible to the disabled and people 65 and over.

PURPOSE: To reduce physical barriers for employees and customers who are disabled or age 65 and over.

WHO BENEFITS: The taxpayers incurring eligible costs of making the structural changes.

EVALUATION: See Expensing of Costs to Remove Architectural and Transportation Barriers to the Handicapped and Elderly, *Assessment*, p. 509 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.203 DEDUCTION OF CERTAIN FILM AND TELEVISION PRODUCTION COSTS

**Internal Revenue Code Section:** 181

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable incomes)

**Federal Law Sunset Date:** 12-31-2025

**Year Enacted in Federal Law:** 2004

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$700,000	\$200,000	\$900,000
2023-25 Revenue Impact:	\$500,000	\$200,000	\$700,000

**DESCRIPTION:** The cost of producing films and television programs is usually depreciated over a period of time using the income forecast method (which allows deductions based on the pattern of expected earnings). This federal tax provision allows production costs to be deducted when incurred. Eligible productions are restricted to those with a cost of \$15 million or less (\$20 million if produced in certain designated low-income areas) and in which at least 75 percent of the compensation is for services performed in the United States. Only the first 44 episodes of a television series qualify, and sexually explicit productions are not eligible.

This provision was enacted temporarily in 2004 and has been extended several times. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 extended it through tax year 2025.

**PURPOSE:** To encourage film production in the United States.

**WHO BENEFITS:** Taxpayers with eligible film and television production costs.

**EVALUATION:** Not evaluated.

## 1.204 ACCELERATED DEPRECIATION OF BUILDINGS

**Internal Revenue Code Sections:** 167 and 168

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None (TCJA and other provisions are temporary, see description).

**Year Enacted in Federal Law:** 1954

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$1,900,000	\$2,000,000	\$3,900,000
2023-25 Revenue Impact:	\$1,900,000	\$2,000,000	\$3,900,000

**DESCRIPTION:** In general, taxpayers may deduct from corporation and personal taxable income the depreciation of buildings based on a straight-line method where equal amounts are deducted in each period. This tax expenditure permits the use of accelerated depreciation methods for most buildings, which allow for faster write-offs than the straight-line method. The revenue impact of this tax expenditure represents the additional tax that would have been paid if straight-line depreciation had been used. Note: The tax expenditure associated with rental housing is covered separately in 1.210, Accelerated Depreciation of Rental Housing.

The Tax Cuts and Jobs Act of 2017 (TCJA) made several changes to depreciation allowances. In terms of the estimated revenue impact, the extension of “bonus

depreciation” was the most substantive. Bonus depreciation generally allows additional depreciation of an asset’s cost in the first year it is in service. If an asset is acquired and placed in service between September 27, 2017 and December 31, 2022, the changes allow 100 percent expensing. For assets placed in service at later dates, the percentage declines by 20 points per year. Consequently, the bonus depreciation rate is 80 percent in 2023, and completely phased out beginning in 2026. The referenced end dates are increased by one year for longer production-period property with longer lives. TCJA also expanded the applicability of bonus depreciation to used buildings.

Accelerated depreciation of any type of capital does not change the cumulative amount of depreciation over all years. Therefore, this provision allows a taxpayer to deduct more in the first year of the investment and subsequently less in the later years of the capital life cycle resulting in a potential net increase in tax revenue from this provision in the years following accelerated depreciation of the building(s) (reported as a negative revenue impact).

One additional provision, a seven-year recovery period for motorsports entertainment complexes listed separately by the federal Joint Committee on Taxation is included here. This was enacted on a temporary basis and subsequently renewed several times, the latest being an extension through tax year 2025 by the Taxpayer Certainty and Disaster Tax Relief Act of 2020.

**PURPOSE:** “Accelerated depreciation provides a tax incentive to the extent it is faster than economic (i.e., actual) depreciation” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020). Presumably, this could promote investment in buildings.

**WHO BENEFITS:** This expenditure benefits owners of buildings used in a trade or business.

**EVALUATION:** See Depreciation of Buildings Other Than Rental Housing in Excess of Alternative Depreciation System, *Assessment*, p. 406 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.205 ACCELERATED DEPRECIATION OF EQUIPMENT

**Internal Revenue Code Sections:** 167 and 168

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None (TCJA and other provisions are temporary, see description)

**Year Enacted in Federal Law:** 1954

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$236,000,000	\$61,000,000	\$297,000,000
2023-25 Revenue Impact:	\$40,000,000	\$14,000,000	\$54,000,000

**DESCRIPTION:** In general, taxpayers may deduct from corporation and personal taxable income the depreciation of equipment based on a straight-line method where equal amounts are deducted in each period. This tax expenditure permits the use of accelerated depreciation methods, which allow for faster write-offs than the straight-line method. The tax expenditure is the additional tax that would have been paid if straight-line depreciation had been used.

The Tax Cuts and Jobs Act of 2017 (TCJA) made several changes to depreciation allowances. In terms of the estimated revenue impact, the extension and expansion of “bonus depreciation” was the most substantive. Bonus depreciation generally allows additional depreciation of an asset’s cost in the first year it is in service. If an asset is acquired and placed in service September 27, 2017 through December 31, 2022, the changes allow 100 percent expensing. For assets placed in service at later dates, the percent declines by 20 points per year. Consequently, the bonus depreciation rate is 80 percent in 2023, and completely phased out after 2026. The referenced end dates are increased by one year for some production property with longer lives. TCJA also expanded applicability of bonus depreciation provisions to used equipment.

Accelerated depreciation of any type of capital does not change the cumulative amount of depreciation over all years. Therefore, this provision allows a taxpayer to deduct more in the first year of the investment and subsequently less in the latter years of the capital life cycle resulting in a potential net increase in tax revenue from this provision in the years following accelerated depreciation of the equipment (reported as a negative revenue impact).

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Depreciation of equipment in excess of the alternative depreciation system.
- Five-year Modified Accelerated Cost Recovery System (MACRS) for certain energy property (solar, wind, etc.)
- 10-year MACRS for smart electric distribution property.
- 15-year MACRS for certain electric transmission property.
- 15-year MACRS for natural gas distribution line.
- Accelerated depreciation for business property on an Indian reservation. (sunset 12-31-2021)
- 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant improvements, and qualified retail improvements. (TCJA included language that leaves the status of this property uncertain.)

**PURPOSE:** “This [provision] represents a tax expenditure because the depreciation methods are faster than economic (i.e., actual) depreciation. Existing evidence indicates that the economic decline rate for equipment is much slower than that reflected in tax depreciation methods” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020). Presumably, this could promote investment in business equipment.

**WHO BENEFITS:** Owners of equipment used in a trade or business.

**EVALUATION:** See Depreciation on Equipment in Excess of Alternative Depreciation System, *Assessment*, p. 430 in [\*Tax Expenditures: Compendium of Background Material on Individual Provisions\*](#), 2020.

## 1.206 RESEARCH AND DEVELOPMENT COSTS

**Internal Revenue Code Section:** 174 and 59(e)

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None (TCJA requires amortization starting in 2022, see description)

**Year Enacted in Federal Law:** 1954

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$6,000,000	\$200,000	\$6,200,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** To be consistent with the treatment of other investments with multi-year benefits, research and development expenditures would be depreciated over their useful life. Instead, this provision allows several alternative ways in which research and development costs may be deducted faster than over their useful life. Internal Revenue Code Section 174 allows research and development expenditures to be fully expensed in the first year for purposes of computing corporation and personal taxable income, or optionally amortized over 60 or more months. Finally, section 59(e) allows a company to amortize eligible research expenses over ten years beginning with the tax year in which research and development costs are incurred.

The Tax Cuts and Jobs Act of 2017 (TCJA) makes substantial changes to section 174. Starting in tax year 2022, subject research and experimental expenditures are treated as capital expenses and must be amortized over five years (fifteen years for research conducted outside the United States). TCJA also specifies that software development expenses are treated as costs covered by Section 174.

**PURPOSE:** “The legislative history... indicates that Congress was pursuing two related objectives in adding section 174 to the federal tax code. One was to encourage firms (especially smaller ones) to invest more in R&D than they otherwise would. The second objective was to eliminate or lessen the difficulties, delays, uncertainties, and litigation experienced by businesses seeking to write off their research expenditures under previous tax laws and regulations.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Firms with certain research and development expenditures.

**EVALUATION:** See Expensing of Research and Experimental Expenditures, *Assessment*, p. 79 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.207 SECTION 179 EXPENSING ALLOWANCES

**Internal Revenue Code Section:** 179

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1959

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$9,000,000	\$40,000,000	\$49,000,000
2023-25 Revenue Impact:	\$12,000,000	\$53,000,000	\$65,000,000

**DESCRIPTION:** In general, the cost of business property must be deducted from personal and corporation income as it depreciates over its useful life. Subject to specific limits, Section 179 allows a taxpayer to elect to take an immediate deduction for qualifying property.

For tax year 2022, the maximum for a Section 179 immediate deduction is \$1.08 million for property placed in service in 2018 or later. The deduction is phased out for total expenditures exceeding \$2.7 million. These limits are adjusted for inflation.

The Tax Cuts and Jobs Act of 2017 increased the allowed immediate deduction from \$500,000 to \$1 million and the amount for total expenditures where the deduction is phased out from \$2 million to \$2.5 million.

Immediate expensing of any type of property for tax purposes is in lieu of depreciating the property over a number of years and does not change the cumulative amount of depreciation over all years. Therefore, this provision allows a taxpayer to deduct more in the first year of the investment and subsequently less in the later years of the capital life cycle resulting in a potential net increase in tax from this provision (reported as a negative revenue impact).

**PURPOSE:** When initially enacted, Section 179 expensing "...was intended to reduce the tax burden on small firms, give them an incentive to invest more, and simplify their tax accounting." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Businesses with qualified property purchases.

**EVALUATION:** See Expensing Under Section 179 of Depreciable Business Property, *Assessment*, p. 439 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.208 AMORTIZATION OF BUSINESS START-UP COSTS

**Internal Revenue Code Section:** 195

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1980

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$800,000	\$1,200,000	\$2,000,000
2023-25 Revenue Impact:	\$800,000	\$1,200,000	\$2,000,000

**DESCRIPTION:** This provision allows a taxpayer to deduct from personal or corporation taxable income eligible start-up expenditures incurred prior to the day the business starts. A deduction is available up to \$10,000 and any remaining amount is amortized over 15 years. The limit is reduced dollar for dollar when start-up expenses exceed \$60,000. Start-up expenditures must satisfy two requirements to qualify for this treatment. First, they must be paid in connection with creating or investigating a trade or business before the taxpayer begins an active business. Second, they must be an expenditure that would have been deductible for an active business.

**PURPOSE:** To encourage the formation of new businesses and to clarify the tax treatment of start-up expenditures.

**WHO BENEFITS:** New businesses that incur start-up costs.

**EVALUATION:** See Amortization of Business Start-Up Costs, *Assessment*, p. 446 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.209 FOREIGN-DERIVED INTANGIBLE INCOME

**Internal Revenue Code Sections:** 250

**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)

**Federal Law Sunset Date:** None (deduction reduced after 12-31-2025, see description)

**Year Enacted in Federal Law:** 2017

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$228,000,000	Not Applicable	\$228,000,000
2023-25 Revenue Impact:	\$326,000,000	Not Applicable	\$326,000,000

**DESCRIPTION:** Corporations deduct 37.5 percent of “foreign-derived intangible income” from their federal taxable income for tax years 2018 through 2025. The deduction is reduced to 21.875 percent starting in tax year 2026.

The concept of “foreign-derived intangible income” (FDII) is complex and defined in the Tax Cuts and Jobs Act of 2017 (TCJA). In brief summary, FDII is U.S. profits on sales of exported property or services that exceed 10 percent of the corporation’s investment.

The deduction for FDII works in conjunction with provisions for Global Intangible Low Taxed Income (GILTI). The subsidy provided by FDII is supplemented by GILTI, which taxes certain international income that would otherwise be excluded from tax. The GILTI inclusion is based on profits exceeding 10 percent of the corporation’s investment in countries outside the United States.



For a brief discussion on the changes to tax on corporations' international earnings due to TCJA see the introduction to Chapter 1, Income Tax (Personal and Corporation).

- PURPOSE:** Presumably, to encourage locating intangible assets in the United States.
- WHO BENEFITS:** Domestic corporations that export goods or services.
- EVALUATION:** See Deduction For Foreign-Derived Intangible Income Derived From Trade or Business Within the United States, *Assessment*, p. 63 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.210 ACCELERATED DEPRECIATION OF RENTAL HOUSING

**Internal Revenue Code Sections:** 168(c)

**Oregon Statutes:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1954

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$6,000,000	\$28,000,000	\$34,000,000
2023-25 Revenue Impact:	\$6,000,000	\$25,000,000	\$31,000,000

- DESCRIPTION:** In general, taxpayers may deduct from corporation and personal taxable income the depreciation of rental housing based on a straight-line method where equal amounts are deducted in each period over 27.5 years.
- This tax expenditure measures the revenue loss due to deductions in excess of those allowed under a 40-year straight-line depreciation method permitted by the Alternative Minimum Tax. Rental housing properties placed in service before 1986 continue depreciation according to the method they started with, which may allow the property to depreciate faster than under a straight-line method.
- PURPOSE:** To promote investment in rental housing by effectively deferring taxes paid on those investments.
- WHO BENEFITS:** Owners of rental housing.
- EVALUATION:** See Depreciation of Rental Housing in Excess of Alternative Depreciation System, *Assessment*, p. 351 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.211 HOME MORTGAGE INTEREST

**Internal Revenue Code Section:** 163(h)

**Oregon Statute:** 316.695 (Connection to federal personal deductions)

**Federal Law Sunset Date:** None (mortgage insurance premiums deduction sunsets 2021, TCJA provisions are temporary, see description)

**Year Enacted in Federal Law:** 1913

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$854,000,000	\$854,000,000
2023-25 Revenue Impact:	Not Applicable	\$915,000,000	\$915,000,000

NOTE: The revenue impact estimate includes the effect of the federal sunset on the deductibility of mortgage insurance premiums.

**DESCRIPTION:** Mortgage interest paid by owner-occupants on their primary and secondary residences is deductible from personal taxable income for taxpayers who itemize deductions. The current law allows this deduction for interest on debt incurred after December 15, 2017 up to \$750,000 for a home purchase and does not allow the deduction of interest on home equity loans unless the proceeds are used for constructing or significantly improving the taxpayer’s residence.

These temporary limits of the deduction set by Tax Cuts and Jobs Act of 2017 will revert to the previous limits for debts after December 31, 2025, allowing the deduction of the interest on loans up to \$1 million (\$500,000 if married filing separately) for the purchase of the residence. Deductions will also be allowed on home equity loans up to \$100,000 (\$50,000 if married filing separately).

Deductible mortgage insurance premiums are listed as a separate tax expenditure by the federal Joint Committee on Taxation but are included here as small part of this expenditure. Taxpayers with adjusted gross income under \$100,000 (\$50,000 if married filing separately) could deduct the full amount of their premiums, with the deduction phased out at 10 percent for every \$1,000 (\$500 if married filing separately) in income above \$100,000. The mortgage insurance premiums deduction was most recently extended through 2021 by the Taxpayer Certainty and Disaster Tax Relief Act of 2020.

**PURPOSE:** According to the Congressional Research Service, no rationale was provided when this provision was originally enacted in 1913. Originally, when this provision was enacted, the deduction made no distinction between interest payments made for business, personal, living, or family expenses and there is no evidence in the legislative history that the interest deduction was intended to encourage home ownership or to stimulate the housing industry at that time. However, the Congressional Research Service also notes that major justifications for the mortgage interest deduction have been stated as the desire to encourage homeownership and to stimulate residential construction.

**WHO BENEFITS:** In 2020, approximately 680,300 Oregon taxpayers claimed on average, a deduction for home mortgage interest paid of \$7,740, which resulted in a savings of \$639 in Oregon tax. The table below shows the use of this deduction for 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Deduction	Average Deduction	Total Deducted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	29,100	\$6,210	\$180.7	\$0.9	<1%
\$14,900 - \$32,900	39,700	\$5,750	\$228.4	\$11.7	3%
\$32,900 - \$57,500	82,400	\$6,360	\$523.7	\$42.0	10%
\$57,500 - \$102,200	174,200	\$7,460	\$1,299.5	\$111.6	27%
Above \$102,200	260,800	\$10,450	\$2,724.7	\$245.4	60%
<b>All Full-Year Filers</b>	<b>586,200</b>	<b>\$8,460</b>	<b>\$4,957.0</b>	<b>\$411.7</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>94,100</b>	<b>\$3,250</b>	<b>\$305.6</b>	<b>\$23.4</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** See Deduction for Mortgage Interest on Owner-Occupied Residences, *Assessment*, p. 326 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.212 PROPERTY TAXES

**Internal Revenue Code Section:** 164

**Oregon Statute:** 316.695 (Connection to federal personal deductions)

**Federal Law Sunset Date:** None (TCJA provisions are temporary, see description)

**Year Enacted in Federal Law:** 1913

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$594,000,000	\$594,000,000
2023-25 Revenue Impact:	Not Applicable	\$662,000,000	\$662,000,000

**DESCRIPTION:** Property taxes on nonbusiness property paid to state or local governments for services or benefits for the general public welfare are deductible from personal taxable income for taxpayers who itemize deductions. The taxes must be based on the value of the property and be charged uniformly across all property in the jurisdiction of the governing entity.

The Tax Cuts and Jobs Act of 2017 (TCJA) temporarily limits this deduction. For federal tax purposes, there is a limit of \$10,000 total for the deduction for property tax combined with the deduction for state and local income tax. Because Oregon does not allow a deduction for state income tax, and the local income tax deduction is very small, most taxpayers who itemize Oregon deductions will have the \$10,000 limit apply to their Oregon itemized deduction for property tax alone. This limit is in place for tax years 2018 through 2025.

**PURPOSE:** “Deductibility of state and local taxes was adopted in 1913 to avoid taxing income that was obligated to expenditures over which the taxpayer had little or no discretionary control.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** In 2020, approximately 840,000 Oregon taxpayers claimed on average, a deduction for property taxes of \$3,970, which resulted in a savings of \$317 in Oregon tax. The table below shows the use of this deduction for 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Deduction	Average Deduction	Total Deducted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
<b>Below \$14,900</b>	51,300	\$3,510	\$179.9	\$1.4	<1%
<b>\$14,900 - \$32,900</b>	61,800	\$3,370	\$208.3	\$10.3	4%
<b>\$32,900 - \$57,500</b>	104,400	\$3,380	\$353.3	\$27.3	11%
<b>\$57,500 - \$102,200</b>	206,100	\$3,820	\$786.6	\$66.8	26%
<b>Above \$102,200</b>	306,400	\$5,450	\$1,668.8	\$150.2	59%
<b>All Full-Year Filers</b>	730,000	\$4,380	\$3,196.8	\$256.1	100%
<b>Part-Year and Nonresident Filers</b>	110,500	\$1,270	\$140.1	\$10.6	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

EVALUATION: See Deduction of Nonbusiness State and Local Government Taxes, *Assessment*, p. 1075 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

### 1.213 CASH ACCOUNTING FOR AGRICULTURE

**Internal Revenue Code Sections:** 162, 175, 180, 446– 448, 461, 464 and 465

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1916

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: For income tax purposes, cash accounting in agricultural businesses typically results in a deferral of taxes relative to the accrual method, which is considered the standard. Most farmers, with the exception of some large corporations, may use the cash method of accounting to deduct costs attributable to goods held for sale and in inventory at the end of the year. These farmers also can expense some costs of developing assets that will produce income in future years. Both of these rules allow deductions to be claimed in the calendar year the expense occurred, while income associated with the deductions may be realized in later years. This expenditure is classified here as a deduction because the primary impact is believed to be the acceleration of expense reporting.

The Tax Cuts and Jobs Act of 2017 (TCJA) expanded the availability of cash accounting for most businesses, including those in agriculture. Beginning in 2018, cash accounting is available to businesses with gross receipts of \$26 million or less in the last three years. The limit is indexed for inflation.

See also: 1.033, Cash Accounting, Other than Agriculture.

PURPOSE: “The Revenue Act of 1916 established that a taxpayer may compute personal income for tax purposes using the same accounting methods used to compute income for business purposes. At the time, because accounting methods were less sophisticated and the typical farming operation was small, the regulations were apparently adopted

to simplify record keeping for farmers.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Farmers who use cash accounting and are able to accelerate deductions relative to accrual accounting.

**EVALUATION:** See Cash Accounting For Agriculture, *Assessment*, p. 274 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.214 SOIL AND WATER CONSERVATION EXPENDITURES

**Internal Revenue Code Section:** 175

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1954

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$400,000	\$400,000	\$800,000
2023-25 Revenue Impact:	\$400,000	\$400,000	\$800,000

**DESCRIPTION:** For corporation and personal income tax purposes, certain investments in soil and water conservation projects that produce benefits over a number of years can be expensed rather than depreciated. The expensing of these costs represents a departure from the typical practice of depreciating improvements and represents a tax expenditure because deductions can be claimed before the income associated with the deductions is realized.

**PURPOSE:** To promote soil and water conservation and to reduce the tax burden on farmers.

**WHO BENEFITS:** Farmers who engage in projects that conserve soil and water. In many cases these improvements are made to land or water areas that may not provide any return on investment to the farmer.

**EVALUATION:** See Expensing of Soil and Water Conservation Expenditures, *Assessment*, p. 264 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.215 FERTILIZER AND SOIL CONDITIONER COSTS

**Internal Revenue Code Section:** 180 (Reg. S1.180-1 and S1.180-2)

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1960

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$400,000	\$800,000	\$1,200,000
2023-25 Revenue Impact:	\$400,000	\$800,000	\$1,200,000

**DESCRIPTION:** For corporation and personal income tax purposes, certain investments in soil fertilization and conditioning projects that produce benefits over a number of years can be expensed rather than depreciated. The expensing of these costs represents a

departure from typical practice and represents a tax expenditure because deductions can be claimed before the income associated with the deductions is realized.

- PURPOSE:** To promote activities that maintain and improve the fertility of the soil.
- WHO BENEFITS:** Farmers who invest in projects to fertilize and condition their soil.
- EVALUATION:** See Expensing by Farmers for Fertilizer and Soil Conditioner Costs, *Assessment*, p. 282 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.216 EXTENDED CARRYBACK OF FARMING LOSS

**Internal Revenue Code Section:** 172(b)(1)(B)  
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 1999

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$300,000	\$300,000
2023-25 Revenue Impact:	Not Applicable	\$300,000	\$300,000

- DESCRIPTION:** This tax expenditure is an exception to a general limit imposed on loss carrybacks. When an individual taxpayer has a net operating loss (business expenses exceed gross income), the taxpayer generally may not elect to subtract the loss amount from income that was taxed in previous years. This provision allows farming losses to be carried back up to two years.
- The Tax Cuts and Jobs Act of 2017 modified this provision for losses incurred for tax years ending after 2017. Net operating loss was previously allowed up to two years for most individual taxpayers, and up to five years for farming.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 made a temporary change to the general limit imposed on loss carrybacks. For all individual taxpayers, net operating losses generated in tax years 2018 through 2020 may be carried back up to five years. For these tax years, there is no exception to the general limit for farming losses, hence there is no impact for these tax years from this tax expenditure.
- For a related Oregon provision, see 1.320, Agriculture Sector Net Operating Loss Carryback.

- PURPOSE:** According to the Congressional Research Service, congressional committee reports indicated that an extension of time to carry back losses was considered appropriate for the farm industry because of the volatility of farm income.
- WHO BENEFITS:** Farmers with losses to carry back.
- EVALUATION:** See Two-Year Carryback Period for Net Operating Losses Attributable to Farming, *Assessment*, p. 285 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.217 DEVELOPMENT COSTS FOR NONFUEL MINERALS

**Internal Revenue Code Sections:** 263, 291, 616, 617, 56 and 1254

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1951

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Entities engaged in mining are allowed to expense, rather than capitalize, certain exploration and development costs when computing corporation and personal taxable income. Expensing allows full deduction in the year the expenses are incurred, while capitalization requires the deduction to be taken over a number of years.

**PURPOSE:** To encourage mining and reduce ambiguity in its tax treatment.

**WHO BENEFITS:** Mining companies that expense, rather than capitalize, certain costs.

**EVALUATION:** See Expensing of Exploration and Development Costs, Nonfuel Minerals, *Assessment*, p. 245 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.218 INTANGIBLE DEVELOPMENT COSTS FOR FUELS

**Internal Revenue Code Section:** 263(c), 291, 616, 617, 57(a)(2), 59(e) and 1254

**Oregon Statutes:** 316.695 and 317.013 (Connections to federal personal and corporation deductions)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1978

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$1,700,000	Less than \$100,000	\$1,700,000
2023-25 Revenue Impact:	\$1,700,000	Less than \$100,000	\$1,700,000

**DESCRIPTION:** Intangible drilling and development costs incurred in oil, gas, and geothermal wells may be expensed. Intangible drilling and development costs include amounts paid for fuel, labor, materials, hauling, or repair to drilling equipment. Costs associated with determining the precise location and potential size of a mineral deposit are amortized over two years by independent businesses, and over five years by major oil companies.

Though relatively few oil, gas and geothermal wells exist in Oregon, corporations' income is apportioned to Oregon after these costs are expensed.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Expensing of Exploration and Development Costs for Oil and Gas.
- Expensing of Exploration and Development Costs for Other Fuels.
- Amortization of geological/geophysical expenditures associated with oil/gas exploration.



**PURPOSE:** To encourage development of petroleum, natural gas, and geothermal wells.  
**WHO BENEFITS:** The owners incurring the specified expenses for qualified activities.  
**EVALUATION:** See Assessments for tax expenditures related to intangible development costs for fuels, p. 128 and 132 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.219 ENERGY EFFICIENT COMMERCIAL PROPERTY

**Internal Revenue Code Section:** 179D  
**Oregon Statute:** 316.695 and 317.013 (Connections to federal personal and corporation deductions)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 2006

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$300,000	\$200,000	\$500,000
2023-25 Revenue Impact:	\$300,000	\$200,000	\$500,000

**DESCRIPTION:** For commercial building owners or leaseholders, a deduction is available for expenditures made on energy efficient commercial property after December 31, 2005. This provision was enacted as a temporary measure in 2006 and has been temporarily extended several times. Most recently, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 made this provision permanent.

The deduction is based on a formula with a maximum of \$1.80 per square foot of commercial building space. The owner may allocate the deduction to the primary building designer if the building is government owned.

**PURPOSE:** To promote energy efficiency by encouraging businesses to retrofit their buildings with energy conserving equipment.

**WHO BENEFITS:** Businesses that make investments in energy efficient property benefit from this provision.

**EVALUATION:** See Deduction of Expenditures on Energy-Efficient Commercial Building Property, *Assessment*, p. 102 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.220 SPECIAL DEPRECIATION FOR RECYCLING EQUIPMENT

**Internal Revenue Code Section:** 168(m)  
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)  
**Federal Law Sunset Date:** None  
**Year Enacted in Federal Law:** 2008

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Certain reuse and recycling property is eligible for a special depreciation allowance that allows 50 percent of the cost to be expensed when incurred. The remainder is



depreciated based on the standard useful life for the class of the particular property. Qualifying property includes machinery, equipment, and software necessary to operate the equipment, used exclusively to collect, distribute, or recycle qualified reuse and recyclable materials. Buildings and equipment used to transport recycled materials do not qualify.

Qualifying materials for reuse or recycle include scrap plastic, scrap glass, scrap textiles, scrap rubber, scrap packaging, recovered fiber, scrap ferrous and nonferrous metals, or electronic scrap generated by an individual or business. Electronic scrap includes cathode ray tubes, flat panel screens, or similar video display devices with a screen size greater than 4 inches measured diagonally, or central processing units. Property must have a useful life of at least five years. The special depreciation provisions apply to property placed into service (or with construction begun in the case of self-constructed property) after August 31, 2008.

**PURPOSE:** “The recycling provision was adopted by the Emergency Economic Stabilization Act of 2008 (P.L. 110-343) which included a number of provisions relating to energy conservation. Although no specific rationale was provided, stand-alone bills introduced to provide this benefit referred to the energy savings from recycling.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Owners of reuse or recycling property who use the special depreciation rules.

**EVALUATION:** See Special Depreciation Allowance for Certain Reuse and Recycling Property, *Assessment*, p. 227 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.221 MINING AND SOLID WASTE RECLAMATION RESERVES

**Internal Revenue Code Section:** 468

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1984

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Current value equivalents of reclamation and closing costs for mining and solid waste disposal sites are deductible from corporation and personal taxable income at the beginning of the project, even though these costs are typically incurred at the end of a project. This provision allows for the deduction of these expenses before they are paid.

**PURPOSE:** To encourage mine and solid waste disposal site reclamation activities and to compensate companies for the cost of reclamation.

**WHO BENEFITS:** Mining and solid waste disposal companies with reclamation costs.

**EVALUATION:** See Special Rules for Mining Reclamation Reserves, *Assessment*, p. 256 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.222 AMORTIZATION OF AIR POLLUTION CONTROL FACILITIES

**Internal Revenue Code Section:** 169(d)(5)

**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 2005

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000

**DESCRIPTION:** Coal-fired electric generation plants may amortize investments in certified pollution control equipment over shorter periods than the life of the equipment. A pollution control facility placed in service after April 11, 2005 qualifies for a 5-year (for plants placed in service prior to 1976) or 7-year amortization (newer plants) if the useful life of the facility is 15 years or less. The amount available for this amortization is reduced for facilities with useful lives in excess of 15 years.

**PURPOSE:** For installations in pre-1976 plants, the five-year amortization of pollution control equipment was added by the Tax Reform Act of 1969 (P.L. 91-172) to compensate for the loss of the investment tax credit, which was repealed by the same act”. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Owners of coal-fired electric generation plants who install certified pollution control equipment.

**EVALUATION:** See Amortization of Air Pollution Control Facilities, *Assessment*, p. 205 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.223 EXPENSING TIMBER-GROWING COSTS

**Internal Revenue Code Sections:** 162 and 263(d)(1)

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1986

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$3,000,000	Less than \$100,000	\$3,000,000
2023-25 Revenue Impact:	\$3,200,000	Less than \$100,000	\$3,200,000

**DESCRIPTION:** Most of the production costs (e.g. disease and pest control, clearing brush, etc.) of growing timber may be expensed rather than capitalized when computing corporation and personal taxable income. Expensing allows full deduction in the year the expenses are incurred, while capitalization requires the deduction to be taken over a number of years. In most other industries, these expenses must be capitalized.

**PURPOSE:** To provide tax relief to timber growers in recognition of the long growing periods for timber during which no revenue is produced.

**WHO BENEFITS:** Taxpayers who have timber-growing expenses that are not connected with a timber harvest or reforestation activity.

EVALUATION: See Expensing of Timber-Growing Costs, *Assessment*, p. 230 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.224 EXPENSING AND AMORTIZATION OF REFORESTATION COSTS

**Internal Revenue Code Sections:** 194 and 263A(c)(5)

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1980

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$400,000	\$700,000	\$1,100,000
2023-25 Revenue Impact:	\$400,000	\$700,000	\$1,100,000

**DESCRIPTION:** Qualified reforestation costs can be expensed up to \$10,000 annually with the remainder amortized (deducted) over seven years. Costs that qualify for amortization are those for site preparation, seed or seedlings, labor, and tools. The limitation on expensing is for each qualifying property.

Without this provision, reforestation costs would be capitalized into the property's cost basis and deducted when sold.

Reforestation costs do not include any costs for which the taxpayer has been reimbursed under any governmental reforestation cost-sharing program unless the amounts reimbursed have been included in the gross income of the taxpayer.

**PURPOSE:** To lower the annual after-tax cost of reforestation.

**WHO BENEFITS:** Business taxpayers who are reforesting forest lands.

**EVALUATION:** See Amortization and Expensing of Reforestation Expenses, *Assessment*, p. 252 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.225 MAGAZINE CIRCULATION EXPENDITURES

**Internal Revenue Code Section:** 173

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1950

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$100,000	Less than \$100,000	\$100,000
2023-25 Revenue Impact:	\$100,000	Less than \$100,000	\$100,000

**DESCRIPTION:** This provision allows publishers of periodicals to deduct expenditures to establish, maintain, or increase circulation in the year that the expenditures are made. The revenue impact of this tax expenditure is the difference between the current deduction of costs and the recovery that would have been allowed if these expenses were capitalized and deducted over time.

**PURPOSE:** To reduce the cost of tax compliance.

WHO BENEFITS: Publishers of periodicals.

EVALUATION: See Expensing of Magazine Circulation Expenditures, *Assessment*, p. 454 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.226 COMPLETED CONTRACT RULES

**Internal Revenue Code Section:** 460

**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1986

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$6,300,000	\$600,000	\$6,900,000
2023-25 Revenue Impact:	\$6,800,000	\$400,000	\$7,200,000

**DESCRIPTION:** Some taxpayers with construction or manufacturing contracts extending for more than one tax year are allowed to use the completed contract method of accounting. Under this method, income and costs pertaining to the contract are reported when the contract is completed; however, some indirect costs may be deducted from corporation and personal taxable income in the year paid or incurred. This mismatching of income and expenses results in a deferral of tax payments.

This provision is restricted to apply mostly to long-term home construction contracts. Other real estate construction contracts may qualify if the average annual gross receipts of the contractor do not exceed \$10 million (averaged over the three previous years), and the contract is estimated to be completed within two years.

**PURPOSE:** This tax reporting method was allowed because these contracts may involve “so many uncertainties that profit or loss was undeterminable until the contract was completed.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Residential construction contractors are the main beneficiaries.

**EVALUATION:** See Completed Contract Rules, *Assessment*, p. 463 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.227 CHARITABLE CONTRIBUTIONS

**Internal Revenue Code Sections:** 170 and 642(c)

**Oregon Statutes:** 316.695 and 317.013 (Connections to federal personal and corporation deductions)

**Federal Law Sunset Date:** None (TCJA, CARES Act, and ARPA expansions are temporary, see description)

**Year Enacted in Federal Law:** 1917 (personal) and 1935 (corporation)

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$33,000,000	\$729,000,000	\$762,000,000
2023-25 Revenue Impact:	\$33,000,000	\$816,000,000	\$849,000,000

**DESCRIPTION:** Contributions to charitable, educational, health, religious, and certain other nonprofit organizations are allowed as itemized deductions from personal taxable income of

amounts up to 60 percent of adjusted gross income. Corporations can deduct from corporate taxable income contributions up to 10 percent of adjusted taxable income. Taxpayers who donate property may deduct the current market value of the property up to 30 percent of adjusted gross income and do not need to pay tax on any capital gains realized on the property. Contributions in excess of the limits may be applied up to five future tax years until the contributions are completely deducted.

Due to the passage of HB 2060 in 2013, an Oregon deduction is not allowed for contributions to a charitable organization that does not spend at least 30 percent of its total annual functional expenses on program services. Affected organizations are required to notify donors in writing that donations are not deductible for Oregon tax purposes.

The Tax Cuts and Jobs Act of 2017 (TCJA) temporarily increased the previous 50 percent of adjusted taxable income limit for charitable cash donations to the current 60 percent limit. This limit is in effect from tax years 2018 through 2025. In addition, TCJA repealed the portion of the deduction that had been allowed to taxpayers who made donations to colleges in exchange for the right to purchase tickets to athletic events. That portion of the deduction is disallowed for tax years after 2017.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 made two modifications for individual taxpayers with respect to charitable contributions that apply to tax year 2020 only. The first modification is an increase of the 60 percent limit to 100 percent of adjusted taxable income. The second is the creation of a deduction of up to \$300 for certain charitable contributions for those taxpayers who do not itemize at the federal level. For tax year 2021 only, the American Rescue Plan Act of 2021 increased the \$300 charitable contribution deduction limit to \$600 for married taxpayers who file a joint tax return.

**PURPOSE:**

“The deduction for charitable contributions reduces the net cost of contributing.” (Congressional Research Service, Tax Expenditures: Compendium of Background Material on Individual Provisions: 2020) Presumably, the purpose is to encourage donations to designated charitable organizations.

**WHO BENEFITS:**

In 2020, approximately 879,000 Oregon personal income tax taxpayers claimed a deduction for donations to charitable organizations on their Oregon Schedule OR-A and/or as an adjustment on their federal form 1040. The average deduction of about \$4,370 by those taxpayers resulted in an average tax savings of \$366. See the table below for details on the use of the deduction by income level.

**2020 Personal Income Tax Filers**

Income Group of Full-Year Filers*	Number of Filers Taking Deduction	Average Deduction	Total Deducted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
<b>Below \$14,900</b>	72,700	\$1,070	\$77.8	\$0.7	<1%
<b>\$14,900 - \$32,900</b>	90,400	\$1,220	\$110.6	\$5.0	2%
<b>\$32,900 - \$57,500</b>	121,700	\$1,550	\$189.0	\$13.4	4%
<b>\$57,500 - \$102,200</b>	193,600	\$2,300	\$445.2	\$36.7	12%
<b>Above \$102,200</b>	279,100	\$9,270	\$2,587.7	\$243.6	81%
<b>All Full-Year Filers</b>	757,500	\$4,500	\$3,410.4	\$299.5	100%
<b>Part-Year and Nonresident Filers</b>	121,500	\$3,540	\$430.3	\$22.5	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

According to the federal Joint Committee on Taxation, of the total amount deducted for personal income taxpayers for federal fiscal year 2021, 14 percent was for donations to educational organizations, 10 percent for donations to health organizations, and 76 percent for donations to other charitable organizations. Of the total amount deducted for corporate income taxpayers, 27 percent was for donations to educational organizations, 24 percent for donations to health organizations, and 49 percent for donations to other charitable organizations.

**EVALUATION:** See Assessments for Charitable Contribution related tax expenditures for Education, Health and Other, p. 679, 806, and 854 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.228 CASUALTY AND THEFT LOSSES

**Internal Revenue Code Section:** 165(c)(3), 165(e) and 165(h)-165(k)  
**Oregon Statute:** 316.695 (Connection to federal personal deductions)  
**Federal Law Sunset Date:** None (TCJA provisions are temporary, see description)  
**Year Enacted in Federal Law:** 1913

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$700,000	\$700,000
2023-25 Revenue Impact:	Not Applicable	\$800,000	\$800,000

**DESCRIPTION:** Taxpayers who itemize deductions may deduct from personal taxable income nonbusiness casualty and theft losses that are not reimbursed through insurance. For tax years 2018 through 2025, taxpayers can only claim this deduction if the losses were associated with a federally declared disaster. Taxpayers may deduct only losses of more than \$100 each, but only to the extent that the total of such losses exceed 10 percent of adjusted gross income (AGI).

The limitation related to losses associated with a federally declared disaster, which was set by The Tax Cuts and Jobs Act of 2017 (TCJA) becomes no longer in effect after tax year 2025. For tax years beginning 2026, eligible losses will include losses arising from fire, storm, shipwreck, or other casualty, or from theft. The cause of the loss should be considered a sudden, unexpected, and unusual event.

**PURPOSE:** According to the Congressional Research Service, no rationale was provided when this provision was originally enacted in 1913. However, it stated “The deduction was intended to be for extraordinary, nonrecurring losses which go beyond the average or usual losses incurred by most taxpayers in day-to-day living”. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2020*)

**WHO BENEFITS:** Over 300 taxpayers claimed a deduction for losses incurred in federally declared disasters in 2020.

**EVALUATION:** See Deduction for Casualty and Theft Losses, *Assessment*, p. 967 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.

## 1.229 LOCAL INCOME TAXES

**Internal Revenue Code Section:** 164

**Oregon Statute:** 316.695 (Connection to federal personal deductions)

**Federal Law Sunset Date:** None

**Year Enacted in Federal Law:** 1913

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$15,000,000	\$15,000,000
2023-25 Revenue Impact:	Not Applicable	\$21,000,000	\$21,000,000

**DESCRIPTION:** Income taxes paid to cities and other local governments are deductible from personal taxable income for taxpayers who itemize deductions for state income tax.

For individual taxpayers, the Arts Tax imposed by the City of Portland, and beginning tax year 2021, the Multnomah County Preschool for All Income Tax, and the Portland Metro Supportive Housing Services Income Tax qualify for this deduction.

For business taxpayers, while local taxes are deductible, it is considered a normal business cost and is not reported as an Oregon tax expenditure.

The Tax Cuts and Jobs Act of 2017 temporarily limits this deduction for individuals but not businesses. For federal tax purposes, there is a limit of \$10,000 total for the deduction for property tax combined with the deduction for state and local income tax. The limit may reduce the impact of this Oregon itemized deduction for individuals. This limit is in place for tax years 2018 through 2025.

**PURPOSE:** “Deductibility of state and local taxes was adopted in 1913 to avoid taxing income that was obligated to expenditures over which the taxpayer had little or no discretionary control.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020)

**WHO BENEFITS:** Taxpayers who pay income taxes to local governments.

**EVALUATION:** See Deduction of Nonbusiness State and Local Government Taxes, *Assessment*, p. 1075 in [Tax Expenditures: Compendium of Background Material on Individual Provisions](#), 2020.





## OTHER FEDERAL PROVISIONS (UNQUANTIFIED OR DISCONNECTED)

### **Tax Expenditures listed by federal Joint Committee on Taxation as “Quantitatively *de minimis*”**

These are tax expenditures that flow through to Oregon through the connection to federal taxable income, but JCT has estimated that their impact is lower than \$50 million in federal tax for federal fiscal years 2020 through 2024.

- Miscellaneous nonresident individual income tax exclusions (certain gambling winnings, ship or aircraft operation income, certain exchange or training programs compensation, bond income of residents of the Ryukyu Islands, certain wagering income) (IRC 871(j), 872(b))
- Miscellaneous foreign corporate income tax exclusions (ship or aircraft operation income, foreign railroad rolling stock earnings, certain communication satellite earnings (IRC 883)
- Exclusion of interest on state and local qualified private activity bonds for green buildings and sustainable design projects (IRC 142(a)(14))
- Expensing of Tertiary Injectants (IRC 193)
- Exclusion of income in Structured Settlement Accounts (IRC 72(u)(3)(C), 130)
- Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument (IRC 108(i))
- Additions to Bad Debt Reserves of Small Financial Institutions (IRC 585)
- Electing Alaska Native Settlement Trusts (IRC 139G, 247, 646)
- Deferral of gain on sales of property to comply with conflict-of-interest requirements (IRC 1043)
- Exclusion of interest on state and local qualified private activity bonds for high-speed intercity rail facilities (IRC 142(a)(11))
- Exclusion of Indian general welfare benefits (IRC 139E)
- Exclusion of interest on savings bonds redeemed to finance educational expenses (IRC 135)
- Exclusion of payments received by victims of the Nazi regime and the victims' heirs and estates (Section 803 of Public Law 107-16)
- Archer Medical savings account (IRC 220)
- Burial expenses for veterans (IRC Section 134 and 38 USC 5301)
- Seven-year MACRS for Alaska natural gas pipeline (IRC 168(e)(3)(C))
- Exclusion of Olympic and Paralympic medals and prizes (IRC 74(d))
- Exclusion of certain amounts received by wrongfully incarcerated individual (IRC 139)
- Classification of certain racehorses as 3-year property (IRC 168(e)(3)(A)(i))
- Exclusion for certain loans received under the Payment Protection Program and subsequently forgiven (IRC 1102)

### **Tax Expenditures listed by federal Joint Committee on Taxation as “Not Quantifiable”**

These are tax expenditures that flow through to Oregon through the connection to federal taxable income, but JCT has noted that projected revenue changes due to these provisions are not available.

- Deduction for US employment tax paid under section 3121(l) agreements for employees of foreign affiliates
- Accelerated deductions for nuclear decommissioning costs (IRC 468A)
- Fossil fuel capital gains treatment (IRC 631(C))
- Exception to partial interest rule for qualified conservation (IRC 170(h))
- Ten-year MACRS for single purpose agricultural or horticultural structures (IRC 168(e)(3),(i)(13))
- Exceptions from dealer disposition definition (IRC 453(1)(2)(A))

- Exceptions from interest calculation on installment sales for small dispositions (IRC 453A(b)(3))
- Amortization of organizational expenditures (IRC 248)
- Deferral of prepaid subscription income (IRC 455)
- Deferral of prepaid dues of certain membership organizations (IRC 456)
- Amortization of partnership organization and syndication fees (IRC 709)
- Unrecaptured section 1250 gain rate (section 1(h)), which applies to depreciation taken on real property
- Nonrecognition of in-kind distributions by regulated investment companies in redemption of their stock (IRC 852(b)(6))
- Special discount rate rule for certain debt instruments where stated principal amount is \$2.8 million or less (IRC 1274A)
- Tax treatment of convertible bonds (Treasury Reg. sect. 1.1275-4; Revenue Ruling 2002-31)
- Treatment of loans under life insurance and annuity contracts and 401(k) plans (IRC 72(e), 72(p), and 7702)
- Exemption for cemetery companies (IRC 501(c)(13))
- Certain exceptions to the UBTI rules - Passive income gains, Income from certain research, Trade shows and fairs, Bingo games, Pole rentals, Sponsorship payments, Real estate exception to the debt-financed income rules (IRC 512-514)
- Specific identification of sold equities (IRC 1012 (and Treasury Reg. sect. 1012-1))
- Losses on small business stock (IRC 1242-1244)

### **Oregon law is not connected to Federal law**

These are federal tax expenditures but not Oregon tax expenditures because of specific modifications to federal taxable income in Oregon law.

- Interest expense allocation: Separate grouping of affiliated financial companies (IRC 864). ORS 317.625 disconnects from federal treatment in sections 861 to 864 of IRC.
- Inventory property sales source rules exception (IRC 861, 862, 863, and 865). ORS 317.625 disconnects from federal treatment in sections 861 to 864 of IRC.
- Excess of percentage over cost depletion for Oil and Gas (IRC 611, 612, 613, 613A, and 291). ORS 317.374 disconnects from federal treatment in IRC 611 and requires a "reasonable" Oregon depletion allowance in calculating Oregon taxable income.
- Excess of percentage over cost depletion for Other Fuels (IRC 611, 612, 613, 613A, and 291). ORS 317.374 disconnects from federal treatment in IRC 611 and requires a "reasonable" Oregon depletion allowance in calculating Oregon taxable income.
- Excess of percentage over cost depletion for nonfuel minerals (IRC 611, 612, 613, and 291). ORS 317.374 disconnects from federal treatment in IRC 611 and requires a "reasonable" Oregon depletion allowance in calculating Oregon taxable income.
- Deduction for income attributable to domestic production (QPAI) (IRC 199). ORS 316.836 and 317.398 require that taxpayers add the amount deducted from federal taxable income based on IRC 199 to calculate Oregon taxable income. The Tax Cuts and Jobs Act repealed this provision beginning with tax year 2018.
- Deferral of tax on capital construction funds of shipping companies (IRC 7518). ORS 317.319 requires that taxpayers add the amount deferred to Oregon taxable income.
- Special rules for interest-charge domestic international sales corporations (IRC 991-997). ORS 317.283 does not recognize transactions related to IC-DISCs formed after January 1, 2014. It does impose special treatment for IC-DISCs formed on or before January 1, 2014 (see 1.312, Dividend Received from an IC-DISC in this report).

## **TAX EXPENDITURES FROM OREGON INCOME TAX PROVISIONS**

Oregon has many provisions in its income tax law that reduce tax. Some provisions, known as subtractions, reduce federal taxable income, the starting point for calculating Oregon’s personal and corporate income taxes. Other provisions, known as tax credits, directly reduce the tax. Finally, there are a small number of provisions that reduce tax through other mechanisms, such as reduced tax rates. Not all of these provisions are tax expenditures, as some exist, for example, to prevent double taxation.

Some tax expenditures only affect the personal income tax or corporate income tax, but many apply to both. Some tax expenditures specifically apply to businesses. The structure of a business determines how the income and hence the tax expenditure is reported. For C corporations, tax expenditures are reported on their corporate income tax returns. For sole proprietorships, partnerships, and S corporations, tax expenditures are reported on the business owners’ personal income tax returns.

This report includes 29 Oregon specific subtractions (28 apply to the personal income tax and nine apply to the corporate income tax), 49 Oregon specific credits (47 apply to the personal income tax and 35 apply to the corporate income tax), and eight other provisions that reduce Oregon tax. See Appendix D for a list separated by personal and corporate income tax.

### **Subtractions**

Subtractions represent income included in federal taxable income that is not taxed by Oregon and deductions allowed by Oregon that are not included in federal taxable income. An example of the former is a subtraction for certain military related income. An example of the latter is a subtraction for medical expenses for elderly taxpayers beyond the deduction allowed at the federal level.

### **Credits**

Tax credits reduce taxpayers’ tax liability on a dollar-for-dollar basis. For a typical tax credit, the tax credit can only reduce the tax liability to zero. For some credits, if there is an excess portion more than the tax liability, that portion is lost and cannot be used. For other credits that additional portion can be carried forward to future tax years. Oregon has a small number of special credits called “refundable” credits where the taxpayer receives a payment for any portion of the credit that is more than the tax liability. Some credits have the feature that the credit may be transferred from one taxpayer to another qualified taxpayer at a specified rate. Typically, a taxpayer will transfer a credit when they do not have the tax liability to use it. To help readers of this report, additional information has been included in the header of each Oregon tax credit to indicate if the credit has a carryforward, is refundable, and is transferable.

### **Other Provisions**

A small number of other provisions in Oregon tax law also reduce income tax. These provisions include reduced tax rates for certain types of income, rules that determine how income is apportioned to Oregon for certain companies, and averaging a certain type of income over several years.



### 1.301 LAND DONATED TO SCHOOLS

**Oregon Statute:** 316.852 and 317.488

**Sunset Date:** 12-31-2007

**Year Enacted:** 1999

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$0	\$0	\$0

**DESCRIPTION:** The Land Donated to Schools subtraction expired as of December 31, 2007. Nevertheless, there is a revenue impact for the 2021-23 biennium due to unused subtraction amounts carried forward to succeeding years. Carryforward of unused amounts in excess of the limitations may be subtracted from taxable income for up to 15 succeeding years after the donation. A taxpayer who donated in the year of the sunset, 2007, may carry forward unused amounts through 2022.

A subtraction was allowed from corporate and personal taxable income for land donated or sold at below-market price on or after January 1, 2000, and before January 1, 2008, to a public school district, a nonprofit private school, or a public or nonprofit private community college, college, or university. For a donation, the subtraction was the fair market value of the land. For a sale, the subtraction was the difference between the fair market value and the sale price of the land. The subtraction was limited depending on whether the transfer was a donation or sale. In the case of a donation, the maximum subtraction in a given tax year was 50 percent of the taxpayer’s taxable income in that year. When the land was sold, the maximum subtraction was 25 percent of the taxpayer’s taxable income.

Oregon law was more generous than federal law in that federal law specifies that the unadjusted fair market value of the donation may be deducted only up to 30 percent of income, but Oregon allowed the subtraction up to 50 percent of income. Any amount taken as a charitable contribution deduction is to be added to income on the Oregon return so that the taxpayer does not receive a double deduction. The federal deduction is described in tax expenditure 1.227, Charitable Contributions.

**PURPOSE:** The statutes that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was, by encouraging developers to donate land, to help schools meet the challenge of providing facilities when faced with rapid student enrollment growth.

**WHO BENEFITS:** Taxpayers who donated land to educational institutions receive the main benefit. Very few taxpayers benefit from this subtraction.

**EVALUATION:** Not evaluated.

### 1.302 OREGON 529 COLLEGE SAVINGS NETWORK

**Oregon Statute:** 316.699

**Sunset Date:** 12-31-2019

**Year Enacted:** 1999

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$4,700,000	\$4,700,000
2023-25 Revenue Impact:	Not Applicable	\$700,000	\$700,000

**DESCRIPTION:** The Oregon 529 College Savings Network subtraction expired as of December 31, 2019. Nevertheless, there are revenue impacts for the 2021-23 and 2023-25 biennia due to unused subtraction amounts carried forward to succeeding years. Carryforward of unused amounts in excess of the limitations may be subtracted from taxable income for up to four succeeding years after the donation. A taxpayer who donated in the year of the sunset, 2019, may carry forward unused amounts through 2023.

A subtraction was allowed from individual taxable income for contributions made to Oregon 529 College Savings Network accounts for higher education. The maximum allowable carryforward subtraction amount for 2022 is \$5,185 on a joint return or \$2,590 on all other returns and is annually adjusted for inflation through 2023. This maximum applies to the combined total of ABLÉ account (see 1.307) and Oregon 529 College Savings Network contributions carried forward.

The proceeds of these accounts are meant to be used to pay higher education related expenses for a designated beneficiary. Total contributions to these accounts were allowed up to the amount necessary to cover the qualified higher education expenses of the beneficiary or limits specified by the Oregon 529 Savings Board. Contributions over the annual limit could be carried forward for up to four years. Beginning with tax year 2012, taxpayers could make direct deposit contributions of personal income tax refunds into accounts.

The revenue impact above includes only the impact of the state allowed subtraction for contributions. Under federal law, contributions to these accounts are not tax deductible. However, earnings on contributions and qualifying distributions from the accounts are excluded from federal taxable income. The revenue impact and complete description of federal tax benefits applicable to Oregon 529 College Savings Network accounts are detailed in tax expenditure 1.002, Qualified Education Savings (Federal).

Federal tax reform passed by Congress in December 2017 (Public Law 115-97, commonly known as the Tax Cuts and Jobs Act) extended the tax exemption for earnings to distributions used to pay elementary and secondary school tuition. HB 4080 (2018) amended ORS 316.680 to specify that funds in Oregon 529 savings plans could be used for higher education expenses only, and that earnings and previously subtracted contributions that were withdrawn and used to pay K-12 costs must be added to taxable income.

Legislation in 2019 (HB 2164) set a sunset date of December 31, 2019 for this subtraction—with amounts over the annual limit allowed to be carried forward through December 31, 2023—and replaced it with a refundable credit for contributions to an Oregon 529 College Savings Network account. For details on the new credit, see 1.405 Contributions to 529 Account.

**PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to increase the ability of families and individuals to save for higher education.

**WHO BENEFITS:** Oregon personal income taxpayers who contribute to Oregon 529 College Savings Network accounts. The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	420	\$2,180	\$0.9	<\$0.1	<1%
\$14,900 - \$32,900	380	\$1,890	\$0.7	<\$0.1	1%
\$32,900 - \$57,500	860	\$1,940	\$1.7	\$0.1	2%
\$57,500 - \$102,200	2,750	\$2,110	\$5.8	\$0.5	9%
Above \$102,200	15,270	\$3,300	\$50.5	\$4.6	88%
<b>All Full-Year Filers</b>	<b>19,680</b>	<b>\$3,030</b>	<b>\$59.6</b>	<b>\$5.3</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>610</b>	<b>\$3,010</b>	<b>\$1.8</b>	<b>\$0.1</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** Not evaluated.

### 1.303 SCHOLARSHIP AWARDS USED FOR HOUSING EXPENSES

**Oregon Statute:** 316.846

**Sunset Date:** None

**Year Enacted:** 1999

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,000,000	\$1,000,000
2023-25 Revenue Impact:	Not Applicable	\$1,100,000	\$1,100,000

**DESCRIPTION:** A subtraction from taxable income is allowed for scholarship and fellowship income used to pay for housing expenses. This provision extends the federal exclusion described in tax expenditure 1.001, Scholarship and Fellowship Income, for income received from scholarships and fellowships that is used for tuition and course-related expenses only. The scholarship recipient must be either the taxpayer or a dependent of the taxpayer and must be attending an accredited community college, college, university, or other institution of higher education. A subtraction may not be allowed under this section if the amounts are not included in the taxpayer's federal gross income for the tax year or are taken as a deduction on the taxpayer's federal income tax return for the tax year.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help students meet the financial challenges of attending college.

**WHO BENEFITS:** Individuals receiving scholarship or fellowship income to pay for housing expenses. The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	470	\$3,960	\$1.9	\$0.1	13%
\$14,900 - \$32,900	520	\$5,280	\$2.8	\$0.2	44%
\$32,900 - \$57,500	220	\$6,120	\$1.3	\$0.1	24%
\$57,500 - \$102,200	100	\$5,460	\$0.5	<\$0.1	10%
Above \$102,200	60	\$6,910	\$0.4	<\$0.1	8%
<b>All Full-Year Filers</b>	<b>1,360</b>	<b>\$5,050</b>	<b>\$6.9</b>	<b>\$0.5</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>200</b>	<b>\$4,750</b>	<b>\$0.9</b>	<b>&lt;\$0.1</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

EVALUATION: *provided by the Higher Education Coordinating Commission*

This tax expenditure is a fiscally effective method of achieving its purpose, which is to reduce the cost of postsecondary education and training. It makes more funding available to these students, allowing them to complete their education with less debt. The preponderance of the expenditure is claimed by individuals that typically require the greatest assistance managing the cost of attendance.

Housing expenses are typically the largest expense for postsecondary students, making this an effective means for making postsecondary education and training more affordable. Because of the restrictions around using the benefit (the recipient must be either the taxpayer or a dependent of the taxpayer enrolled in an accredited institution), the benefit is effectively structured to flow to the intended recipients.

### 1.304 AMERICORPS AWARDS

**Oregon Statutes:** 316.847

**Sunset Date:** 12-31-2026

**Year Enacted:** 2021 (HB 2433)

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$200,000	\$200,000
2023-25 Revenue Impact:	Not Applicable	\$200,000	\$200,000

DESCRIPTION: Starting January 1, 2021, AmeriCorps national service educational award amounts can be subtracted from Oregon personal taxable income. Education awards can be used to pay current educational expenses at eligible schools or used to repay qualified student loans.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the purpose of this provision is "...to eliminate a tax burden on AmeriCorps members when using their education award, causing a subsequent increase in use of awards, and acting as an incentive for AmeriCorps members of other states to attend school in Oregon."

WHO BENEFITS: Individuals receiving AmeriCorps national service educational awards.



**EVALUATION:** *provided by the Higher Education Coordinating Commission*

This tax expenditure is a fiscally effective method of reducing the cost of postsecondary education and training. It makes more funding available to these students, allowing them to complete their education with less debt. AmeriCorps members engage in community service, and this fiscal benefit encourages the feasibility of that work. Because of the restrictions around using the benefit (the recipient must receive the AmeriCorps national service educational award), the benefit is effectively structured to flow to the intended recipients.

### 1.305 MEDICAL SUBTRACTION FOR ELDERLY

**Oregon Statute:** 316.693

**Sunset Date:** None

**Year Enacted:** 2013

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$59,700,000	\$59,700,000
2023-25 Revenue Impact:	Not Applicable	\$63,100,000	\$63,100,000

**DESCRIPTION:** The amount an individual pays for medical care that is not compensated for by insurance or otherwise may be subtracted from their federal taxable income for purposes of calculating Oregon personal income tax liability. Medical care for dependents is not allowed to be subtracted under this provision. This subtraction is available for taxpayers aged 66 and over.

The maximum allowable subtraction of medical expenses attributable to each individual taxpayer meeting the age requirement depends on filing status and income:

<b>Filing Status</b>	<b>Federal Adjusted Gross Income</b>	<b>Maximum Allowable Subtraction per Qualifying Individual</b>
Single or Married Filing Separately	Below \$25,000	\$1,800
	\$25,000 - \$49,999	\$1,400
	\$50,000 - \$99,999	\$1,000
	Above \$100,000	\$0
Married Filing Jointly, Head of Household, or Qualifying Widow(er)	Below \$50,000	\$1,800
	\$50,000 - \$99,999	\$1,400
	\$100,000 - \$199,999	\$1,000
	Above \$200,000	\$0

Legislation in 2013 (HB 3601) created this subtraction to replace the former Oregon Additional Medical Deduction for Elderly, which, when combined with the federal deduction, allowed certain taxpayers to deduct all or most of their medical and dental expenses from Oregon taxable income.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to offset the costs of medical and dental expenses for older taxpayers. The itemized deduction of the former expenditure was converted to a subtraction so that it would be available to all eligible taxpayers, whether they use the standard deduction or itemize their deductions.

**WHO BENEFITS:** Older taxpayers with medical and dental expenses. Approximately 283,500 returns used the subtraction for tax year 2020. The average subtracted amount per tax return was approximately \$1,600.

The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	48,280	\$1,070	\$51.6	\$0.8	3%
\$14,900 - \$32,900	52,300	\$1,600	\$83.8	\$4.1	15%
\$32,900 - \$57,500	51,310	\$1,810	\$92.9	\$6.2	23%
\$57,500 - \$102,200	73,930	\$1,720	\$126.9	\$10.1	37%
Above \$102,200	44,380	\$1,660	\$73.5	\$6.3	23%
<b>All Full-Year Filers</b>	<b>270,200</b>	<b>\$1,590</b>	<b>\$428.7</b>	<b>\$27.6</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>13,300</b>	<b>\$1,550</b>	<b>\$20.7</b>	<b>\$0.8</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** *provided by the Oregon Department of Human Services*

This tax measure seems to meet its purpose in allowing older individuals to deduct expenses for their medical and dental care from their Oregon taxable income. This allows individuals to keep or have more income available to them to support them remaining independent and less likely to use other state and federal programs.

### 1.306 ADDITIONAL DEDUCTION FOR ELDERLY OR BLIND

**Oregon Statute:** 316.695(7)

**Sunset Date:** None

**Year Enacted:** 1989

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$26,100,000	\$26,100,000
2023-25 Revenue Impact:	Not Applicable	\$27,400,000	\$27,400,000

**DESCRIPTION:** Taxpayers who are age 65 or over and those who are blind receive a larger Oregon standard deduction from personal taxable income based on their filing status. For taxpayers who are single or head of household, the standard deduction is increased by \$1,200 per qualifying condition. For all other filers, the additional amount is \$1,000 per qualifying condition. For example, the additional deduction amount is \$2,400 if a single taxpayer is age 65 or over and blind. This tax expenditure does not benefit taxpayers who itemize deductions for Oregon because they do not use the standard deduction. Taxpayers can take advantage of both this expenditure and 1.305, Medical Subtraction for Elderly.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to Oregon taxpayers who are elderly or blind.

**WHO BENEFITS:** The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$16,100	42,530	\$1,110	\$57.9	\$0.9	8%
\$16,100 - \$32,900	26,970	\$1,100	\$37.5	\$2.5	22%
\$32,900 - \$57,100	23,510	\$1,090	\$32.7	\$2.6	23%
\$57,100 - \$100,100	26,000	\$1,050	\$38.2	\$3.2	28%
Above \$100,100	15,460	\$1,030	\$25.0	\$2.2	19%
<b>All Full-Year Filers</b>	<b>134,470</b>	<b>\$1,080</b>	<b>\$191.4</b>	<b>\$11.4</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>12,470</b>	<b>\$410</b>	<b>\$6.8</b>	<b>\$0.4</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

Since both taxpayers on a joint return can claim this deduction, the 146,940 filed tax returns that took the subtraction presented in the above table represent approximately 193,500 individuals claiming the additional deduction. The majority, about 190,500, are elderly individuals.

**EVALUATION:**

*provided by the Oregon Department of Human Services*

This tax expenditure achieves its purpose and is effective in promoting independence among its recipients. The deduction allows for greater disposable income for eligible individuals and helps build individual self-sufficiency. This money enables individuals to avoid needing other services offered by the state Department of Human Services. It is most beneficial to those people who are on the margin between self-reliance and reliance on the state.

### 1.307 ABLE ACCOUNT CONTRIBUTIONS

**Oregon Statute:** 316.699

**Sunset Date:** 12-31-2019

**Year Enacted:** 2015

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

**DESCRIPTION:**

The ABLE (Achieving a Better Life Experience) Account Contributions subtraction expired as of December 31, 2019. Nevertheless, there are revenue impacts for the 2021-23 and 2023-25 biennia due to unused subtraction amounts carried forward to succeeding years. Carryforward of unused amounts in excess of the limitations may be subtracted from taxable income for up to four succeeding years after the donation. A taxpayer who donated in the year of the sunset, 2019, may carry forward unused amounts through 2023.

A subtraction was allowed from individual taxable income for contributions made to an Oregon ABLE account when the contributions were made before the designated beneficiary of the account was 21 years old. The maximum allowable carryforward subtraction amount for 2022 is \$5,185 on a joint return or \$2,590 on all other returns and is annually adjusted for inflation through 2023. This maximum applies to the

combined total of ABLE account and Oregon 529 College Savings Network (see 1.302) contributions carried forward.

The proceeds of these accounts are meant to be used to pay qualified disability expenses, including education, housing, employment training and support, health care, and financial management, of the designated beneficiary. Individuals diagnosed with a disability before the age of 26 are eligible for an Oregon ABLE Savings Plan account. Up to \$100,000 can be saved within an ABLE account without the assets affecting federal and state benefits, and \$15,000 can be contributed annually. The 2017 Tax Cuts and Jobs Act (TCJA) temporarily expanded this provision for tax years 2018 through 2025. Beyond the standard annual contribution limit, an employed designated beneficiary is allowed to contribute an additional amount up to the lower of the prior year’s poverty level for a household of one or the beneficiary’s compensation in the tax year. The TCJA also allows rollovers from 529 plans owned by the beneficiary or a family member into an ABLE account (subject to contribution limits).

Oregon legislation in 2017 (SB 1027) amended the law so that, in the event of the death of the designated beneficiary, the money in the ABLE account can be transferred to the estate of the beneficiary or to another eligible individual’s ABLE account.

The revenue impact above includes only the impact of the state allowed subtraction for contributions. Under federal law, contributions to these accounts are not tax deductible. However, earnings on the contributions and qualifying distributions from the accounts are excluded from federal taxable income. The revenue impact and complete description of federal tax benefits applicable to ABLE accounts are detailed in tax expenditure 1.009, ABLE Account Earnings.

Legislation in 2019 (HB 2164) set a sunset date of December 31, 2019 for this subtraction—with amounts over the annual limit allowed to be carried forward through December 31, 2023—and replaced it with a refundable credit for contributions to an ABLE account. For details on the new credit, see 1.411 Contributions to ABLE Account.

- PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. According to the legislative staff revenue impact statement for the bill that created the Oregon subtraction, SB 777 (2015), the purpose was “...to help people with disabilities to save money for necessary expenses to meet the challenges of life.”
- WHO BENEFITS:** In tax year 2020, about 420 personal income taxpayers saved approximately \$140, on average, using this subtraction.
- EVALUATION:** Not evaluated.

### 1.308 SOCIAL SECURITY BENEFITS (OREGON)

**Oregon Statute:** 316.054

**Sunset Date:** None

**Year Enacted:** 1985

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,070,000,000	\$1,070,000,000
2023-25 Revenue Impact:	Not Applicable	\$1,170,000,000	\$1,170,000,000

**DESCRIPTION:** Social Security and Railroad Retirement Board benefits are exempt from Oregon personal income tax. A portion of Social Security and Railroad Retirement Board benefits are considered nontaxable at the federal level. Oregon extends the tax exemption to the full amount of benefits. As a result, there are two tax expenditures pertaining to these benefits. This tax expenditure pertains to those benefits that are exempt only in Oregon (i.e., they are taxable at the federal level). The tax expenditure pertaining to those benefits that are exempt at both the federal level and in Oregon is 1.011, Social Security Benefits (Federal).

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the Official 1986 Primary Voters’ Pamphlet, “Social Security benefits are the basic retirement income for many Oregonians. These benefits do not provide an adequate standard of living. The erosion of these benefits through taxations would place an undue hardship on many Oregonians least able to pay. The taxation of Social Security benefits would also be unfair. Social Security recipients paid income taxes on their contribution to Social Security during their many years of work. It would be unfair to tax these benefits after retirement.”

**WHO BENEFITS:** Oregon taxpayers who receive federally taxable Social Security or Railroad Retirement Board benefits.

For tax year 2020, the table below shows the combined usage of this subtraction and the federal exclusion, 1.011, Social Security Benefits (Federal).

#### 2020 Personal Income Tax Filers

Income Group of Full-Year Filers*	Number of Filers with SS Benefits	Average SS Benefit	Total SS Benefits (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
<b>Below \$14,900</b>	98,980	\$1,010	\$2,072.8	\$99.5	12%
<b>\$14,900 - \$32,900</b>	73,470	\$1,690	\$1,682.0	\$124.0	15%
<b>\$32,900 - \$57,500</b>	68,380	\$1,900	\$1,610.5	\$130.1	16%
<b>\$57,500 - \$102,200</b>	97,780	\$2,140	\$2,481.0	\$209.6	26%
<b>Above \$102,200</b>	90,060	\$2,840	\$2,896.3	\$256.2	31%
<b>All Full-Year Filers</b>	428,670	\$1,910	\$10,742.6	\$819.3	100%
<b>Part-Year and Nonresident Filers</b>	40,590	\$590	\$329.1	\$23.9	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** *provided by the Oregon Department of Human Services*

This tax expenditure achieves its purpose; however, the issue continues to be the focus of significant national discussion and debate. While this tax subtraction provides the recipients with more disposable income, some are concerned over the viability of the Social Security benefits system in the long term. Retirement index data forecasts that retirement programs and savings patterns of persons aged 30–48

years are not adequate to maintain these individuals at a living standard commensurate with their current living standards. Projections suggest that the rate of retirement savings must increase threefold from present standards in order to accomplish this future parity. The inability to achieve this parity will cause greater numbers of people to look to government service programs to assist them. The present population of those ages 30–48 years is substantial, and this program could have a dramatic impact when they reach the retirement age.

### 1.309 FILM PRODUCTION LABOR REBATE

**Oregon Statutes:** 316.698 and 317.394

**Sunset Date:** 12-31-2029 (certification)

**Year Enacted:** 2005

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$900,000	\$900,000
2023-25 Revenue Impact:	Less than \$100,000	\$900,000	\$900,000

**DESCRIPTION:** Labor rebate payments are excluded from taxation for individuals or corporations that incur \$1 million or more in actual expenses for film, commercial, or television show production in Oregon. For S corporations and other pass-through entities that have qualifying income for the subtraction, the subtraction is shared by the shareholders and subtracted from their Oregon personal income tax. The Oregon Film and Video Office (OFVO) certifies persons or businesses engaging in qualifying film production as eligible for the labor rebate, commonly known as the Greenlight Oregon Labor Rebate, if it is reasonably likely that the person or business will incur actual expenses of at least \$1 million. Upon completion of the film production, OFVO verifies actual expenses and disallows the rebate if actual expenses are less than \$1 million.

The labor rebate is equal to 6.2 percent of the payroll, for which Oregon personal income tax withholding applies, paid during qualifying film production. The amounts withheld are paid to the Department of Revenue and then transferred to the Greenlight Oregon Labor Rebate Fund (GOLRF).

Legislation in 2021 extended the scheduled sunset of the provision from December 31, 2023 to December 31, 2029 (HB 2433).

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the purpose of this provision is “...to maximize the value of the Greenlight Oregon Labor Rebate Fund.”

**WHO BENEFITS:** Individuals and businesses engaging in film production with expenses over \$1 million who receive labor rebate payments from the GOLRF. The Department transferred \$4.2 million to the GOLRF in fiscal year 2021 and \$4.9 million in fiscal year 2022.

**EVALUATION:** *provided by the Oregon Film and Video Office*

This tax expenditure achieves its purpose of retaining and recruiting film production in the state and generating associated spending and employment. Without this program, there would undoubtedly be a drop in activity for Oregon's film, television, and commercial industry.

The GOLRF, in tandem with the Oregon Production Investment Fund (OPIF), is integral in Oregon's ability to compete with the more than 30 other US states that offer production incentives and is directly responsible for the \$215 million of direct film, television, and commercial production spending that was recorded in the 2019-2021 biennium. This number includes more than \$30 million of local commercial production spending directly attributed to the GOLRF program.

In addition to helping recruit out-of-state productions into Oregon, this program also supports Oregon's local production industry. Oregon-based commercial production companies utilize GOLRF to increase their competitive edge to both create work here in the state for export and to attract work into the state, creating a more sustained workforce and a stronger company foundation. Combined, GOLRF and OPIF have accounted for a more than \$1.7 billion in direct production spending in Oregon since the program's inception in 2005, currently affecting more than 3000 jobs on an annual basis on more than 100 Oregon-based projects.

GOLRF has been integral to creating a balanced system that imports work into the state as much as creates and retains work from established companies and individuals already located here in the state. In fact, GOLRF was an instrumental tool in recruiting three animated feature films to Oregon, creating job opportunities for more than 500 people on those projects over a 3-year production period. Oregon's media incentive programs are critical to making media work more competitive here in Oregon in a national landscape that includes more than 30 states and all Canadian provinces offering Film & Media incentive programs.

### 1.310 ARTIST'S CHARITABLE CONTRIBUTION

**Oregon Statute:** 316.838

**Sunset Date:** None

**Year Enacted:** 1979

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Under section 170 of the federal Internal Revenue Code, artists can deduct the costs of materials used to produce artworks donated as charitable contributions. Oregon law is more generous than the federal provision for charitable contributions, in that it allows artists liable for Oregon personal income taxes to subtract from taxable income the fair market value of the art, not just the costs of materials.

Due to the passage of HB 2060 in 2013, artists cannot use this subtraction if the donation was to a charitable organization disqualified from receiving tax deductible contributions due to not spending at least 30 percent of its total annual functional expenses on program services.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the donation of artists' works to charitable organizations.

**WHO BENEFITS:** Artists who donate their art to charitable organizations benefit from this expenditure. For tax year 2020, approximately 360 personal income taxpayers claimed an average subtraction of \$1,400, resulting in a tax savings of \$110 per taxpayer.

**EVALUATION:** Not evaluated.

### 1.311 OREGON INVESTMENT ADVANTAGE

**Oregon Statutes:** 316.778 and 317.391

**Sunset Date:** None

**Year Enacted:** 2001

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Available*	Not Available*	Not Available*
2023-25 Revenue Impact:	Not Available*	Not Available*	Not Available*

\* In certain cases, to conform with taxpayer privacy disclosure laws, revenue impact numbers are not provided for tax expenditures that may affect at most a few taxpayers.

**DESCRIPTION:** Income from business operations at a certified facility may be subtracted for up to 10 consecutive years from Oregon taxable income on personal or corporate tax returns. For S corporations and other pass-through entities that have qualifying income, the subtraction is distributed among the shareholders or owners of the business to potentially reduce their Oregon personal income taxes. To be eligible for the subtraction, the business must apply for preliminary certification from the Oregon Business Development Department (OBDD) before hiring employees, starting construction, making improvements, or beginning operations at the facility. To qualify for preliminary certification, all the following must be true:

- The proposed facility site is in an eligible county (see below), and
  - (i) inside the urban growth boundary of a city of 15,000 or fewer residents, or
  - (ii) on industrially zoned land in a larger city or unincorporated area.
- The proposed facility is intended to operate for at least 10 years.
- The proposed operations at the facility constitute new business operations, unlike what the business does anywhere else in Oregon.
- These operations do not compete with existing employers in the city, port, or county where the facility is located.
- The city, port, or county does not formally object within 60 days.
- The business intends to hire five or more full-time, year-round employees, who for preliminary certification applications submitted to OBDD:
  - between July 1, 2011, and October 5, 2017, receive compensation (wages and benefits) at least 50 percent higher than the per capita personal income (PCPI) for the county at the time of the application, or at least equal to county PCPI while providing health insurance benefits, or,
  - since October 6, 2017 (HB 2066, 2017):
    - (i) receive compensation meeting the above minimums or that is at least 30 percent more than county PCPI for locations outside any metropolitan statistical area, and



(ii) (in all cases) receive an average annual wage at least equal to the then current average wage for the county.

To claim the subtraction, a preliminarily certified business needs to apply annually to OBDD for certification and confirm compliance with hiring and compensation requirements. The Legislature in 2011 permanently delayed the first certification application until not less than 24 months after facility operations had commenced, in the case of any business applying for preliminary certification on or after July 1, 2011, which was done to offset the then estimated revenue impact of reinstating somewhat broader county eligibility criteria from 2011 to 2016. If the business does not comply in a particular year when seeking certification, it is disqualified from the program for that year and any subsequent year.

On July 1, 2016, a narrower statutory definition for eligible counties came back in effect: those recently ranked economically among the worst half of all Oregon counties in terms of both PCPI and annual unemployment rates. In 2022, this meant that businesses may apply to receive preliminary certification for locations only in 15 counties: Baker, Crook, Curry, Douglas, Grant, Harney, Jefferson, Josephine, Klamath, Lake, Linn, Lincoln, Tillamook, Umatilla, and Union.

For a corporation, the amount of subtracted income is determined by multiplying the corporation's taxable income by the sum of:

- Fifty percent of the ratio of the payroll of the business from employment at the certified facility to total statewide payroll of the business, and
- Fifty percent of the ratio of the value of the property of the business at the certified facility to the value of the property of the business statewide.

For a personal income taxpayer who qualifies for a subtraction as a shareholder or owner of an S corporation or other pass-through entity that operates a certified facility, the amount of subtracted income is determined by multiplying the taxpayer's federal taxable income (limited for non-residents or part year residents to Oregon-sourced federal taxable income) by the product of:

- The ratio of the taxpayer's portion of federal adjusted gross income from the business to the taxpayer's total federally adjusted gross income, and
- The ratio of business income derived from sales at the certified facility to sales from all the business's activities.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to encourage business development in low-income areas with high unemployment rates, especially those areas with low population.

**WHO BENEFITS:** Businesses investing in new facility operations in areas with relatively high unemployment and lower incomes, especially in smaller cities.

During the 2022 fiscal year, OBDD issued annual certifications for fewer than ten businesses.

**EVALUATION:** *provided by the Oregon Business Development Department*

Depending on a business firm's state income tax situation and the nature of the facility, this exemption of taxable income—as a type of state tax holiday—may seem quite enticing for developments ranging from those by small business owners to very large corporate projects in certain parts of rural Oregon, where it is otherwise challenging to spur economic activity and diversity. It is, however, a complex

incentive, requiring sophisticated tax knowledge to even estimate the probable, medium-term savings in any given case.

After 2011, new preliminary certification applications dropped off, probably due in part to further statutory complexities that hindered communication and marketing of this tax exemption, despite the five-year reinstatement of slightly broader eligibility criteria. More recently, interest and understanding for the program at the local level has improved; from 2016 to 2019, 11 business firms received preliminary certification, several of which are still to begin claiming subtractions. Currently certified business firms employ just over 221 persons full-time with excellent levels of compensation for rural Oregon.

As Oregon's only significant incentive for business development based on state income taxes, this expenditure is valuable in fostering private investments to help counterbalance conditions in parts of Oregon that lack urban centers in economic development activity. Not only is it unique, but the tax benefit does not depend on the sheer size of new capital outlays like a property tax abatement, such as expenditure 2.013, Enterprise Zone Business. Even though its geographic focus is still quite narrow within rural Oregon, and despite other restrictions on use, it has served as a critical driver in advancing certain projects.

Further analysis is needed to take these geographic objectives into account, as well as incremental tax effects among a relatively small number of situations. Business Oregon presently lacks access to data and resources to thoroughly conduct such an analysis.

It may be noted, however, that while an analogous income tax credit would be simpler to communicate to businesses, this expenditure is less comparable to a direct government expenditure than a credit would be. The taxes abated by this expenditure might relate more directly to otherwise additional state tax revenues, such that there is not necessarily as much of a net fiscal loss. Other advantages over a direct expenditure include individual businessperson's determining where and what investments are economically cost-effective under the current tax structure, market conditions and so forth, as well as general avoidance of bureaucratic-administrative costs, complications or resource allocation inefficiencies. Nevertheless, it is not as finely controllable as a direct expenditure might be for policy purposes.

Other than its policy bias toward rural locations and against the expansion of existing business operations, this tax expenditure does not favor one group of industries in Oregon over another. Finally, like a tax credit, its effectiveness as an incentive depends on the taxpayer's having an Oregon tax liability, but the 10-year exemption period and potential for the new facility to generate additional taxable income could mitigate that issue.

### 1.312 DIVIDEND RECEIVED FROM AN IC-DISC

**Oregon Statute:** 316.749(1)

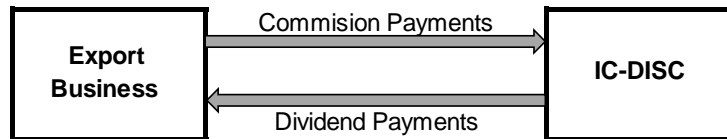
**Sunset Date:** None

**Year Enacted:** 2013

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$9,000,000	\$9,000,000
2023-25 Revenue Impact:	Not Applicable	\$9,600,000	\$9,600,000

**DESCRIPTION:** Personal income taxpayers may subtract from Oregon taxable income any dividend received since 2013 from an Interest Charge – Domestic International Sales Corporation (IC-DISC) that was formed on or before January 1, 2014 if the IC-DISC is subject to tax under ORS 317.283(2)(a). An IC-DISC is defined in section 992 of the Internal Revenue Code.

As a simple overview, an export-oriented business creates an IC-DISC. The business then makes commission payments to the IC-DISC as a percentage of export sales. This income to the IC-DISC is then returned to the owners or shareholders of the business as dividends. In most cases, aside from other functions or services performed through the IC-DISC, the amount of commission payments will equal the amount of dividend payments. The diagram below shows this simplified flow of funds.



At the federal level, regardless of when the IC-DISC was formed, an IC-DISC is not subject to federal income taxes and the dividends are taxed at the lower capital gains tax rate rather than the standard federal personal income tax rate.

At the state level, taxation of an IC-DISC depends on when the IC-DISC was formed. First, the commission payments to an IC-DISC are deductible if the IC-DISC was formed on or before January 1, 2014. Second, the IC-DISC formed before 2014 is taxed at a rate of 2.5 percent on its commissions received (see In Lieu below). Third, the owners or shareholders of the IC-DISC subtract the IC-DISC dividends on their personal income tax returns. In general, the net effect of the flow of payments is that the IC-DISC income distributed to the IC-DISC’s owners or shareholders is taxed at a rate of 2.5 percent rather than at the prevailing marginal income tax rate of typically 8.75 or 9.9 percent.

For Oregon export businesses that created an IC-DISC after January 1, 2014, the IC-DISC is disregarded and dividends paid by it to the export business are treated as regular taxable income.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3601 (2013 Special Session), the purpose of this provision “...is to encourage export activity of Oregon based businesses.”

**WHO BENEFITS:** Taxpayers with taxable personal income who receive a dividend from an IC-DISC that was formed on or before January 1, 2014. In tax year 2020, about 260 personal

income taxpayers saved approximately \$22,000 in tax, on average, using this subtraction.

Over 99 percent of the revenue impact goes to personal income tax filers with incomes above \$100,000.

**IN LIEU:** An IC-DISC is taxed on income at a rate of 2.5 percent. For tax year 2019, approximately 240 IC-DISCs paid a total of \$3.1 million in income tax.

**EVALUATION:** *provided by the Oregon Business Development Department*

This tax expenditure may bolster foreign sales activity for certain Oregon exporters that work with IC-DISCs formed before 2014 especially during the brief period immediately following passage of HB 3601 by the 2013 special session of the Legislature, which could have an ongoing benefit to the Oregon economy. Nationally, that is the intent of the federal law that provides for IC-DISCs in the first place; for any IC-DISC formed after 2013, Oregon provisions for affected taxpayers operate more restrictively with respect to state taxable income compared to federal tax returns. The department lacks data or direct experience to address this expenditure further.

### 1.313 INDIVIDUAL DEVELOPMENT ACCOUNTS (EXCLUSION AND SUBTRACTION)

**Oregon Statute:** 316.848

**Sunset Date:** None

**Year Enacted:** 1999

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Contributions, matching deposits (from fiduciary organizations), and account earnings of individual development accounts (IDAs) for low-income households are exempt from state income tax if funds are withdrawn for approved purposes. Contributions to the accounts by the account holder are subtracted from federal taxable income of the account holder as they are made, and the matching deposits and account earnings are exempt from taxation until withdrawn. If withdrawals from the account are for a qualified purpose, the entire withdrawal is exempt from taxation. For this subtraction, low-income households are defined as those having a net worth less than \$20,000 and income no greater than 80 percent of the area median household income as determined by the U.S. Department of Housing and Urban Development.

The Oregon Housing and Community Services Department (OHCS) administers the Oregon IDA Initiative through Neighborhood Partnerships, which selects fiduciary organizations to manage the IDAs. These fiduciary organizations may establish lower thresholds for income and net worth of account holders than prescribed by statute. Approved purposes for which withdrawals may be made include: acquiring postsecondary education, the first time purchase of a primary residence, certain improvements and repairs to a primary residence, purchase of equipment or training needed to obtain or maintain employment, saving for retirement, and capitalization of

a small business. Account holders may not accrue more than \$6,000 of matching funds in any 12-month period. OHCS establishes a maximum total amount of state directed resources that may be used as matching funds for asset purchase for each individual development account.

Amounts remaining in accounts after asset purchase may be rolled over into qualified tuition savings program accounts. Legislation in 2015 (HB 2171) expanded the approved purposes for which withdrawals may be made and, among other things, provided that, beginning with tax year 2016, accounts established for retirement savings may be rolled over into an individual retirement account, a retirement plan, or a similar account or plan established under the Internal Revenue Code. Legislation in 2021 (HB 2433) increased the maximum accrual of matching funds during any 12-month period from \$3,000 to \$6,000.

There is another tax expenditure closely related to this program: 1.425, Individual Development Account Donation (Credit), provides a credit for individuals or businesses that make contributions to the Oregon IDA Initiative through Neighborhood Partnerships in support of IDA programs.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help lower income Oregonians obtain the assets needed to become economically more resilient by instituting an asset-based prosperity strategy that promotes improved personal financial management and savings and the accumulation of key assets.
- WHO BENEFITS:** In tax year 2020, about 80 personal income taxpayers saved approximately \$190, on average, using this subtraction.
- EVALUATION:** Not evaluated.

### 1.314 MOBILE HOME PARK CAPITAL GAIN

**Oregon Statute:** Ore. Laws 2005 c.826 §6-10  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 2005

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$600,000	\$600,000
2023-25 Revenue Impact:	Less than \$100,000	\$300,000	\$300,000

- DESCRIPTION:** For tax years beginning January 1, 2006 through December 31, 2025, individuals or corporations that sell a manufactured dwelling park may subtract the taxable gain from Oregon taxable income if the sale was made to a corporate entity formed by tenants of the park, or a nonprofit corporation or housing authority as described in ORS 90.844. In 2019, the Legislature extended the sunset to December 31, 2025 (HB 2164).
- HB 2456 (2021) allows individuals or corporations to subtract the taxable gains from Oregon taxable income for any manufactured dwelling park that is destroyed by a natural disaster if the sale is made to a nonprofit corporation or housing authority that will redevelop the site as a manufactured dwelling park.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the 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.”

**WHO BENEFITS:** Owners of manufactured dwelling parks who sell to one of the listed organizations and have a gain as a result of the sale. Few taxpayers have used this expenditure.

**EVALUATION:** *provided by the Housing and Community Services Department*

Through General Housing Account Program (GHAP) and/or Housing Development Grant Program (HDGP) funding, a number of manufactured home parks were preserved and sold either to a nonprofit or to a resident nonprofit cooperative, where the tenants form an organization to purchase the park. Preservation of parks is a critical tool for retaining housing stock affordable to low-income Oregonians, particularly for lower income rural communities. Nonprofits and resident nonprofit cooperatives compete with private investors when manufactured dwelling parks are for sale and this incentive provides a useful tool for encouraging park owners to consider selling to nonprofits. Despite low usage, any incentive that promotes retention of manufactured parks is absolutely meeting its objectives and is achieving the purpose of the tax expenditure.

### 1.315 FIRST-TIME HOME BUYER SAVINGS

**Oregon Statute:** 316.798

**Sunset Date:** 12-31-2026 (new accounts)

**Year Enacted:** 2018

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,300,000	\$1,300,000
2023-25 Revenue Impact:	Not Applicable	\$1,300,000	\$1,300,000

**DESCRIPTION:** A subtraction from Oregon taxable income is allowed for cash contributed by an eligible account holder to an eligible first-time home buyer savings account. In addition, earnings on the account, including interest and other income, are exempt from state taxation until withdrawn by the taxpayer. A savings account is eligible if it is established for the purpose of paying or reimbursing the down payment and allowable closing costs for the purchase of a single-family residence in this state by the account holder. An account holder is eligible if they are an Oregon resident and haven’t owned or purchased a single-family residence within three years of purchasing the single-family residence.

The subtraction may be claimed each year for up to ten years after the account is opened and cannot exceed \$5,000 for an account holder who files an individual return, or \$10,000 for joint account holders who file a joint return. Over the ten years the combined principal and earnings per account holder that may be subtracted is limited to \$50,000. This exemption is not available to accounts opened after December 31, 2026.

The subtraction is phased out for taxpayers with federal adjusted gross income of \$104,000 or more if filing individually, or income of \$149,000 or more if filing a joint return. The home must be purchased within ten years of opening the account. Any amount withdrawn and used for an unqualified purpose before the end of the ten-year period is subject to a five percent penalty and the amount withdrawn must be

added back to income. Any amount that remains in the account at the end of the tenth year must be added back to income if previously subtracted.

People other than the account holder may contribute to an account established for this program. However, only the account holder is eligible to claim this subtraction on their Oregon return.

**PURPOSE:**

The law that allows this subtraction, Oregon 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.”

**WHO BENEFITS:**

For tax year 2020, nearly 1,500 taxpayers claimed this subtraction, claiming on average \$5,577.

**2020 Personal Income Tax Filers**

Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
<b>Below \$14,900</b>	50	\$3,390	\$0.2	<\$0.1	1%
<b>\$14,900 - \$32,900</b>	140	\$3,840	\$0.5	<\$0.1	6%
<b>\$32,900 - \$57,500</b>	360	\$4,520	\$1.6	\$0.1	22%
<b>\$57,500 - \$102,200</b>	510	\$6,110	\$3.1	\$0.3	44%
<b>Above \$102,200</b>	270	\$6,990	\$1.9	\$0.2	27%
<b>All Full-Year Filers</b>	1,330	\$5,520	\$7.4	\$0.6	100%
<b>Part-Year and Nonresident Filers</b>	100	\$6,430	\$0.6	<\$0.1	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:**

*provided by the Housing and Community Services Department*

Homeownership is a key tool for lifting families out of poverty and creating generational wealth, which disproportionately impacts communities of color who have been excluded from ownership through direct actions of governments, financial institutions, and individual actors. OHCS doesn’t administer this program and therefore cannot speak to the utilization rate or ultimate success.

**1.316 MANUFACTURED DWELLING TENANT PAYMENT**

**Oregon Statute:** 316.795 and 317.092

**Sunset Date:** None

**Year Enacted:** 2007

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:**

Under state law (ORS 90.645), an owner of a manufactured dwelling park is required to pay each manufactured dwelling tenant if the tenant is forced to relocate because

the owner of the park is closing the park. The tenant receiving this money can subtract this amount from their Oregon taxable income.

The payment amount depends on the size of the dwelling. Legislation in 2017 (HB 2008) increased the amounts for the payments and provided for the Office of Manufactured Dwelling Park Community Relations to update the amounts annually for inflation. As of 2022, the tenant of a single-wide manufactured dwelling will receive \$6,978; the tenant of a double-wide manufactured dwelling will receive \$9,304; and the tenant of a triple-wide manufactured dwelling will receive \$11,630.

- PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide financial assistance to manufactured dwelling owners who are forced to relocate because of the closure of the manufactured dwelling park.
- WHO BENEFITS:** Residents of closed manufactured dwelling parks who receive payments from the park owners. For tax year 2020, about 110 personal income taxpayers claimed this subtraction.
- EVALUATION:** Not evaluated.

### 1.317 INTEREST FROM STATE AND LOCAL GOVERNMENT BONDS

**Oregon Statute:** 316.056  
**Sunset Date:** None  
**Year Enacted:** 1987

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$300,000	\$300,000
2023-25 Revenue Impact:	Not Applicable	\$300,000	\$300,000

- DESCRIPTION:** Interest or dividends from all federally taxable bonds issued by Oregon state and local governments may be subtracted from Oregon taxable income. This includes interest or dividends received from obligations of counties, cities, local service districts, special government bodies, the Oregon Health and Science University, or other political subdivisions of Oregon that are authorized by the Legislative Assembly to issue certain bonds. Bonds issued by the State Treasurer can be subtracted from income for tax purposes only to the extent that the structure financed is located within Oregon.
- This provision also applies to nonqualified private activity bonds, which are bonds primarily issued by local governments to help finance private developments.
- This subtraction applies only to interest or dividends that are taxed at the federal level but not by Oregon. See tax expenditure 1.050, Interest on Oregon State and Local Debt, for information related to interest or dividends not taxed federally or by Oregon.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the purchase of federally taxable bonds issued by the State of Oregon and local governments in order to promote projects that have public benefits.
- WHO BENEFITS:** Taxpayers holding these bonds benefit from the tax-free interest income. For tax year 2020, approximately 720 personal income taxpayers claimed an average subtraction



of about \$1,500 using this provision. The State of Oregon and local governments also benefit because this provision reduces the costs of borrowing.

EVALUATION: Not evaluated.

### 1.318 DEPLETION COSTS FOR METAL MINES

**Oregon Statute:** 317.374

**Sunset Date:** None

**Year Enacted:** Pre-1953

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Available*	Not Available*	Not Available*
2023-25 Revenue Impact:	Not Available*	Not Available*	Not Available*

\* *In certain cases, to conform with taxpayer privacy disclosure laws, revenue impact numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

**DESCRIPTION:** Oregon operators of timber, mines, fossil fuel wells and other natural deposits are allowed a depletion allowance based on the cost of the property used to produce the natural resources (known as cost depletion). A partial exception exists for Oregon operators of metal mines which are allowed the option of calculating depletion using the percentage depletion method as opposed to cost depletion which is considered the standard method of accounting.

The percentage depletion method allows Oregon operators of metal mines to elect to deduct a depletion allowance equal to 15 percent of the gross income from the metal mine. Up to 50 percent of the net income from the metal mine may be deducted using the depletion allowance based on gross income from the metal mine.

A tax expenditure exists if the percentage depletion method used by the metal mine operator yields a greater tax benefit than the cost depletion method otherwise would.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage discovery and development of metal deposits by potentially reducing the taxes on mining operations.

**WHO BENEFITS:** Very few metal mining companies using the percentage depletion method.

**EVALUATION:** Not evaluated.

### 1.319 ENERGY CONSERVATION SUBSIDIES (OREGON)

**Oregon Statutes:** 316.744 and 317.386

**Sunset Date:** None

**Year Enacted:** 1981

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Cash payments provided by publicly and investor-owned utilities for the purchase or installation of an energy conservation device under the Residential Energy

Conservation Act (ORS 469.631–469.687) can be subtracted from corporate and personal taxable income. Cash payments received from the Oregon Housing and Community Services Department for energy conservation in oil-heated dwellings are also eligible.

For personal income taxpayers who receive cash payments from utilities as part of energy conservation programs, federal law already exempts these payments for residential energy customers from personal taxable income; see 1.037, Energy Conservation Subsidies (Federal). However, federal law does not exempt payments received from entities other than utilities.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to promote energy conservation by encouraging owners of housing to participate in conservation programs sponsored by utilities or the Oregon Housing and Community Services Department.

**WHO BENEFITS:** Homeowners and contractors who receive payments from the Oregon Housing and Community Services Department for completing weatherization or energy conservation projects on oil-heated dwellings. The Oregon Housing and Community Services Department expects to provide payments of approximately \$100,000 in 2022. Additionally, corporate owners of rental housing who receive cash payments from utilities as part of energy conservation programs may benefit.

**EVALUATION:** Not evaluated.

### 1.320 AGRICULTURE SECTOR NET OPERATING LOSS CARRYBACK

**Oregon Statute:** Ore. Laws 2022 c.82, §12-15

**Sunset Date:** 12-31-2028

**Year Enacted:** 2022 (SB 1524)

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$0	\$0	\$0
2023-25 Revenue Impact:	\$10,600,000	\$200,000	\$10,800,000

**DESCRIPTION:** Net operating loss carryback allows businesses that have losses in a given year to deduct these losses from the taxable profit of preceding years by amending prior year tax returns. For certain eligible personal and corporate taxpayers, a net operating loss may be carried back for up to three years preceding the tax year in which the losses arise. This loss carryback is available to losses arising in tax years 2023 through 2028. Eligible taxpayers are those doing business (as identified by the 2017 North American Industry Classification System) in crop production, animal production, or aquaculture.

Under prior law, personal income taxpayers were allowed to carry back losses for two years and such losses may have offset up to 80 percent of taxable income. Legislation in 2022 (SB 1524) granted an additional year for which personal income farm losses can be carried back and removed the limitation of offsetting only 80 percent of taxable income.

Under prior law, corporations were only allowed to carry losses forward; carryback was not allowed. With SB 1524 (2022), corporate taxpayers in the specified industries may carry back losses for a total of three years.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1524 (2022) “the policy purpose of the net operating loss carryback provision is to smooth the tax liability of farm businesses reflective of the ups and downs in farm business income and losses.”

**WHO BENEFITS:** Personal and corporate income taxpayers in the agriculture sector.

**EVALUATION:** *provided by the Oregon Department of Agriculture*  
The tax subtraction facts are described and cannot be evaluated until implemented in 2024 for the 2023 tax year.

### 1.321 WET MARINE AND TRANSPORTATION POLICIES

**Oregon Statute:** 317.080(8)  
**Sunset Date:** None  
**Year Enacted:** 1995

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$1,600,000	Not Applicable	\$1,600,000
2023-25 Revenue Impact:	\$1,600,000	Not Applicable	\$1,600,000

**DESCRIPTION:** Foreign or alien insurers (those formed under the laws of a state other than Oregon or a country other than the United States, respectively) that are authorized by Oregon and write wet marine and transportation (often referred to as ocean marine) insurance are exempt from the corporate excise tax related to this line of business. Specifically, they are allowed to subtract from taxable income the underwriting profit derived from wet marine and transportation insurance. However, authorized insurers (also known as admitted insurers) that write wet marine and transportation insurance pay a tax based upon underwriting profit (net wet marine and transportation premiums less losses incurred and related expenses) from these policies pursuant to ORS 731.824. This tax revenue goes to the General Fund. As described in ORS 731.194, wet marine and transportation insurance covers:

- The insurance of ships and freight
- The insurance of personal property in transport between countries or transported by coast or inland waterways
- The insurance of railroads and aircraft along with their freight while engaged in interstate transport or commerce.

Legislation in 2019 (HB 2787) created a premium tax on non-admitted insurers, equivalent to 0.75 percent of premiums written for Oregon. Since 2020, only admitted insurers have been exempt from corporate excise and retaliatory taxes for wet marine and transportation insurance.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to conform to other states’ tax treatment of wet marine and transportation insurers.

**WHO BENEFITS:** Authorized foreign or alien insurers that sell wet marine and transportation policies.

**IN LIEU:** A 5 percent tax is imposed on the average wet marine insurance underwriting profit during the previous three years. For calendar year 2020, 64 wet marine insurers had

premiums; 37 of these insurers paid about \$88,500 in tax based on underwriting profits from writing wet marine and transportation insurance.

**EVALUATION:** *provided by the Department of Consumer and Business Services*

Wet marine and transportation insurers have been taxed only on their underwriting profit since at least 1928. Wet marine and transportation is subject to federal law and treaty. Taxing wet marine and transportation insurers based on underwriting profit rather than gross premium helps to achieve uniformity among states. This method of taxation ultimately benefits parties that purchase this type of insurance, such as ports and interstate transportation carriers, including marine, railroad, and aircraft, by reducing the cost of insurance (if the insurer passes the savings on to the insured).

If this tax expenditure were eliminated, Oregon would have a unique tax structure compared to other states. If the tax subtraction were repealed, it could potentially put the policy holders at a competitive disadvantage with other states.

### 1.322 HYDROELECTRIC DAM AND WATERWAY WORKERS

**Oregon Statute:** 316.127(8) and (10)

**Sunset Date:** None

**Year Enacted:** 1997

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Not Available	Not Available
2023-25 Revenue Impact:	Not Applicable	Not Available	Not Available

**DESCRIPTION:** Under federal law enacted in 1998 (P.L. 105-261), Oregon cannot tax nonresident federal employees who provide services at federally owned hydroelectric facilities on the Columbia River. In 2001, the Oregon Legislature (SB 426) made compensation nontaxable when earned by any nonresident dam workers on the Columbia River, not just nonresident federal employees working at the dams.

Under federal law approved in 2000 (P.L. 106-489), Oregon cannot tax nonresidents working on vessels or ships that operate in navigable waters of more than one state.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purposes are to comply with federal law and simplify tax compliance for certain nonresidents with regularly assigned duties in more than one state.

**WHO BENEFITS:** Nonresident workers at federal dams on the Columbia River and nonresident pilots, captains, and crews of vessels operating in navigable waters of more than one state.

**EVALUATION:** *provided by the Department of Revenue*

This expenditure complies with federal law and also relieves the specified taxpayers of the difficulty of determining the portion of income earned in Oregon while working on dams or ships in border river areas.

### 1.323 INCOME EARNED IN “INDIAN COUNTRY”

**Oregon Statute:** 316.777

**Sunset Date:** None

**Year Enacted:** 1977

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$7,400,000	\$7,400,000
2023-25 Revenue Impact:	Not Applicable	\$7,400,000	\$7,400,000

**DESCRIPTION:** Income earned within the boundaries of federally recognized “Indian country” (as defined in 18 USC 1151) in Oregon by members of federally recognized American Indian tribes is exempt from taxation under Oregon’s personal income tax. The taxpayer must reside in Indian country in Oregon and the income must be earned in Indian country to qualify for the exemption.

As defined in 18 USC 1151, “Indian country” means “(a) all land within the limits of any Indian reservation under the jurisdiction of the United States Government, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation, (b) all dependent Indian communities within the borders of the United States whether within the original or subsequently acquired territory thereof, and whether within or without the limits of a state, and (c) all Indian allotments, the Indian titles to which have not been extinguished, including rights-of-way running through the same.”

**PURPOSE:** To comply with federal law.

**WHO BENEFITS:** Tribal members who earn income in “Indian country.” The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers						
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group	
<b>Below \$14,900</b>	210	\$7,450	\$1.6	<\$0.1	1%	
<b>\$14,900 - \$32,900</b>	420	\$20,920	\$8.8	\$0.4	11%	
<b>\$32,900 - \$57,500</b>	470	\$37,430	\$17.5	\$1.0	30%	
<b>\$57,500 - \$102,200</b>	280	\$52,750	\$14.6	\$1.0	29%	
<b>Above \$102,200</b>	130	\$104,110	\$13.0	\$1.0	29%	
<b>All Full-Year Filers</b>	1,500	\$36,940	\$55.5	\$3.4	100%	
<b>Part-Year and Nonresident Filers</b>	30	\$28,780	\$0.7	\$0.0		

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** provided by the Department of Revenue

This expenditure achieves its purpose of compliance with federal law.

### 1.324 FEDERAL PENSION INCOME

**Oregon Statute:** 316.680(1)(e)

**Sunset Date:** None

**Year Enacted:** 1998

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$122,000,000	\$122,000,000
2023-25 Revenue Impact:	Not Applicable	\$120,000,000	\$120,000,000

**DESCRIPTION:** Pension income attributable to federal employment prior to October 1, 1991, is exempt from the Oregon personal income tax. The subtraction is prorated based on the number of months of federal employment prior to October 1991 versus the months after October 1991.

This tax expenditure is the result of a series of legislative actions and court cases through the 1990s which attempted to define a consistent tax policy toward government pension income. This followed the 1989 U.S. Supreme Court ruling that state pensions could not receive better tax treatment than federal pensions (*Davis v. Michigan*, 489 U.S. 803).

**PURPOSE:** To comply with federal law.

**WHO BENEFITS:** The table below shows usage of this subtraction for tax year 2020.

**2020 Personal Income Tax Filers**

Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
<b>Below \$14,900</b>	1,450	\$8,650	\$12.6	\$0.1	<1%
<b>\$14,900 - \$32,900</b>	5,300	\$14,530	\$77.0	\$2.9	5%
<b>\$32,900 - \$57,500</b>	7,690	\$20,790	\$159.9	\$9.7	16%
<b>\$57,500 - \$102,200</b>	11,880	\$26,240	\$311.9	\$22.9	37%
<b>Above \$102,200</b>	9,940	\$30,360	\$301.7	\$25.6	42%
<b>All Full-Year Filers</b>	36,260	\$23,800	\$863.0	\$61.3	100%
<b>Part-Year and Nonresident Filers</b>	870	\$20,940	\$18.1	\$0.7	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** provided by the Department of Revenue

This expenditure achieves its purpose of compliance with federal law.

### 1.325 LEGISLATIVE PER DIEM AND ALLOWANCE

**Oregon Statute:** 171.072(7)

**Sunset Date:** None

**Year Enacted:** 1967

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$100,000	\$100,000
2023-25 Revenue Impact:	Not Applicable	\$100,000	\$100,000

**DESCRIPTION:** Members of the Oregon Legislature are allowed to subtract from their Oregon taxable income a legislative per diem or allowance received. Members receive a per diem for each day that the Legislature is in session. In addition, members are entitled to a monthly allowance for expenses incurred in the performance of official duties during periods when the Legislature is not in session. Members may also receive mileage reimbursement and a per diem for each interim day spent serving on a nonlegislative committee or entity such as an interstate body or advisory committee. Further, when the Legislature is not in session, members may receive mileage reimbursement for periods spent working on a Legislative committee or task force.

Reimbursements of actual expenses related to legislative work, as well as ordinary and necessary business expenses in excess of the reimbursements may also be subtracted from income for state income tax purposes. Reimbursements by the state for actual expenses for meals and lodging associated with state travel for the same period during which a legislator receives per diem are subject to state income tax.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to maintain the benefits available to members serving in Oregon’s Legislature.

**WHO BENEFITS:** Members of the Oregon Legislative Assembly. For tax year 2020, approximately 45 taxpayers claimed an average subtraction of about \$12,800, for an average tax savings of about \$960.

**EVALUATION:** Not evaluated.

### 1.326 OREGON STATE LOTTERY PRIZES

**Oregon Statute:** 461.560

**Sunset Date:** None

**Year Enacted:** 1985

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$300,000	\$300,000
2023-25 Revenue Impact:	Not Applicable	\$200,000	\$200,000

**DESCRIPTION:** Oregon State Lottery (Lottery) prize winners may subtract from Oregon taxable income winnings of up to \$600 from Oregon taxable income. The \$600 limit applies to a single play of a single game.

Originally, all prizes awarded by the Lottery were exempt from tax. In 1997, the Oregon Legislature changed the law so that only prizes up to and including \$600

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were exempt. However, individuals who purchased a winning ticket prior to January 1, 1998, may continue to subtract those winnings.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to enable ease of play and prize redemption for Lottery game participants and to support ease of selling and prize payment for Lottery game retailers.

**WHO BENEFITS:** For tax year 2020, approximately 590 personal income taxpayers claimed an average subtraction of about \$3,500 using this provision. The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers						
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group	
Below \$14,900	90	\$1,850	\$0.2	<\$0.1	2%	
\$14,900 - \$32,900	100	\$2,060	\$0.2	<\$0.1	10%	
\$32,900 - \$57,500	140	\$2,350	\$0.3	<\$0.1	15%	
\$57,500 - \$102,200	140	\$2,070	\$0.3	<\$0.1	15%	
Above \$102,200	100	\$10,520	\$1.0	<\$0.1	58%	
<b>All Full-Year Filers</b>	<b>560</b>	<b>\$3,560</b>	<b>\$2.0</b>	<b>\$0.2</b>	<b>100%</b>	
<b>Part-Year and Nonresident Filers</b>	<b>20</b>	<b>\$2,190</b>	<b>&lt;\$0.1</b>	<b>&lt;\$0.1</b>		

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** *provided by the Oregon Lottery*

This tax expenditure achieves its purpose and helps support the statutory purpose of the Lottery: to generate profits for the public purpose without imposing additional or increased taxes. Eliminating this tax expenditure would be a disincentive to players. Generally, approximately 83 percent of all Traditional Lottery prizes won are less than \$600 and are paid to winners by a Statewide retailer network based on contractual terms. The remaining prizes above \$600 are subject to reporting and taxation and/or withholding. In 2021, 7,156 W2G's were sent to DOR resulting in the remittance \$3,527,669 in tax withholding for Traditional Lottery prizes.

Since 2009, the Lottery has changed the prize mix on Video Lottery games offered to the public. In 2009 all Video Lottery prizes were under \$600 and therefore not subject to taxation. These prizes were paid by 3,200 retailers throughout the State. In 2010 Lottery began awarding prizes above \$600 which were subject to reporting and tax withholding for State purposes. In 2009, no W2G tax reporting documents were sent and reported to Oregon Department of Revenue (DOR) for Video Lottery, however, in 2015 (based on the number of prizes awarded above \$600) 21,670 W2G's were sent to DOR resulting in the remittance of \$475,297 in tax withholding. In 2021, 41,902 W2G's were sent to DOR resulting in the remittance of \$8,172,927 in tax withholding for Video Lottery prizes.

In October 2019 Lottery introduced an on-line sports betting game which is sold only through Lottery's downloadable mobile application. In 2021, 30,851 W2G's were sent to DOR resulting in the remittance of \$1,235,983 in tax withholding for Lottery sports prizes.

As with Traditional prizes, most video prizes (which are also under \$600) are paid directly by Lottery retailers. Changing the taxation and reporting requirements for



Video and Traditional prizes would require that winners travel to claim centers for payment of smaller prizes and would be a burden for both winners from an inconvenience perspective and the Lottery. Specifically, there would be significant costs to program Lottery gaming systems and change processes to accommodate the tax change to send out reporting and withholding documents to all players for prizes paid by Lottery. These costs would result in reduced funds available as transfers to beneficiaries.

Lottery continues to face pressures from other entertainment options and gambling opportunities (such as illegal offshore gambling) for which players do not pay taxes. If players choose other options, as an example, a loss of even 1% of video sales over the last two fiscal years to competition would have reduced transfers to the state by roughly \$1.4 million.

### 1.327 FEDERAL INCOME TAX SUBTRACTION

**Oregon Statutes:** 316.680(1)(b), 316.685, and 316.695

**Sunset Date:** None

**Year Enacted:** 1929

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$985,000,000	\$985,000,000
2023-25 Revenue Impact:	Not Applicable	\$1,180,000,000	\$1,180,000,000

**DESCRIPTION:**

Taxpayers are allowed a limited subtraction for their current year’s federal income tax liability after credits. The subtraction limit is up to \$7,250 for 2022 (indexed to inflation), except that those taxpayers who use a filing status of married filing separately have a subtraction limit up to 50 percent of that amount or \$3,625 for 2022.

The maximum subtraction limit is phased down for high income filers. Filers with a filing status of single or married filing separately with an adjusted gross income of \$125,000 to \$145,000 have a reduced limit, as do filers with a filing status married filing jointly, head of household, or qualifying widow(er) with an adjusted gross income of \$250,000 to \$290,000. For filers with an adjusted gross income above their respective upper limit, no subtraction of their federal income tax is allowed.

**PURPOSE:**

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to help offset payments toward a federal income tax liability for taxpayers whose income is below a certain threshold.

**WHO BENEFITS:**

The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	10,770	\$220	\$2.4	\$0.2	<1%
\$14,900 - \$32,900	67,950	\$610	\$41.4	\$3.6	1%
\$32,900 - \$57,500	223,450	\$1,840	\$410.9	\$35.4	12%
\$57,500 - \$102,200	293,260	\$4,250	\$1,247.2	\$108.0	35%
Above \$102,200	298,190	\$6,050	\$1,804.9	\$157.7	52%
<b>All Full-Year Filers</b>	<b>893,610</b>	<b>\$3,920</b>	<b>\$3,506.8</b>	<b>\$304.9</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>125,660</b>	<b>\$1,920</b>	<b>\$241.6</b>	<b>\$18.6</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

EVALUATION: Not evaluated.

### 1.328 MILITARY ACTIVE DUTY AND RELATED PAY

**Oregon Statutes:** 316.792

**Sunset Date:** None

**Year Enacted:** 1969

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$48,900,000	\$48,900,000
2023-25 Revenue Impact:	Not Applicable	\$50,900,000	\$50,900,000

DESCRIPTION: Typically, taxpayers who are military members who are Oregon residents or domiciled in Oregon may subtract up to \$6,000 of military pay from Oregon taxable income. Military pay includes pay for active duty, inactive duty, training and reserve component duty, including state active duty and any other compensation, other than retirement pay or pension, paid by the Armed Forces of the United States to a member of the Armed Forces of the United States.

Taxpayers may subtract all military duty pay for the following:

- Service performed outside this state in the year of initial draft or enlistment or in the year of discharge
- Service performed outside this state during any month beginning on or after August 1, 1990, and before the date designated by the President of the United States as the date of termination of combatant activities in the Persian Gulf Desert Shield area
- Service by a member of the reserve components, if:
  - The military pay is for service performed when the taxpayer is away from the home of the taxpayer overnight
  - The taxpayer is required to be away from home overnight in order to perform the service, and
  - The service is of a duration of at least 21 consecutive days, although the consecutive days need not be in the same tax year

The total amount subtracted may not exceed the taxpayer’s total military pay included in federal taxable income for the tax year. See 1.507, Non-Resident Armed Forces for the special treatment of residency requirements for active-duty members of the military.

Minor modifications to the definition of military pay occurred several times since 1991. Legislation in 2013 (HB 2230) consolidated three previous statutes into a new statute, simplifying the statutory language.

**PURPOSE:**

The statutes that allow this tax expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2171 (2015), the purpose of this subtraction “... is to provide tax relief to service members ... in consideration of their work and sacrifices for their state and country.”

**WHO BENEFITS:**

The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	1,160	\$7,170	\$8.3	\$0.3	1%
\$14,900 - \$32,900	3,750	\$19,510	\$73.2	\$4.3	21%
\$32,900 - \$57,500	3,180	\$29,740	\$94.5	\$5.8	28%
\$57,500 - \$102,200	2,350	\$35,070	\$82.2	\$5.7	28%
Above \$102,200	1,550	\$38,420	\$59.4	\$4.6	22%
<b>All Full-Year Filers</b>	<b>11,980</b>	<b>\$26,530</b>	<b>\$317.7</b>	<b>\$20.7</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>1,890</b>	<b>\$30,660</b>	<b>\$58.0</b>	<b>\$2.6</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:**

*provided by the Oregon Military Department*

This tax expenditure achieves its purpose and is a valuable benefit to members of the Oregon National Guard, both Army and Air, as well as other military personnel. Although the subtraction per tax return is not a great deal of money, it is one of few incentives the State of Oregon offers its citizen soldiers that is comparable to those offered in other states. When talking with prospective recruits or soldiers contemplating re-enlistment, the subject of state incentives frequently arises. There is merit in offering benefits that are comparable to those of other states; examples of which include free tuition to state colleges and universities, re-enlistment bonuses, free automobile licenses, free driver’s licenses, and free hunting and fishing licenses. These state benefits are an inexpensive way to recognize the contributions Guard members make to their communities. They help the state recruit and retain quality soldiers and airmen and should be maintained by the State of Oregon.

## 1.329 INTEREST AND DIVIDENDS ON U.S. OBLIGATIONS

**Oregon Statute:** 316.680(1)(a)

**Sunset Date:** None

**Year Enacted:** 1970

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$19,900,000	\$19,900,000
2023-25 Revenue Impact:	Not Applicable	\$27,000,000	\$27,000,000

**DESCRIPTION:** Interest and dividends earned on the direct obligations of the U.S. government are exempt from Oregon personal income tax. For example, the dividends or interest earned on U.S. Treasury bills, notes, bonds, and savings bonds are not taxable by state and local governments. Excluded from this provision are the debt instruments of quasi-governmental issuers like the Government National Mortgage Association and the Federal National Mortgage Association. Bonds issued by quasi-governmental issuers are not direct obligations of the U.S. government.

**PURPOSE:** To comply with federal law prohibiting states from taxing interest and dividends on U.S. government obligations.

**WHO BENEFITS:** The direct beneficiaries are taxpayers who receive income from U.S. obligations such as bonds. The table below shows usage of this subtraction for tax year 2020.

2020 Personal Income Tax Filers						
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group	
<b>Below \$14,900</b>	6,120	\$780	\$4.8	<\$0.1	<1%	
<b>\$14,900 - \$32,900</b>	5,910	\$810	\$4.8	\$0.2	2%	
<b>\$32,900 - \$57,500</b>	7,610	\$1,070	\$8.1	\$0.5	6%	
<b>\$57,500 - \$102,200</b>	13,740	\$1,360	\$18.7	\$1.4	16%	
<b>Above \$102,200</b>	27,890	\$2,660	\$74.1	\$6.7	75%	
<b>All Full-Year Filers</b>	61,270	\$1,800	\$110.5	\$8.9	100%	
<b>Part-Year and Nonresident Filers</b>	2,110	\$2,240	\$4.7	\$0.2		

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** provided by the Department of Revenue

This expenditure achieves its purpose of compliance with federal law.

## 1.401 EMPLOYER PROVIDED SCHOLARSHIPS

**Oregon Statute:** 315.237  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 2001

**Carryforward:** 5 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Qualifying employers may claim a credit against their income tax for 50 percent of the amount of scholarships funded for their employees or their employees' dependents, with a maximum credit of \$50,000 per tax year. The amount each taxpayer claims in any one year may not exceed the tax liability of that taxpayer for that year. If the credit exceeds the employer's tax liability, the excess may be carried forward up to five years. To qualify, employers must have between four full-time equivalent and 250 employees and have their scholarship program and credit amount certified by the Office of Student Access and Completion within the Oregon Higher Education Coordinating Commission. There is a \$1 million cap on the total amount of credits that can be certified per calendar year, and the total lifetime amount of credits an employer may claim is limited to \$1 million. The credit is prorated for a nonresident taxpayer.

Legislation in 2019 (HB 2164) extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose of the credit is "to encourage and leverage private money to help pay for higher education."

**WHO BENEFITS:** Taxpayers with a tax liability who fund employee and dependent scholarship programs. Very few taxpayers benefit from this credit.

**EVALUATION:** *provided by the Higher Education Coordinating Commission*

This benefit encourages employers to support the postsecondary education and training of its employees by providing a tax benefit to those employers for offering postsecondary scholarships to employees. Because the majority of postsecondary students are employed while they attend school, this benefit indirectly supports the educational attainment goals of individuals and the state.

## 1.402 CONTRIBUTIONS OF COMPUTER EQUIPMENT

**Oregon Statute:** 317.151  
**Sunset Date:** 12-31-2013  
**Year Enacted:** 1985

**Carryforward:** 5 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** The Contributions of Computer Equipment credit expired as of December 31, 2013. Nevertheless, there may be revenue impacts for the 2021-23 and 2023-25 biennia due

to unused credit amounts carried forward to succeeding years or new credits based on agreements in place prior to the sunset. Unused credit amounts due to insufficient tax liability may be used in later years, for up to five years. A taxpayer who made a donation in the year of the sunset, 2013, may carry forward unused amounts through tax year 2018. Generally, the contribution had to be made in tax years beginning before January 1, 2014, to qualify for the credit. However, if a written contract or agreement for donating money for scientific or engineering research was agreed upon before January 1, 2014, but the donation was given after that date, the credit is still allowed.

A credit against income taxes was allowed for contributions of any of the following to an institution of higher education, a postsecondary school, or a public school (grades K-12) in Oregon:

- Computers and scientific equipment
- An agreement for maintenance of the computers and scientific equipment
- Money given by contract or agreement for scientific or engineering research.

The credit was equal to 10 percent of the fair market value of the contribution donated. This credit is in lieu of any deduction based on the contribution. For S corporations that claim the credit, the credit is shared by the S corporation shareholders and claimed against their Oregon personal income tax.

**PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to encourage donations of computers and scientific equipment to educational institutions.

**WHO BENEFITS:** Very few taxpayers benefit from this credit.

**EVALUATION:** Not evaluated.

### 1.403 OPPORTUNITY GRANT FUND CONTRIBUTIONS

**Oregon Law:** 315.643  
**Sunset Date:** 12-31-2023  
**Year Enacted:** 2018

**Carryforward:** 3 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$27,200,000	\$27,200,000
2023-25 Revenue Impact:	Less than \$100,000	\$12,400,000	\$12,400,000

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** A credit against corporation or personal income taxes is available to taxpayers who purchase tax credits from an auction conducted by the Department of Revenue (DOR), in cooperation with the Higher Education Coordinating Commission (HECC). The proceeds of the auction go to the Opportunity Grant Fund.

DOR administers the auction process and determines the minimum bid before conducting the auction, which cannot be below 90 percent of the value of the credit. Legislation in 2019 (SB 459) decreased the requirement for the minimum bid from 95 percent of the value of the credit to 90 percent. It also requires the auction to be conducted no later than April 15 following December 31 of any tax year for which

the credit is allowed. Due to legislation in 2021 (HB 2456), taxpayers can now either claim the credit for the tax year in which they participated in the auction or for the prior tax year, as long as they have not yet filed a tax return for the prior year.

There is no maximum credit per taxpayer, but there is a \$14 million limit on the total amount of credits that can be issued annually.

The tax credit is not transferable. The amount each taxpayer claims in any one year may not exceed the tax liability of that taxpayer for that year. Any tax credit not used in a particular year because of insufficient tax liability may be carried forward for up to three years. A nonresident or part-year resident taxpayer can claim the credit in full, without proration.

**PURPOSE:** According to the revenue impact statement for SB 1528 (2018), the purpose of the credit is to “establish an additional funding source to be used to support the Oregon Opportunity Grant program thereby expanding support to Oregon higher education students in need of financial assistance.”

**WHO BENEFITS:** Taxpayers with a tax liability who purchase tax credits in an auction, proceeds of which fund the Opportunity Grant Fund. At the most recent auction in December 2021, about 105 taxpayers paid \$13.5 million for tax credits with a total value of \$14 million. Over 99 percent of the revenue impact goes to personal income tax filers with incomes above \$100,000.

According to the HECC website, more than 40,000 college students receive Opportunity Grants each year.

**EVALUATION:** *provided by the Higher Education Coordinating Commission*

The tax credit auction results in significant additional investment in the Oregon Opportunity Grant. Revenue raised by the tax credit auction directly supports awards to thousands of additional low-income Oregon students. Because the Oregon Opportunity Grant is an effective means of facilitating college and university completion, expanding the pool of funds available to students (especially low-income students who face higher burdens of affordability) supports their educational attainment and that of the state. Evaluation of the Oregon Opportunity Grant has shown that students receiving the grant are more likely to graduate than other low-income students who do not receive the grant.

## 1.404 EMPLOYEE TRAINING

**Oregon Statute:** 315.523

**Sunset Date:** 12-31-2022 (see description)

**Year Enacted:** 2017

**Carryforward:** 3 years

**Refundable:** No

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** A credit is allowed against personal or corporation income taxes to a taxpayer who is located in a qualifying county and who establishes and implements an employee training program in collaboration with a local community college. The credit allowed is 12 percent of the taxpayer’s expenses to establish and implement the training program. The amount each taxpayer claims in any one year may not exceed the tax





the credit allowed is limited based on the taxpayer’s adjusted gross income (AGI) and is the lesser of \$150 (\$300 for a joint return) in 2022, adjusted annually for inflation, or the following:

AGI Amount	Credit Amount
Less than \$30,000	100% of contribution
\$30,000 to \$70,000	50% of contribution
\$70,000 to \$100,000	25% of contribution
\$100,000 to \$250,000	10% of contribution
\$250,000 or more	5% of contribution

The credit is a refundable credit. To the extent that the credit exceeds a taxpayer’s liability (reduced by any nonrefundable credits), the taxpayer receives a payment for the excess.

The proceeds of Oregon 529 College Savings Network accounts are meant to be used to pay higher education related expenses for a designated beneficiary. Total contributions to these accounts are allowed up to the amount necessary to cover the qualified higher education expenses of the beneficiary or limits specified by the Oregon 529 Savings Board.

The revenue impact above includes only the impact of the state allowed credit for contributions. Under federal law, contributions to these accounts are not tax deductible. However, earnings on contributions and qualifying distributions from the accounts are excluded from federal tax. The revenue impact and complete description of federal tax benefits applicable to Oregon 529 College Savings Network accounts are detailed in tax expenditure 1.002, Qualified Education Savings (Federal).

This credit replaces the corresponding subtraction, 1.302 Oregon 529 College Savings Network, which sunset December 31, 2019.

**PURPOSE:**

The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose is “to provide families and individuals a tool with which to begin saving for higher education expenses thereby encouraging individuals to commit to continuing their education beyond high school. Policy intent of restructuring tax subtraction as a refundable credit is to make tax incentive more available to families and individuals of more modest means.”

**WHO BENEFITS:**

The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
<b>Below \$14,900</b>	910	\$190	\$0.2	2%
<b>\$14,900 - \$32,900</b>	840	\$200	\$0.2	2%
<b>\$32,900 - \$57,500</b>	1,860	\$200	\$0.4	4%
<b>\$57,500 - \$102,200</b>	6,570	\$200	\$1.3	15%
<b>Above \$102,200</b>	30,270	\$220	\$6.6	76%
<b>All Full-Year Filers</b>	40,450	\$210	\$8.6	54%
<b>Part-Year and Nonresident Filers</b>	1,190	\$120	\$0.1	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** *provided by the Higher Education Coordinating Commission*

This tax expenditure is a fiscally effective method of achieving its purpose, which is to reduce the cost of higher education. With nearly half of students reporting they cannot meet cost of attendance expenses, even after accounting for family and financial aid contributions, this allows families to save ahead to meet educational expenses. This is particularly important going forward as the fastest growing component of the cost of attendance is housing and related costs, which these contributions can be used to pay for.

### 1.406 EARNED INCOME CREDIT

**Oregon Statute:** 315.266  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 1997

**Carryforward:** No  
**Refundable:** Yes  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$115,000,000	\$115,000,000
2023-25 Revenue Impact:	Not Applicable	\$122,000,000	\$122,000,000

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

**DESCRIPTION:** Taxpayers eligible for the federal earned income tax credit (EITC), a refundable federal income tax credit for low-income working individuals and families, may claim an Oregon income tax credit equal to 9 percent of the federal credit. For taxpayers with at least one dependent under the age of three, the Oregon income tax credit increases to 12 percent of the federal EITC.

The Oregon earned income tax credit is also a refundable credit. To the extent that the state credit exceeds a taxpayer’s liability (reduced by any nonrefundable credits), the taxpayer receives a payment for the excess.

The federal EITC varies based on a taxpayer’s “earned” income (generally wages and certain types of self-employment income). Specifically, the federal EITC equals a fixed percentage of earned income until reaching a maximum amount. The credit then remains at this maximum amount over a subsequent range of earned income. The credit then decreases with earned income until the point when the credit becomes zero for incomes above a certain threshold. The income breakpoints and maximum credit depend on filing status and number of qualifying children. For tax year 2022, the maximum federal EITC for a taxpayer without children is \$560. In contrast, the maximum credit for a taxpayer with one child is \$3,733, with two children is \$6,164, and with three or more children is \$6,935. For married filing jointly taxpayers with three or more children, they cannot claim the credit if they have an adjusted gross income above \$59,187. For single taxpayers and taxpayers with two or fewer children the threshold income is less. The federal EITC credit cannot be claimed by taxpayers filing as married filing separately. However, the American Rescue Plan Act temporarily increased and expanded eligibility for the EITC credit in 2021 for certain individuals without children as well as for taxpayers filing as married filing separately.

At inception, the Oregon credit was 5 percent of the federal earned income tax credit. In 2006, the Oregon credit became refundable. In 2008, the Oregon credit increased

to 6 percent of the federal credit and further increased to 8 percent in 2014. Beginning with tax year 2017, the Oregon credit increased to 11 percent of the federal credit for taxpayers with a dependent under the age of three. Legislation in 2019 (HB 2164) increased the Oregon credit from 8 percent to 9 percent of the federal credit and, for taxpayers with a dependent under the age of three, from 11 percent to 12 percent. The same legislation extended the scheduled sunset of the Oregon earned income credit to December 31, 2025.

Legislation in 2021 (HB 2433) expanded qualification for the credit by allowing resident and nonresident individuals to claim the credit using their Individual Taxpayer Identification Number in lieu of a Social Security Number. The legislative staff revenue impact statement for HB 2433 stated that the purpose of the expansion was “to make the earned income tax credit more equitable by eliminating the distinction between taxpayers filing with a Social Security Number and those filing with an Individual Taxpayer Identification Number.”

**PURPOSE:**

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of the credit is “to increase the spendable income of low-income working families by offsetting state income taxes, thereby encouraging low wage earners to enter the labor force or earn more if already part of the labor force.”

**WHO BENEFITS:**

The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	107,840	\$120	\$13.5	28%
\$14,900 - \$32,900	78,390	\$340	\$26.5	55%
\$32,900 - \$57,500	48,600	\$160	\$7.9	17%
\$57,500 - \$102,200	0	\$0	\$0.0	0%
Above \$102,200	0	\$0	\$0.0	0%
<b>All Full-Year Filers</b>	<b>234,830</b>	<b>\$200</b>	<b>\$47.9</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>24,360</b>	<b>\$120</b>	<b>\$2.9</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

Since this is a refundable credit, the full amount of credits claimed can be used, even if the taxpayer has little or no tax liability. Of the approximately \$50.8 million claimed for 2020, \$27.7 million was used to reduce tax liability, while the remaining \$23.1 million exceeded tax liability and was paid directly to taxpayers.

**EVALUATION:**

*provided by the Oregon Department of Human Services*

With its low administrative costs, the Earned Income Tax Credit is a fiscally effective means of assisting low-income families to achieve stability and reduce the effects of child poverty. By supporting low-income families this credit improves child health outcomes and can reduce a family’s chance of entering the child welfare system.

For the federal earned income tax credit, the IRS estimates that for tax year 2018, Oregon had the second lowest participation rate of eligible residents compared to other states.

### 1.407 CHILD WITH A DISABILITY

**Oregon Statute:** 316.099(3)  
**Sunset Date:** 12-31-2027  
**Year Enacted:** 1985

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$9,200,000	\$9,200,000
2023-25 Revenue Impact:	Not Applicable	\$10,100,000	\$10,100,000

**DESCRIPTION:** Every nondependent taxpayer in Oregon with adjusted gross income at or below \$200,000 for joint filers and at or below \$100,000 for single filers is allowed one personal exemption credit plus one for a spouse and one for each dependent. For taxpayers with adjusted gross income that does not exceed \$100,000, an additional personal exemption credit is allowed for each qualifying dependent child who is disabled. The adjusted gross income limits are not adjusted for inflation. The amount of the personal exemption credit (and hence the severe disability credit) is indexed each year to account for inflation and is prorated for nonresidents and part-year residents. The credit is \$219 in 2022.

“Child with a disability” is defined as a dependent child who is eligible for early intervention services, or who is diagnosed for special education purposes as being autistic, mentally retarded, multi-disabled, visually impaired, hearing impaired, deaf-blind, orthopedically impaired, other health impaired, or as having emotional disturbance or traumatic brain injury, in accordance with State Board of Education rules.

Use of this program has been expanded by the federal Americans with Disabilities Act, as well as a tax court decision allowing the credit for nonresident dependents diagnosed and educated in other states.

Prior to 2013, there were no adjusted gross income limits for the additional personal exemption credit for a dependent child with a qualifying disability. In 2013, the Legislature eliminated all personal exemption credits, including any credit claimed for a child with a disability, for joint filers with adjusted gross income above \$200,000, and for single filers with adjusted gross income above \$100,000. In 2014, the Legislature reinstated the additional personal exemption credits for dependent disabled children for high income taxpayers, retroactive to tax year 2013, but in 2015 (HB 2171) limited this credit to taxpayers with adjusted gross income that does not exceed \$100,000 regardless of filing status.

Legislation in 2021 (HB 2433) extended the sunset of the credit for a child with a disability to December 31, 2027.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2171 (2015) the purpose is, “to provide financial relief and offset costs associated with a child’s disability.”

**WHO BENEFITS** The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	3,160	\$10	\$0.0	1%
\$14,900 - \$32,900	5,370	\$180	\$1.0	24%
\$32,900 - \$57,500	6,230	\$250	\$1.5	38%
\$57,500 - \$102,200	6,110	\$250	\$1.5	38%
Above \$102,200	0	\$0	\$0.0	0%
<b>All Full-Year Filers</b>	<b>20,880</b>	<b>\$200</b>	<b>\$4.1</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>1,580</b>	<b>\$120</b>	<b>\$0.2</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:**

*provided by the Oregon Department of Human Services*

This tax expenditure achieves its purpose and is of greatest assistance to those people who are at the margin of needing state assistance. It allows for greater disposable income to meet the more costly needs of children with disabilities. This tax expenditure is well targeted and provides the recipients with valuable financial assistance that alleviates or prevents the reliance on direct state services. As a result, this tax credit saves the state more than it costs. One concern is that the size of this credit, which is for all Oregon residents, is connected to consumer prices in Portland. Access to health care, which can be particularly difficult in rural areas, can represent significant costs. Basing changes on prices in Portland may therefore understate the price changes in other parts of the state.

**1.408 RURAL MEDICAL PRACTICE**

**Oregon Statute:** 315.613, 315.616, and 315.619  
**Sunset Date:** 12-31-2027 (for new certifications);  
 01-01-2037 (for those who qualify in 2027)  
**Year Enacted:** 1989

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$12,600,000	\$12,600,000
2023-25 Revenue Impact:	Not Applicable	\$11,500,000	\$11,500,000

**DESCRIPTION:**

A nonrefundable credit of up to \$5,000 against personal income taxes is allowed to certain rural medical providers. Eligible providers include physicians, dentists, podiatrists, optometrists, physician assistants, certified registered nurse anesthetists, and nurse practitioners. Providers must be certified by the Office of Rural Health.

To qualify, the provider must work for at least 20 hours per week, averaged over the month, in a qualifying rural area. They must also be willing to serve patients with Medicare coverage and patients receiving medical assistance in at least the same proportion as the proportion of Medicare and medical assistance populations in the county served by their practice, not to exceed 20 percent for Medicare patients or 15 percent for medical assistance patients.

For this provision, rural is defined as any area at least ten air miles from a major population center of 40,000 or more. Currently, there are six such population centers:

the Portland area, Salem, Eugene/Springfield, Medford, Bend, and Corvallis/Albany. In addition, providers on staff of a Type B hospital in a Metropolitan Statistical Area (MSA) are not eligible, with certain exceptions.

Other requirements for eligibility vary by type of provider. The total credit amount awarded by the Office of Rural Health is based on the distances outlined above and the number of months that the practitioner maintained the rural practice during the year. If the practice is maintained for fewer than 12 months, the Office of Rural Health prorates the credit accordingly. For nonresidents and part-year residents, the credit is also prorated at the time of filing.

Prior to tax year 2016, the maximum amount of the credit was \$5,000 for all taxpayers. Legislation in 2015 (HB 2171) modified the amount of the credit and based it on the distance a provider’s practice or hospital membership is from a major population center:

- If at least 10 miles but fewer than 20 miles, \$3,000
- If at least 20 miles but fewer than 50 miles, \$4,000
- If 50 or more miles, \$5,000.

Legislation in 2017 (HB 2066) placed an income cap on those eligible for the credit. Starting with tax year 2018, only taxpayers with adjusted gross income less than \$300,000 qualify for the credit. Exempted from the income cap, however, were physicians who practice as general surgeons, specialize in obstetrics, or specialize in family or general practice and also provide obstetrical services. In 2021 (HB 2433), legislation extended the exemption to also include physicians who specialize in family or general practice and also practice emergency medicine in a county that is a frontier rural practice county.

Legislation in 2017 also added a lifetime 10-year limit starting on or after tax year 2018.

Legislation in 2019 (HB 2847) expanded the categories of hospitals in which practicing medical providers can qualify for the credit, including rural referral centers and sole community hospitals as defined by the Centers for Medicare and Medicaid Services. According to the revenue impact statement prepared by staff for this legislation, the expansion was intended to include the Sky Lakes Medical Center in Klamath Falls as a qualifying hospital.

Legislation in 2021 (HB 2433) extended the sunset for claiming this tax credit to December 31, 2027. The same legislation also extended the sunset for those that are eligible in 2027 to claim the credit for any tax year that begins on or before January 1, 2037.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. According to the revenue impact statement prepared by legislative staff for HB 2433 (2021), “the policy purpose of this credit is to support the recruitment and retention of certain medical professionals in rural areas, thereby improving access in rural areas to such health care providers.”

**WHO BENEFITS:** Medical professionals who qualify for this tax credit. For the 2021 tax year, nearly 1,900 practitioners were certified by the Office of Rural Health for the credit. The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	10	\$500	<\$0.1	<1%
\$14,900 - \$32,900	<10	\$740	<\$0.1	<1%
\$32,900 - \$57,500	<10	\$1,250	<\$0.1	<1%
\$57,500 - \$102,200	130	\$3,610	\$0.5	7%
Above \$102,200	1,400	\$4,200	\$5.9	93%
<b>All Full-Year Filers</b>	<b>1,550</b>	<b>\$4,110</b>	<b>\$6.3</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>160</b>	<b>\$2,350</b>	<b>\$0.4</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:**

*provided by the Office of Rural Health*

This tax credit was created to attract and retain practitioners in rural and frontier Oregon, thereby improving access to care for rural Oregonians. Past surveys conducted by the Office of Rural Health (ORH) indicate that rural practitioners value the tax credit more as a retention tool than a recruitment tool. A 2016 study mandated by HB 3396 (2015) examined a subset of tax credit recipients - those who are also National Health Service Corps (NHSC) providers. That study found that 67.5 percent of primary care NHSC providers who also received the tax credit continued to practice in primary care HPSA areas in Oregon one year after completion of their NHSC obligation, while the retention rate for primary NHSC providers who did not receive the tax credit was 61.4 percent. The difference in the retention rates two years after the completion of NHSC obligation is even greater: 53.6 percent among tax credit recipients versus 43.3 percent among non-recipients. ORH administers one state (Oregon Health Care Provider Loan Repayment) and one additional federal loan (Oregon Partnership Loan Repayment) repayment program to increase recruitment to rural and frontier communities. The tax credit program works in conjunction with these programs to retain providers beyond service obligations. In tax year 2021, ORH certified 1,890 providers as eligible for the tax credit. Of those, 1,744 were primary care providers, including OB/GYN, gerontologist, and general surgery.

**1.409 VOLUNTEER RURAL EMERGENCY MEDICAL PROVIDERS**

**Oregon Statute:** 315.622  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 2005

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$100,000	\$100,000
2023-25 Revenue Impact:	Not Applicable	\$100,000	\$100,000

**DESCRIPTION:**

A nonrefundable credit of \$250 against personal income taxes is allowed to certain rural emergency medical service providers certified by the Office of Rural Health. They cannot carry forward any unused portion. The amount of the credit is prorated for nonresidents and part-year residents. To receive the credit, at least 20 percent of the services provided by the emergency medical service provider must be volunteer

hours spent in a qualifying rural area. For this provision, rural means any area at least 25 miles from a city with a population of 30,000 or more.

Legislation in 2019 (HB 2164) extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose is “To help defray the out of pocket costs of rural volunteer providers of emergency medical services.”

**WHO BENEFITS:** Certified emergency medical providers who volunteer at least 20 percent of their services in rural areas.

For tax year 2020, close to 290 personal income taxpayers saved an average of about \$260 per taxpayer using this credit. Note that two joint personal income tax filers could each qualify for and claim the credit; this is why the average revenue impact of the credit may be above the \$250 credit limit for individuals.

**EVALUATION:** *provided by the Office of Rural Health*

Rural volunteer EMTs must pay for the cost of training and certification out of their own pockets, which has made the recruitment and retention of rural volunteer EMTs difficult. The EMT Tax Credit program was designed to assist rural volunteer EMTs by offsetting those costs and increasing the retention of trained health care professionals. While the Office of Rural Health has not done a formal evaluation of this program, the office does believe it is an effective program and should be continued. For tax year 2021, 338 rural, volunteer, EMTs benefited from this tax credit.

### 1.410 SEVERE DISABILITY

**Oregon Statute:** 316.758  
**Sunset Date:** 12-31-2027  
**Year Enacted:** 1985

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$7,700,000	\$7,700,000
2023-25 Revenue Impact:	Not Applicable	\$7,700,000	\$7,700,000

**DESCRIPTION:** Every nondependent taxpayer in Oregon with adjusted gross income at or below \$200,000 for joint filers and at or below \$100,000 for single filers is allowed one personal exemption credit plus one for a spouse and one for each dependent. An additional personal exemption credit is allowed for taxpayers with severe disabilities and adjusted gross income that does not exceed \$100,000. Two additional personal exemptions may be claimed on a joint return if both spouses qualify. The adjusted gross income limits are not adjusted for inflation. The amount of the personal exemption credit (and hence the severe disability credit) is indexed each year to account for inflation and is prorated for nonresidents and part-year residents. The credit is \$219 in 2022.

Severe disability is defined by any of the following:



- The loss of use of one or more lower extremities
- The loss of use of both hands
- Permanent blindness
- A physical or mental condition that limits the abilities of the person to earn a living, maintain a household, or provide personal transportation without employing special orthopedic or medical equipment or outside help.

The credit has been modified several times in recent years. In 2013, the Legislature eliminated all personal exemption credits, including any credits claimed for severe disability, for joint filers with adjusted gross income above \$200,000 and for single filers with adjusted gross income above \$100,000. Then in 2014 the Legislature reinstated the personal exemption credits for severe disability for high income taxpayers, retroactive to tax year 2013. In 2015 (HB 2171), the Legislature eliminated the additional personal exemption credit for severe disability for any filer with adjusted gross income above \$100,000. The additional personal exemption credit for a severely disabled spouse claimed as a dependent by a married taxpayer filing a separate return was allowed to sunset as of December 31, 2015 (ORS 316.765; Oregon Laws 2009, Chapter 913, Section 43).

Legislation in 2021 (HB 2433) extended the scheduled sunset of the provision from December 31, 2021 to December 31, 2027.

**PURPOSE:**

The statute that allow this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the purpose of this credit is "... provide financial relief and offset costs associated with a taxpayer's disability."

**WHO BENEFITS:**

The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	10,160	\$30	\$0.3	9%
\$14,900 - \$32,900	6,820	\$130	\$0.9	24%
\$32,900 - \$57,500	6,110	\$180	\$1.1	30%
\$57,500 - \$102,200	6,820	\$200	\$1.4	36%
Above \$102,200	0	\$0	\$0.0	0%
<b>All Full-Year Filers</b>	<b>29,900</b>	<b>\$120</b>	<b>\$3.7</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	1,880	\$80	\$0.2	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:**

*provided by the Oregon Department of Human Services*

This tax expenditure appears to achieve its purpose. It increases disposable income for eligible individuals. While a tax credit is clearly beneficial, there is a concern that those who qualify for this credit may not earn sufficient income to fully utilize it. Creating an income cap may provide an equitable way for the benefits to be enhanced for very low income people.

## 1.411 CONTRIBUTIONS TO ABLE ACCOUNT

**Oregon Statute:** 315.650  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 2019

**Carryforward:** No  
**Refundable:** Yes  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$500,000	\$500,000
2023-25 Revenue Impact:	Not Applicable	\$500,000	\$500,000

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

**DESCRIPTION:** A credit may be claimed against personal income taxes for contributions made to an Oregon ABLE (Achieving a Better Life Experience) account. The amount of the credit allowed is limited based on the taxpayer’s adjusted gross income (AGI) and is the lesser of \$150 (\$300 for a joint return) for 2022, adjusted annually for inflation, or the following:

AGI Amount	Credit Amount
Less than \$30,000	100% of contribution
\$30,000 to \$70,000	50% of contribution
\$70,000 to \$100,000	25% of contribution
\$100,000 to \$250,000	10% of contribution
\$250,000 or more	5% of contribution

The credit is a refundable credit. To the extent that the credit exceeds a taxpayer’s liability (reduced by any nonrefundable credits), the taxpayer receives a payment for the excess.

The proceeds of Oregon ABLE accounts are meant to be used to pay qualified disability expenses, including education, housing, employment training and support, health care, and financial management, of the designated beneficiary. Individuals diagnosed with a disability before the age of 26 are eligible for an Oregon ABLE Savings Plan account. Up to \$100,000 can be saved within an ABLE account without the assets affecting federal and state benefits, and \$15,000 can be contributed in 2020. The 2017 Tax Cuts and Jobs Act (TCJA) temporarily expanded this provision for tax years 2018 through 2025. Beyond the standard annual contribution limit, an employed designated beneficiary is allowed to contribute an additional amount up to the lower of the prior year’s poverty level for a household of one or the beneficiary’s compensation in the tax year. The TCJA also allows rollovers from 529 plans owned by the beneficiary or a family member into an ABLE account (subject to contribution limits).

The revenue impact above includes only the impact of the state allowed credit for contributions. Under federal law, contributions to these accounts are not tax deductible. However, earnings on contributions and qualifying distributions from the accounts are excluded from federal tax. The revenue impact and complete description of federal tax benefits applicable to ABLE accounts are detailed in tax expenditure 1.009, ABLE Account Earnings.

This credit replaces the corresponding subtraction, 1.307 ABLE Account Contributions, which sunset December 31, 2019.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose is “to help people with disabilities to save money for necessary expenses to meet the challenges of life.”

**WHO BENEFITS:** The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	410	\$150	<\$0.1	33%
\$14,900 - \$32,900	110	\$160	<\$0.1	9%
\$32,900 - \$57,500	80	\$180	<\$0.1	7%
\$57,500 - \$102,200	150	\$220	<\$0.1	17%
Above \$102,200	310	\$220	<\$0.1	34%
<b>All Full-Year Filers</b>	<b>1,060</b>	<b>\$180</b>	<b>\$0.2</b>	<b>1%</b>
<b>Part-Year and Nonresident Filers</b>	<b>40</b>	<b>\$170</b>	<b>&lt;\$0.1</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** *provided by the Oregon Department of Human Services*

Oregon ABLE is incredibly important for people with disabilities to be able to save money for unexpected expenses, long-term expenses such as a down payment on a vehicle, or home, etc. Currently, with federal requirements to remain connected to Social Security or Medicaid (critical to access health and safety services such as attendant care, medical, etc.) a person with a disability can only save up to \$2,000 *at a time*. Meaning, once they save \$2,000 to go towards unexpected expenses, a home, etc. they must immediately stop saving because excess of that will put them at risk of losing benefits. This makes it nearly impossible for people with disabilities to live as independently as possible, or step down from Medicaid services. As noted above, ABLE allows individuals to save more, which makes investing (like anyone else in Oregon) possible. The tax benefit allows individuals, parents, grandparents, etc. to contribute for their children, as well. Overall, this program has changed lives and expectations for people with disabilities in Oregon and should continue.

### 1.412 FARMWORKER HOUSING LENDER’S CREDIT

**Oregon Statute:** 317.147  
**Sunset Date:** 12-31-2013  
**Year Enacted:** 1989

**Carryforward:** No  
**Refundable:** No  
**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** The farmworker housing lender’s credit expired as of December 31, 2013; however, there can be revenue impacts for the 2021–23 and 2023–25 biennia due to possible tax credits being claimed for up to a ten-year period. The last possible year to claim this credit is 2024. A credit against corporation income taxes was allowed for lending institutions financing construction or rehabilitation of farmworker housing projects.

For S corporations that claimed the credit, the credit was shared by the S corporation shareholders and claimed against their Oregon personal income tax. The credit equaled 50 percent of the interest income earned during the year on loans to finance the direct costs associated with constructing or rehabilitating farmworker housing.

The lender must have received certification from the borrower that upon completion the project will comply with all health and safety standards. The housing must have been located in Oregon and the interest rate on the loan cannot have been above 13.5 percent. The credit could be claimed over the term of the loan or for ten years, whichever was less, and applied to the loans made on or after January 1, 1990.

If a lending institution sold a qualifying loan, the right to claim the credit was passed on to the buyer provided the same conditions were offered to the borrower. The selling bank retained the right to claim the credit if it continued to service the loan.

- PURPOSE:** The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was to promote construction and rehabilitation of safe and healthful housing for farm workers.
- WHO BENEFITS:** Very few taxpayers benefit from the credit.
- EVALUATION:** Not evaluated.

### 1.413 AGRICULTURE WORKFORCE HOUSING CONSTRUCTION

**Oregon Statute:** 315.164  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 1989

**Carryforward:** 9 years  
**Refundable:** No  
**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$3,400,000	\$3,300,000	\$6,700,000
2023-25 Revenue Impact:	\$4,800,000	\$4,200,000	\$9,000,000

**DESCRIPTION:** A credit against corporation or personal income taxes is allowed for construction, rehabilitation, or acquisition of agriculture workforce housing in Oregon. The credit is 50 percent of the eligible costs for housing projects and may be taken for the tax year in which the project is completed or in any of the nine tax years succeeding the tax year in which the project is completed. The maximum allowable credit claimed by a taxpayer for any one tax year cannot exceed 20 percent of the total allowable credit. Taxpayer eligibility for the credit is determined by Oregon Housing and Community Services Department (OHCS).

Legislation in 2021 (HB 2433) modified the existing limit on eligible agriculture workforce housing construction tax credits from \$3.625 million certified per year, to no more than \$16.75 million in total potential credits claimed per biennium, effective starting July 1, 2021.

The agriculture workforce housing must meet certain qualifications for the taxpayer to be eligible for the credit. Rehabilitation projects must restore housing to a condition that meets building code requirements. Agriculture workforce housing must also be registered, if required, as an agriculture workforce camp with the Department of Consumer and Business Services. The housing units for which the credit is being claimed must be occupied by agricultural workers.

Any portion of the credit allowed in a given tax year exceeding the taxpayer's tax liability may be carried forward for up to nine years. A taxpayer eligible to claim the credit may transfer the entire amount of the credit to another taxpayer who contributed to the project. In the case of a transfer, the credit is still taken for the tax year in which the project is completed or in any of the nine tax years succeeding the tax year in which the project is completed.

In 2019, the Legislature extended the sunset of this tax credit program to December 31, 2025 (HB 2164). A credit may not be claimed for agriculture workforce housing projects completed in tax years beginning on or after January 1, 2026.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is “to provide support for the construction or rehabilitation of agriculture workforce housing thereby supporting the goal of ensuring adequate agricultural labor housing through a collaboration of the public, private, and nonprofit sectors.”

**WHO BENEFITS:** For tax year 2020, approximately 48 personal income taxpayers (including S corporation taxpayers) saved on average \$30,000 in Oregon tax using this credit. For tax year 2019, 12 corporate taxpayers saved on average almost \$172,000 in Oregon tax using this credit.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves the purpose of promoting construction and rehabilitation of safe and healthy housing for agriculture workers. Recent progress in developing adequate housing for Oregon's agriculture worker population is due in large part to the availability of the agriculture worker housing development tax credits. If the tax expenditure were eliminated, financing of community based agriculture worker housing would be impeded and a primary incentive to improve or construct onsite housing would be eliminated. Major supporters of better agriculture worker housing include migrant health clinics that see the effects of unsanitary conditions. This concern has only become more present in light of the COVID-19 pandemic.

The availability of agriculture worker housing enhances the health of Oregon's agricultural industry, benefiting workers and growers alike. This industry must compete on a regional, national, and international basis for its labor force. It can be argued that to remain competitive in this market, Oregon must continue its efforts to improve the supply of decent and affordable housing for its farm labor force. Because agriculture is a major Oregon industry, with gross sales totaling \$5.48 billion in 2012, and because crops dependent on the labor of agriculture workers account for over one-third of this amount, the impact on Oregon's economy is significant.

There are several direct spending programs, both at the state level and at the national level, that are used to develop affordable housing. This tax credit integrates well with these programs, since a chief factor in the award of funds under the other programs is the ability to match those funds. The availability of the agriculture worker tax credit allows Oregon to compete particularly well for federal dollars. Of significance are the USDA Rural Development 514 and 516 programs designated for agriculture worker housing. Before the advent of the agriculture worker housing development tax credit, Oregon's usage of U.S. Department of Agriculture labor housing fund was almost nonexistent.

## 1.414 FILM PRODUCTION DEVELOPMENT CONTRIBUTIONS

**Oregon Statute:** 315.514 and 315.516

**Carryforward:** 3 years

**Sunset Date:** 12-31-2029

**Refundable:** No

**Year Enacted:** 2003

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$18,000,000	\$19,700,000	\$37,700,000
2023-25 Revenue Impact:	\$19,400,000	\$19,400,000	\$38,800,000

**DESCRIPTION:** A credit against corporation or personal income taxes is available to taxpayers who purchase tax credits from an auction conducted by the Department of Revenue (DOR), in cooperation with the Oregon Film and Video Office (OFVO). The proceeds of the auction go to the Oregon Production Investment Fund (OPIF) and are used to reimburse qualifying filmmakers or local media production services companies for a portion of their Oregon expenses.

ORS 315.516 allows the Legislature to directly appropriate funds to the OPIF in lieu of holding an auction in a future fiscal year. In 2018, HB 4028 amended this statute to allow the Legislature to make this direct appropriation for the current fiscal year, for the difference between the credits sold at auction and the annual maximum, in the event that credits remain unsold when the auction ends.

DOR administers the auction process and determines the minimum bid before conducting the auction, which cannot be below 90 percent of the value of the credit. Legislation in 2019 (SB 459) decreased the requirement for the minimum bid from 95 percent of the value of the credit. It also allows auctions to be conducted up until April 15 following December 31 of any tax year for which the credit is allowed. Due to legislation in 2021 (HB 2456), taxpayers can now either claim the credit for the tax year in which they participated in the auction or for the prior tax year, as long as they have not yet filed a tax return for the prior year.

There is no maximum credit per taxpayer, but there is a limit on the total amount of credits that can be issued annually. In 2021, the Legislature extended the sunset to December 31, 2029 and increased the annual credit limit from \$14 million to \$20 million (HB 2433).

The tax credit is not transferable, and any tax credit not used in a particular year because of insufficient tax liability may be carried forward for up to three years. A nonresident or part-year resident taxpayer can claim the credit in full, without proration. If the amount paid for the tax credits is claimed as a deduction for federal tax purposes, the amount paid is added to federal taxable income for Oregon tax purposes to claim the credit.

**PURPOSE:** “Provide the necessary financial incentives for taxpayers to make contributions ...” to the Oregon Production Investment Fund (ORS 315.514(2)(b)(C)). According to the revenue impact statement for HB 2433, the purpose of the Oregon Production Investment Fund is to “(encourage) film and video production in Oregon and (strengthen) Oregon’s film and video industry infrastructure by bringing in more production spending.”

**WHO BENEFITS:** Taxpayers with a tax liability who purchase tax credits in an auction, whose proceeds fund the Oregon Production Investment Fund. At the most recent auction in September of 2021, about 120 taxpayers paid more than \$18.6 million for tax credits with a total value of \$20 million.

Typically, fewer than ten corporations claim this credit each year. More than 99 percent of the revenue impact goes to personal income tax filers with incomes above \$100,000.

EVALUATION:

*provided by the Oregon Film and Video Office*

This tax expenditure achieves its purpose of retaining and recruiting film production in the state and generating associated spending and employment. Without this program, there would undoubtedly be a drop in activity for Oregon's film, television, and commercial industry.

The Oregon Production Investment Fund (OPIF) has been integral in Oregon's ability to compete with the more than 30 other U.S. states that offer production incentives. OPIF (in conjunction with Greenlight Oregon Labor Rebate Fund, "GOLRF") is directly responsible for the \$215 million of direct film, television, media, and commercial production spending that was recorded in the 2019-2021 biennium. Since the introduction of the OPIF in 2003, OFVO has tracked the economic activity directly attributed to the incentive programs rising from just over \$30M for the 2005-2007 biennium, to now \$215M per year, while the number of tracked jobs per biennium has climbed from just over 1200 in 2005-2007 to more than 6000 for 2019-2021. Feature films, television series, animated projects, interactive games, and countless commercial projects are being produced by local crews and producers accumulating more than \$1.7 billion of tracked in-state spending since the inception of the OPIF program.

The traditional "media industry" has changed rapidly and these programs have proven to be flexible and robust enough to keep up with that change. In recent years, Oregon has attracted projects not only from traditional studios like HBO, CBS, Warner Brothers, Disney, and NBC but also from the growing online programming industry with multiple projects from Netflix and Amazon. And a world class animation industry based in Oregon continues to grow with 3 additional feature films now basing themselves in the state for the duration of their 3+ year production cycles.

In addition, the new "regional" incentive (R-OPIF) which was introduced in 2017 has quickly become a very useful tool for bringing production work to other parts of the state outside of the Portland metro area. Since its launch in July of 2017, we have seen production work grow in Bandon, Vernonia, Bend, Curry & Coos Counties, Joseph, Jacksonville, and Silverton. While the "Local" or L-OPIF program specifically supports lower budgeted, locally produced projects - from indie features to homegrown interactive games to animated shorts and documentary films.

This growing group of diverse programming is also very useful to marketing Oregon to the tourism industry. Releases of new films like the award winning "Pig," "Dark Divide," "Lorelei," and Netflix's "Metal Lords" and the upcoming "Significant Other" (Paramount), "Somebody I Used to Know" (Amazon), "65" (Sony) and "Showing Up" push the Oregon brand to international audience on a regular basis though major distribution outlets. This is augmented by popular television series like "Top Chef: Portland," Hulu's "Shrill," Facebook's "The Girl in the Woods," and TNT's "Chad."

All of the projects are being put together by local producers utilizing local crews and cast and renting and buying equipment and supplies from countless local vendors.

But it is the local animation community that is most consistently growing and deeply Oregon Made. Oscar nominated projects from Laika, Emmy nominated series from

Shadowmachine, ADDY awarded campaigns from Hinge Digital, and new Virtual Production elements from Soma Games in Newberg have set the stage for major animation projects being produced in the state such as Jordan Peele and Netflix’s “Wendell & Wild,” Guillermo del Toro’s adaptation of “Pinocchio” and Laika’s “Wildwood” combine to make Oregon a major destination for animated projects due to is deeply artistic and diverse workforce.

OPIF has been integral to creating a balanced system that imports work into the state as much as creates work for established companies and individuals already here in the state providing jobs and direct spending in a wide variety of the state’s vendors - from caterers to car rentals; from dry cleaning to security firms. On top of that, Oregon’s media incentive programs are instrumental in making media work more competitive here in Oregon in a national landscape that includes many states offering better Film & Media incentive programs and creates a knock-on marketing platform for the state in numerous national and international audiences.

### 1.415 RENEWABLE RESOURCE EQUIPMENT MANUFACTURING FACILITIES

**Oregon Statute:** 315.341

**Sunset Date:** 12-31-2013 (preliminary certification)

**Year Enacted:** 2011

**Carryforward:** 8 years, see description

**Refundable:** No

**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** The Renewable Energy Resource Equipment Manufacturing Facilities tax credit expired as of December 31, 2013; however, there are revenue impacts for the 2021-23 and 2023-25 biennia due to unused tax credits carried forward until year 2025. Credits were certified for businesses with investments in qualified facilities that manufacture renewable energy resource equipment in Oregon. Businesses claiming this credit must have received preliminary and final certification from Oregon Business Development Department (OBDD).

Legislation in 2007 (HB 3201) expanded the Business Energy Facilities tax credit (BETC) to allow renewable energy manufacturing facilities to qualify for the BETC tax credit. Subsequent legislation in 2011 (HB 2523) transferred the administration of the manufacturing portion of original BETC from the Oregon Department of Energy to OBDD and in the process made the manufacturing portion of BETC its own tax expenditure, the Renewable Energy Resource Equipment Manufacturing Facilities tax credit (Manufacturing BETC). The remaining part of BETC, which has also expired, is described in 1.435, Business Energy Facilities, Conservation and Renewables.

Eligible costs included buildings, equipment, machinery, and other expenses related to the manufacturing of renewable energy products such as solar cells, wind turbines or components manufactured for primary use in products using renewable energy, renewable energy storage devices, and the manufacturing of electric vehicles or component parts of electric vehicles.



Qualified Oregon facilities that manufacture renewable energy resource equipment were eligible for a tax credit equal to 50 percent of maximum eligible cost. Costs were limited up to \$2.5 million for a facility used to manufacture electric vehicles or component parts of electric vehicles and up to \$40 million in the case of any other eligible facility. The credit was taken for the five succeeding tax years at 10 percent of the certified cost of the facility. Any tax credit not used in a particular year because of insufficient tax liability may be carried forward for up to eight years.

The total amount of certified tax credits allowed was \$200 million for the 2009-11 biennium, \$200 million for the 2011-13 biennium and \$50 million for the period from July 1, 2013, to December 31, 2013.

The pass-through option allowed project owners to transfer their tax credit eligibility to another Oregon taxpayer in exchange for a lump sum cash payment. Transferees were a corporation or individual (but not partnerships or LLCs), who then claimed the tax credit on their tax returns. OBDD determined the credit transfer rate employing a formula established by administrative rule in accordance with ORS 285C.549. The credit could be transferred or sold only once.

**PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose for this expenditure. Presumably, it was to provide an economic tool to expand existing manufacturing or attract renewable manufacturing plants to Oregon.

**WHO BENEFITS:** Oregon businesses with investments in facilities that manufacture renewable energy resource equipment. Taxpayers with a tax liability who purchase tax credits also benefit. For calendar years 2008-2013 six corporations received nearly \$115 million dollars in tax credits. All of these credits have been sold to 12 other corporate and 13 individual taxpayers for a total of \$77 million.

**EVALUATION:** Not evaluated.

## 1.416 OREGON LOW-INCOME COMMUNITY JOBS INITIATIVE

**Oregon Statute:** 315.533(2)  
**Sunset Date:** 06-30-2016  
**Year Enacted:** 2011

**Carryforward:** 5 years, see description  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$6,300,000	Less than \$100,000	\$6,300,000
2023-25 Revenue Impact:	\$2,300,000	Less than \$100,000	\$2,300,000

**DESCRIPTION:** The Oregon Low-Income Community Jobs Initiative tax credit expired as of June 30, 2016; however, there are revenue impacts for the 2021-23 and 2023-25 biennia due to certified credits taken over a seven-year period and unused tax credits carried forward to five succeeding years. Taxpayers who made a qualified low-income community investment were eligible for a credit against personal or corporate excise taxes equal to 39 percent of the cost of the investment. A qualified low-income community investment was an equity investment in, or long-term debt security issued by, a qualified community development entity (CDE) which met specified conditions and obtained certification from the Oregon Business Development Department. The investment must have been acquired with cash after July 1, 2012, and the CDE must have used at least 85 percent of the cash purchase price toward making capital or equity investments in, or loans to, any qualified active low-income community

business, as defined in section 45D of the Internal Revenue Code (federal New Markets Tax Credit program).

These low-income communities were located in census tracts that had a poverty rate of 20 percent or more, or where the median income was below 80 percent of either the statewide median income or the metropolitan median income, whichever was lower. Community development entities, also defined in section 45D of the Internal Revenue Code, are entities that have entered into an allocation agreement with the Community Development Financial Institutions Fund of the U.S. Department of the Treasury. CDEs serving Oregon that had been allocated Federal New Market Tax Credits were allowed to apply to use this tax credit.

The credit applied to qualified investments made between July 1, 2012 and June 30, 2016. The credit was taken over seven years with no credit in the tax year that the investment is made or in the following tax year, a seven percent credit in the third tax year, and an eight percent credit for each of the four subsequent tax years.

This credit was nonrefundable. Any allowable credit related to investments made on or after July 1, 2012, and before January 1, 2014, and not used by the taxpayer for a particular tax year could be carried forward to offset the taxpayer's tax liability for any subsequent tax year. Legislation in 2013 set a limit of five years for a taxpayer to carry forward any allowable credit related to investments made on or after January 1, 2014, that is not used by the taxpayer for a particular tax year to offset the taxpayer's tax liability in future tax years. The credit was not allowed to be transferred or sold.

A taxpayer who claimed this credit was not allowed to claim any other credit under ORS Chapter 317 or ORS Chapter 285C during the same tax year based on activities related to the same qualified active low-income community business.

The maximum amount that may be claimed by all Oregon taxpayers for this credit is \$16 million per tax year; the maximum amount of Oregon tax credits invested in any single project could not exceed \$4 million for investments made on or after July 1, 2012, and before January 1, 2014. Legislation in 2013 set the maximum amount of Oregon tax credits invested in any single project at \$8 million for investments made on or after January 1, 2014.

Fifteen percent of the total \$16 million, \$2.4 million, was reserved for clean energy projects that produce goods that directly reduce emissions of greenhouse gases or were designed as environmentally sensitive replacements for products in current use, or projects which had a primary purpose of improving the environment or reducing emissions of greenhouse gases.

PURPOSE:	The statute that allowed this expenditure does not explicitly state a purpose. Based on the legislative staff revenue impact statement for SB 817 (2011), the purpose of this credit was “to increase private capital investments in Oregon small businesses operating in low-income communities.”
WHO BENEFITS:	Investors in qualified equity investments.
EVALUATION:	Not evaluated.

## 1.417 QUALIFIED RESEARCH ACTIVITIES

**Oregon Statute:** 317.152  
**Sunset Date:** 12-31-2017  
**Year Enacted:** 1989

**Carryforward:** 5 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$9,100,000	Less than \$100,000	\$9,100,000
2023-25 Revenue Impact:	\$0	\$0	\$0

**DESCRIPTION:**

The Qualified Research Activities tax credit expired as of December 31, 2017; however, there are revenue impacts for the 2021-23 biennium due to unused tax credits carried forward to succeeding years. The last possible year to claim this expenditure is in 2022. If qualified research expenses in Oregon exceeded a base amount, then Oregon corporations were allowed take a tax credit equal to 5 percent of the excess amount. For S corporations that claimed the credit, the credit was shared by the S corporation shareholders and claimed against their Oregon personal income tax. Computation of the base and excess amounts, as well as definitions of basic research and qualified research expenses, followed from the equivalent federal research and development (R&D) credit (IRC §41) except that only research conducted in Oregon was considered. In 2015, this federal corporate income tax credit was reauthorized and extended indefinitely by the federal government.

The base amount was a fixed percentage multiplied by the average annual gross receipts of the taxpayer for the four taxable years preceding the taxable year for which the credit was being determined (the credit year). The minimum base amount was 50 percent of the qualified research expenses for the credit year.

The fixed-base percentage was either: (a) the percentage that qualified research activities were of gross receipts in the 1984–88 period, or (b) for companies that did not conduct research for at least three years in 1984–88, the percentage was calculated based upon a formula with the simplest case being a firm with a fixed-base percentage equaling 3 percent of the gross receipts for each of the taxpayer’s first five taxable years beginning after December 31, 1993 for which the taxpayer had qualified research expenses.

Qualified research activities included “research expenses” either in-house or by contract, and “basic research payments” to colleges, universities, and certain other nonprofit organizations. The amounts had to be paid or incurred by the sunset date.

The credit was limited to \$1 million per taxpayer. The limit was increased from \$750,000 to \$2 million by the 2005 Legislature, but it was subsequently reduced to \$1 million by the 2011 Legislature. Credits that could not be used because of insufficient tax liability in the current year could be carried forward up to five years.

Taxpayers had the option of claiming this credit or the credit described in tax expenditure 1.418, Qualified Research Activities (Alternative). Some companies may not have qualified for the standard credit because they did not have the necessary increase in research activities. The alternative credit still allowed them to qualify for credit, if they conducted a large proportion of their research activities in Oregon relative to the proportion of their sales in Oregon.

**PURPOSE:**

The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to promote and increase research activity in Oregon.

**WHO BENEFITS:** Corporations that performed qualified research activities in Oregon and carried forward previously unused credit amounts. For tax year 2019, approximately 75 corporate taxpayers benefited from credits carried forward for this credit. These taxpayers reduced their tax liability by approximately \$100,000 on average. Other taxpayers claiming carryforward were unable to use it due to insufficient tax liability. For tax year 2020, approximately 25 S corporation shareholders saved about \$8,000 on average in Oregon personal income tax by using these carried forward credits.

**EVALUATION:** Not evaluated.

### 1.418 QUALIFIED RESEARCH ACTIVITIES (ALTERNATIVE)

**Oregon Statute:** 317.154  
**Sunset Date:** 12-31-2017  
**Year Enacted:** 1989

**Carryforward:** 5 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$1,900,000	Less than \$100,000	\$1,900,000
2023-25 Revenue Impact:	\$0	\$0	\$0

**DESCRIPTION:** The Qualified Research Activities (Alternative) tax credit expired as of December 31, 2017; however, there are revenue impacts for the 2021-23 biennium due to unused tax credits carried forward to succeeding years. The last possible year to claim this expenditure is in 2022. A tax credit for corporations was allowed for qualified research expenses in Oregon that exceed 10 percent of Oregon sales. The credit was equal to 5 percent of the excess amount. For S corporations that claimed the credit, the credit was shared by the S corporation shareholders and claimed against their Oregon personal income tax.

The credit was limited to the lesser of \$1 million, or \$10,000 multiplied by the number of percentage points that the qualified research expenses exceed 10 percent of Oregon sales. The expenses that qualified for the credit are the same as those that qualified under the expenditure 1.417, Qualified Research Activities, except that basic research was not included.

Taxpayers had the option of claiming this credit or the credit described in tax expenditure 1.417, Qualified Research Activities. Some companies may not have qualified for the standard credit, this alternative still allowed them to qualify for the credit if they conducted a large proportion of their research activities in Oregon relative to the proportion of their sales in Oregon.

Credits that could not be used because of insufficient tax liability in the current year could be carried forward for up to five years.

Legislation in 2011 extended the scheduled sunset of the provision from December 31, 2011 to December 31, 2017 and reduced the maximum credit allowable per taxpayer per year from \$2 million to \$1 million.

**PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to promote and increase research activity in Oregon.

**WHO BENEFITS:** Corporations that performed qualified research activities in Oregon and carried forward previously unused credit amounts. For tax year 2019, fewer than 10 corporate taxpayers benefited from credits carried forward. These taxpayers reduced

their tax liability by approximately \$415,000 on average. For tax year 2020, a few S corporation shareholders reduced their Oregon personal income tax liability by using these carryforward credits.

EVALUATION: Not evaluated.

## 1.419 LONG TERM RURAL ENTERPRISE ZONE FACILITIES (INCOME TAX)

**Oregon Statute:** 317.124

**Sunset Date:** 06-30-2018 (local certification)

**Year Enacted:** 1997

**Carryforward:** 5 years

**Refundable:** No

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Available*	Not Available*	Not Available*
2023-25 Revenue Impact:	Not Available*	Not Available*	Not Available*

\* In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.

**DESCRIPTION:** Corporations that make certain large investments in a rural enterprise zone facility are eligible for a tax credit, if approved by the Governor. For S corporations that claim the credit, the credit is shared by the S corporation shareholders and claimed against their Oregon personal income tax. The investment must have been locally approved for the related property tax expenditure, 2.014 Long Term Rural Enterprise Zone (Property Tax), on or before June 30, 2018. To be eligible for the property tax exemption, the investment must be located in a county with chronic unemployment or low income. Depending on the location in the state, the investment also must exceed a certain minimum amount ranging up to \$25 million, the firm must hire at least 10 to 75 full-time employees within three to five years, and the average annual worker compensation must be at least 50 percent above the county average wage.

The tax credit is equal to 62.5 percent of the taxpayer's gross payroll costs at the facility. The credit applies only against liabilities in excess of a threshold amount of up to \$1 million. The amount of the threshold may be lower, depending on the facility's location and workforce size. The credit may be claimed over a period of five to 15 years, as determined by the Governor and elected by the taxpayer, starting with the tax year that begins no later than in the third calendar year after the facility is placed in service. Each year's unused credits can be carried forward for up to five years.

Approval from the Governor is required for this income tax credit; it is not required for the related property tax exemption, 2.014 Long Term Rural Enterprise Zone (Property Tax).

Income tax payments made by corporations that are approved by the Governor for this credit are deposited into the Long Term Enterprise Zone Fund and are annually distributed to specified local property taxing districts. This redistribution occurs whether or not the taxpayer uses this credit.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage investment in rural areas of chronic unemployment or low income.

WHO BENEFITS: Very few corporations have been approved by the Governor to claim the credit.  
 EVALUATION: Not evaluated.

### 1.420 RESERVATION ENTERPRISE ZONE (INCOME TAX)

**Oregon Statute:** 315.506  
**Sunset Date:** 12-31-2027  
**Year Enacted:** 2001  
**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Qualified taxpayers operating a new business facility in a reservation enterprise or partnership zone may claim an income tax credit against tribal property tax paid. The tribal tax must be imposed on non-tribal businesses on a uniform basis across the relevant territory. C corporations claim this credit against their corporate excise tax, and S corporation shareholders, partners, and sole proprietors claim it against personal income taxes.

The amount of the credit is prorated for nonresidents and part-year residents. The credit must be used in the same year that the tribal tax is paid and may not be carried forward to another year. The amount of tax credit used in a given tax year cannot exceed the tax liability for that tax year.

The government of each federally recognized Indian tribe in Oregon can have the Oregon Business Development Department designate a single reservation enterprise zone, covering any reservation area of the tribe, as well as any off-reservation land of the tribe held in trust by the U.S. Government or pending trust status anywhere in the state. The reservation enterprise zone may cover an area of no more than 12 square miles, which does not have to be contiguous.

The government of any eligible Indian tribe may also cosponsor one or more reservation partnership zones comprising contiguous area of up to 12 square miles. A reservation partnership zone includes lands within the jurisdiction of a cosponsoring city, port or county and may (but does not need to) also include both lands held in trust by the federal government for the benefit of the tribe and lands within the boundaries of the tribe’s reservation.

Except for this tax credit, reservation enterprise zones and reservation partnership zones are otherwise equivalent to a regular rural enterprise zone, and businesses can be exempt from property taxes if they meet the requirements for tax expenditure 2.013, Enterprise Zone Business, or 2.014, Long Term Rural Enterprise Zone (Property Tax), which do not sunset for purposes of these tribally based designations.

In 2017, the Legislature extended the sunset of this credit to December 31, 2027 (HB 2066).

**PURPOSE:** “To remove the tax disincentives that currently inhibit private business and industry from locating and operating enterprises within the boundaries of the rural Indian reservations of this state” (ORS 285C.303).

**WHO BENEFITS:** Businesses operating in reservation enterprise/partnership zones. Currently the Oregon Business Development Department (OBDD) has re-designated two reservation enterprise zones for the Confederated Tribes of Umatilla Indian Reservation (CTUIR) and the Confederate Tribes of Warm Springs. No reservation partnership zone is known to exist.

**EVALUATION:** *provided by the Oregon Business Development Department*

For CTUIR at least, this tax credit has reportedly been useful in its instituting a property tax to pay for infrastructure improvements, which can serve economic development in other ways. The credit as such makes this even more doable, by offsetting the deterrent of the tribal tax on businesses in the enterprise zone. In addition, this tax expenditure eliminates redundant tax layering among sovereign entities and may be compared to a credit for foreign taxes paid. OBDD continues to offer assistance to all tribes in Oregon regarding the creation of tribal enterprise zones, and the taxation options that it would facilitate in this respect in addition to inducing private business development. This tax expenditure has apparently been used sparingly, so far. It does not have employment or reporting requirements, and the Department, otherwise, lacks the data or direct experience to address it further.

## 1.421 ELECTRONIC COMMERCE ENTERPRISE ZONE (INCOME TAX)

**Oregon Statute:** 315.507

**Sunset Date:** 12-31-2017

**Year Enacted:** 2001

**Carryforward:** 5 years

**Refundable:** No

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$1,600,000	\$400,000	\$2,000,000
2023-25 Revenue Impact:	\$0	\$0	\$0

**DESCRIPTION:** The Electronic Commerce Enterprise Zone income tax credit expired as of December 31, 2017; however, there are revenue impacts for the 2021-23 biennium due to unused tax credits carried forward to succeeding years. The last year to claim this credit is in 2022. Qualified business firms could claim an investment tax credit based on capital assets used in electronic commerce (e-commerce) operations under certain circumstances. Such a firm must have been engaged or preparing to engage in e-commerce within an enterprise zone specially designated for e-commerce or in the one electronic commerce city (which is the City of North Plains).

To claim the credit, taxpayer must also have been locally authorized and qualified for the enterprise zone exemption from property taxes, see exemption 2.013, Enterprise Zone Business. C corporations claimed this credit against their corporate income tax; S corporation and partnership shareholders and sole proprietors claimed it against their personal income tax.

As defined in ORS 285C.050, electronic commerce means “engaging in commercial or retail transactions predominantly over the Internet or a computer network, using the Internet as a platform for transacting business, or facilitating the use of the Internet by other persons for business transactions.”

The credit equaled 25 percent of the investments made by the firm during the tax year in e-commerce operations within the designated area. The maximum credit allowed

for a taxpayer was the lesser of \$2 million or the tax liability of the taxpayer per year. A firm could carry unused credits forward for up to five years.

A local government sponsor of an existing enterprise zone could designate its zone for e-commerce by resolution of the governing body or bodies. This created a special overlay of the entire zone. Final approval was determined by the Oregon Business Development Department on a generally first-come, first-serve basis, and subject to an available overlay. A maximum of 15 enterprise zones statewide may be designated as electronic commerce zones.

In 2002, four enterprise zones were allowed to receive this special designation. A 2005 law change provided for six more e-commerce enterprise zones. Legislation in 2014 added five more, increasing the number from 10 to 15. When an underlying enterprise zone terminates, the e-commerce designation also ceases for future investments, although re-designation may subsequently occur with the same or another enterprise zone.

**PURPOSE:** The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was to induce greater operations, hiring, and investment associated with internet-based commerce and activity in Oregon that used advanced technology to consummate transactions, support customers, deliver data and other services.

**WHO BENEFITS:** E-commerce businesses operating in one of the state’s electronic commerce enterprise zones or in the e-commerce city (North Plains). Few taxpayers are claiming carryforward credits from this expired provision.

**EVALUATION:** Not evaluated.

### 1.422 PUBLIC UNIVERSITY VENTURE DEVELOPMENT FUND

**Oregon Statute:** 315.640  
**Sunset Date:** 12-31-2027  
**Year Enacted:** 2005

**Carryforward:** 3 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$500,000	\$500,000
2023-25 Revenue Impact:	Less than \$100,000	\$500,000	\$500,000

**DESCRIPTION:** Oregon public universities and Oregon Health and Science University may establish university venture development funds to provide capital for the development of commercially viable products and services. Either the universities or their foundations may administer the funds. When a fund accepts a donation, the university or foundation issues a certification letter to each donor.

Donors who have received certifications qualify for a credit, not to exceed \$600,000, against their personal or corporate income taxes equal to 60 percent of the amount donated during that tax year. The amount each taxpayer claims in any one year may not exceed the tax liability of that taxpayer for that year. Unused credit amounts may be claimed in future tax years for up to three consecutive tax years after the year in which the credit is initially allowed. The credit is prorated for a nonresident taxpayer. If the amount of donation is claimed as a deduction for federal tax purposes, the



donation amount is added to federal taxable income for Oregon tax purposes to claim the credit.

The venture development funds provide grants for the purpose of facilitating the commercialization of university research and development. When a venture development fund earns income from those grants in the form of royalties, cash from the sale of equity, or license fee payments, the fund must transfer 20 percent of the realized income to the state General Fund, up to the amount of tax credits certified by the university.

Whenever the total outstanding amount owed to the General Fund reaches \$8.4 million, the issuance of further tax credit certificates must cease. The universities may issue new tax credits equal to the transferred amounts immediately upon deposit into the General Fund. ORS 350.540(2) divides the \$8.4 million total into specific amounts allowed for each university:

- Oregon State University - \$3,947,720
- University of Oregon - \$2,122,670
- Portland State University - \$1,275,840
- Oregon Health and Science University - \$1,023,770
- Eastern Oregon University, Southern Oregon University, Western Oregon University, and Oregon Institute of Technology - \$7,500 each.

Legislation in 2021 (HB 2433) extended the scheduled sunset of the provision from December 31, 2021 to December 31, 2027.

PURPOSE:	The statute that allows this expenditure does not explicitly state a purpose for the tax credit, but the statute that allows university development venture funds does state a purpose. That purpose is “facilitating the commercialization of university research and development” (ORS 350.550).
WHO BENEFITS:	Taxpayers who make donations to university venture development funds. Typically, very few corporations claim this credit each year. For tax year 2020 about 20 personal income taxpayers saved an average of about \$10,800 in Oregon taxes using this credit.
EVALUATION:	<i>provided by the Higher Education Coordinating Commission</i> This tax expenditure achieves its purpose. It facilitates taxpayers’ contributions to the research and development activity of the research universities to further their research mission. Often this in service of the creation of knowledge helpful to the development of economic activity in Oregon.

## 1.423 WORKING FAMILY HOUSEHOLD AND DEPENDENT CARE

**Oregon Statute:** 315.264  
**Sunset Date:** 12-31-2027  
**Year Enacted:** 2015

**Carryforward:** No  
**Refundable:** Yes  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$47,900,000	\$47,800,000
2023-25 Revenue Impact:	Not Applicable	\$66,300,000	\$66,300,000

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

**DESCRIPTION:**

A refundable personal income tax credit is allowed for low and middle-income working families with employment-related dependent care expenses. To qualify, the taxpayer must have paid qualifying expenses for one or more qualifying individuals (generally a dependent under age 13, a disabled dependent, a disabled taxpayer or a disabled spouse) so the taxpayer (and the taxpayer’s spouse if filing jointly) could work, look for work, or attend school.

Qualified expenses include only amounts paid by the taxpayer for household services and care of the qualifying individual as specified by the federal child and dependent care expenses tax credit. The qualifying expenses cannot exceed \$12,000 for one qualifying individual or \$24,000 for two or more qualifying individuals and cannot exceed the taxpayer’s earned and imputed income if filing single or the lesser of the taxpayer’s or the taxpayer’s spouse’s earned and imputed income. Imputed income is \$1,000 or \$2,000 multiplied by the number of qualified months a taxpayer was a student with one or more qualifying individuals, respectively.

For those filing jointly, if either the taxpayer or the taxpayer’s spouse attended school full-time or were disabled, \$250 (\$500 if two or more qualifying persons cared for) per month counts toward earned income for that person.

A taxpayer cannot claim the credit unless the taxpayer’s adjusted gross income (AGI) is less than or equal to three times the federal poverty guidelines. For 2022, the AGI limit by household size is:

Household Size	AGI Limit
2	\$54,930
3	\$69,090
4	\$83,250
5	\$97,410
6	\$111,570
7	\$125,730
8 or more	\$139,890

The amount of the credit as a percentage of qualifying expenses varies depending on the taxpayer’s household size, AGI, and the age of the youngest dependent. The percentage varies from 4 percent to 75 percent of the qualifying expense. The amount of the credit initially increases with income and then decreases until the credit is not allowed above three times the federal poverty guidelines. The credit increases for taxpayers with younger dependents.

Following the creation of this tax credit in 2015, the Legislature made minor technical modifications to it in 2017 (SB 162) and 2018 (HB 4028). In 2021, the

Legislature (HB 2433) extended the sunset for this income tax credit to December 31, 2027, and modified other provisions, including accounting for an imputed income (in addition to earned income subject to taxation) as noted above, applicable on or after January 1, 2022 and before January 1, 2028.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the “policy purpose of the credit is to enable low-income working families to care for young children and disabled dependents by offsetting care costs so that they may be gainfully employed or attending school.”

**WHO BENEFITS:** Low and middle-income working taxpayers with employment-related dependent care expenses whose federal adjusted gross income is less than three times the federal poverty level.

The table below shows usage of this credit for tax year 2020.

<b>2020 Personal Income Tax Filers</b>				
<b>Income Group of Full-Year Filers*</b>	<b>Number of Filers Using Credit</b>	<b>Average Revenue Impact of Credit</b>	<b>Revenue Impact (\$ millions)</b>	<b>Percent of Revenue Impact by Income Group</b>
<b>Below \$14,900</b>	1,440	\$740	\$1.1	7%
<b>\$14,900 - \$32,900</b>	5,330	\$1,180	\$6.3	39%
<b>\$32,900 - \$57,500</b>	6,970	\$990	\$6.9	43%
<b>\$57,500 - \$102,200</b>	3,520	\$500	\$1.8	11%
<b>Above \$102,200</b>	70	\$340	<\$0.1	<1%
<b>All Full-Year Filers</b>	17,320	\$930	\$16.0	100%
<b>Part-Year and Nonresident Filers</b>	1,170	\$640	\$0.7	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

Since this is a refundable credit, the full amount of credits claimed can be used, even if the taxpayer has little or no tax liability. Of the approximately \$16.8 million claimed for 2020, \$9.9 million was used to reduce tax liability, while the remaining \$6.9 million exceeded tax liability and was paid directly to taxpayers.

**EVALUATION:** *provided by the Oregon Department of Human Services*

There is limited information within ODHS data to determine how many families have claimed the tax credit. With the high cost of dependent care in Oregon the tax credit would be helpful to families. It is likely many still face a burden of affordability when utilizing quality dependent care needed to work or attend school. The programs provided by the State of Oregon help families move towards self-sufficiency. The tax credit is an additional support to assist families achieve that goal.

## 1.424 CONTRIBUTIONS TO OFFICE OF CHILD CARE

**Oregon Statute:** 315.213  
**Sunset Date:** 12-31-2021  
**Year Enacted:** 2001

**Carryforward:** 4 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** The credit against corporation or personal income taxes for contributions made to the Office of Child Care (OCC) of the Oregon Department of Education expired as of December 31, 2021; however, there can be revenue impacts for the 2021–23 and 2023–25 biennia due to tax credits being carried forward for up to a four-year period. The last tax year for which a carryforward credit may be used is 2025.

The OCC issued tax credit certificates to taxpayers who made contributions to the Child Care Fund (CCF). The total value of tax credit certificates could not exceed \$500,000 per calendar year. The 2015 Legislature set the maximum amount of credit available to taxpayer to be 50 percent of the contribution. Previously, it was 75 percent of the contribution. The amount of the credit used on the taxpayer’s return was limited to their tax liability for the year. However, any credit that was not used due to insufficient tax liability may be carried forward for up to four years.

The amount of the credit must be added to Oregon taxable income if it is deducted when computing federal taxable income.

The OCC distributed the funds from the contributions according to rules established by the Early Learning Council.

**PURPOSE:** A statute (ORS 329A.706) pertaining to implementation of this tax credit program states that its purposes are to “(a) Encourage taxpayers to make contributions to the Office of Child Care by providing a financial return on qualified contributions and by soliciting other contributions. (b) Achieve specific and measurable goals for targeted communities and populations. (c) Strengthen the viability and improve the professional development of child care providers.”

**WHO BENEFITS:** Very few taxpayers benefit from this tax credit.

**EVALUATION:** *provided by the Oregon Department of Education*

In 2015, the Legislature reduced the amount of tax credit that may be taken from 75 to 50 percent of the total contribution made to the Office of Child Care. This change has proven to have a significant impact to level of funding dedicated to the Child Care Fund. Prior to this change, the Fund was receiving contributions that averaged approximately \$600,000 per year. Since that time, outside of one significant contribution in Tax Year 2016, the contributions have been minimal and are continuing to progressively decrease. For Tax Year 2017, the amount was \$53,000 and continued to drop to \$10,000 in Tax Year 2018 and \$5,700 for Tax Year 2019. As of July 2022, the Department of Education has not received any contributions for Tax Year 2020. The impact of these reduced revenues has limited the state’s abilities to help in stabilizing childcare provider wages, encouraging more professional development, and improving the quality of care children receive.

## 1.425 INDIVIDUAL DEVELOPMENT ACCOUNT DONATION (CREDIT)

**Oregon Statute:** 315.271  
**Sunset Date:** 12-31-2027  
**Year Enacted:** 1999

**Carryforward:** 3 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$14,000,000	\$14,000,000
2023-25 Revenue Impact:	Less than \$100,000	\$14,000,000	\$14,000,000

**DESCRIPTION:** Individuals or businesses donating to state selected fiduciary organizations for distribution to individual development accounts (IDAs) are allowed a tax credit for donations prior to January 1, 2028. The tax credit is equal to a percentage of the taxpayer’s donation, as determined by the fiduciary organization, but cannot exceed 90 percent (increased from 70 percent by legislation in 2019) of the donation. Donations are applied toward matching IDA account holder savings and toward program related expenses. Any credit not used due to insufficient tax liability may be carried forward for up to three years.

The amount used to compute the credit must be added to Oregon taxable income if it was deducted when computing federal taxable income.

The Housing and Community Services Department (OHCS) maintains a limit on the total number of credits issued each year. The Legislature in 2015 set the limit of total credits allowed to all taxpayers as \$7.5 million and in 2016 set the total credit allowed to a taxpayer in any tax year not to exceed \$500,000. OHCS administers the Oregon IDA Initiative through Neighborhood Partnerships, which selects fiduciary organizations to manage the IDAs.

There is another tax expenditure closely related to this program: 1.313, Individual Development Accounts (Exclusion and Subtraction), which provides that contributions to and earnings from IDAs are not taxed by Oregon if used for approved purposes.

In 2021, legislation (HB 2433) extended the sunset of the tax credit for a donation to the Individual Development Account to December 31, 2027.

**PURPOSE:** The purpose for this credit is set forth in ORS 458.675. In summary, the purpose is to fund an asset-based prosperity strategy for low-income Oregonians that promotes personal financial management, investment, and savings for key assets. These assets include: acquiring post-secondary education; the first-time purchase of a primary residence; replacement of a primary residence when replacement offers significant opportunity; certain improvements and repairs to a primary residence; purchase of equipment or training needed to obtain or maintain employment; capitalization of a small business; the rental of a primary residence to achieve housing stability; purchase or repair of a vehicle; and saving of funds for retirement.

**WHO BENEFITS:** Individuals or businesses making donations to state selected fiduciary organizations for distribution to IDAs directly benefit from this credit.

Over 99 percent of the revenue impact goes to personal income tax filers with incomes above \$100,000.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose in creating economic opportunity for low-income Oregonians. Proceeds from donations are matched with savings from

participants to build the financial resiliency of households. Further, because the credit remains at no more than 90 percent of donations, the credit provides more resources than a direct expenditure. The amount of credits granted has continued to rise since 2001. Contributions to Neighborhood Partnerships totaled \$10 million in 2012, 2013 and 2014, and totaled \$10.136 million in 2015. Between January 2008 and June 2016, more than 9,700 Oregon residents opened Individual Development Accounts (IDAs), setting aside savings of over \$16.85 million during that time. Upon successful completion of all program requirements over the next one to six years, the participants will have funds to match their savings to purchase their first home, obtain needed postsecondary education, start a small business, or achieve other goals. The Oregon IDA Initiative has supported over 4,300 participants in purchasing those lifelong assets with their IDAs and has thousands more actively saving. Between 2008-2014, the Oregon IDA Initiative worked with the Regional Research Institute at Portland State University to evaluate the impacts of its work. Since 2015, Neighborhood Partnerships has used in-house expertise to continue the evaluation processes established by PSU. Copies of the evaluations may be found here: <https://oregonidainitiative.org/evaluation/>.

### 1.426 OREGON AFFORDABLE HOUSING LENDER’S CREDIT

**Oregon Statute:** 317.097  
**Sunset Date:** 12-31-2025 (certification)  
**Year Enacted:** 1989

**Carryforward:** 5 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$18,400,000	\$300,000	\$18,700,000
2023-25 Revenue Impact:	\$18,400,000	\$300,000	\$18,700,000

**DESCRIPTION:**

This provision allows a credit against corporation taxes for lending institutions that make qualified loans at below market interest rates for the construction, development, acquisition, or rehabilitation of a manufactured dwelling park, low-income housing, or a preservation project. For S corporations that claim the credit, the credit is shared by the S corporation shareholders and claimed against their Oregon personal income tax.

The Housing and Community Services Department may certify qualified loans up to a specified cap on the total credits that can be granted each fiscal year for new and existing qualified loans. This cap has been increased multiple times over the past two decades, from \$11 million per fiscal year in 2005, to the current cap of \$35 million that applies to tax years beginning on or after January 1, 2022.

The amount of the credit for the lending institution is the difference between the finance charge on the qualified loan and the finance charge at the time the qualified loan was made that would have been charged had a similar loan been made at market interest rates. The finance charge is the total of all interest, loan fees, interest on any loan fees financed by the lending institution, and other charges related to the cost of obtaining credit.

The credit cannot exceed 4 percent of the unpaid balance of the qualified loan during the tax year for which the credit is claimed. Any credit that cannot be used because of insufficient tax liability in the current year can be used in later years, for up to five years.

To qualify for the credit, qualified loans must be certified by Oregon Housing and Community Services on or before December 31, 2025. Legislation in 2021 (HB 2433) allowed qualified loans to be certified to receive credits for up to 30 years in the case of a qualified loan with a contract for rent assistance or financing resources from the United States Department of Agriculture, or 20 years for any other qualified loan. This legislation also set the current cap on total credits that can be granted in each fiscal year.

Legislation in 2017 (HB 2066 and HB 2315) and 2018 (HB 4028) made some technical changes to the law and extended the sunset to 2025.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Based on the legislative staff revenue impact statement for HB 2066 (2017), “the policy purpose of the affordable housing lender’s tax credit is to increase the supply of low-income housing.”
- WHO BENEFITS:** For tax year 2019, 18 corporate income taxpayers benefited from this credit, reducing tax liability by about \$410,000 on average. For tax year 2020, 40 personal income taxpayers benefited from this credit, reducing tax liability by about \$5,100 on average. Low-income households also benefit from this provision because some of the recipients of the loans are required to pass on savings from a reduced interest rate to their tenants in the form of lower rents.
- EVALUATION:** *provided by the Housing and Community Services Department*
- This expenditure achieves its purpose and effectively supports nearly 13,000 households throughout the state. Without the credit program, rents in Oregon Affordable Housing Tax Credit projects would be 15–25 percent higher, which would decrease the number of homes available for low and very low-income Oregonians while increasing the rent burden on those same families. Without this incentive, many of the low-income housing projects targeting households with incomes below 80 percent of Area Median Income would not be financially feasible.
- The credit is used with many other direct spending programs such as housing grants and federal Low Income Housing Tax Credits. The credit is applied to the permanent financing after all direct spending programs have been incorporated into the overall project financing. By using the credit in this manner, the maximum benefit is passed on to the tenants for a “bottom line” tenant rent benefit. A direct spending program would likely be more costly to taxpayers.
- Since July 2007 OHCS has successfully used this credit for projects partially financed with tax-exempt bonds. The ability to use these credits increases the amount of debt a development can service, which reduces the aggregate amount of federal, state and local public financing needed for such projects to be financially feasible. OHCS continues to effectively use this program to preserve projects that have Project Based Housing Assistance Payment contracts and other federal rent subsidies.

## 1.427 MANUFACTURED DWELLING PARK CLOSURE

**Oregon Statute:** 316.090  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 2007

**Carryforward:** No  
**Refundable:** Yes  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

**DESCRIPTION:** A \$5,000 refundable credit is allowed for owners of manufactured dwellings who are forced to move due to the closure of their manufactured dwelling park. To qualify for the credit, the taxpayer must live in the manufactured dwelling as their primary residence and then leave the park between January 1, 2007 and December 31, 2025, as a result of the closure. The credit is reduced by any payments made as compensation for exercise of eminent domain by order of a federal, state or local agency. A taxpayer may claim only one credit due to park closure in any given tax year.

This credit is a refundable credit. To the extent the credit exceeds a taxpayer’s liability (reduced by any nonrefundable credits), the taxpayer is entitled to a payment of the excess.

Legislation in 2019 (HB 2164) extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose of the credit 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. “

**WHO BENEFITS:** Manufactured dwelling owners who are forced to move due to the closure of their manufactured dwelling park. In recent years, very few personal income taxpayers claimed this credit.

**EVALUATION:** *provided by the Housing and Community Services Department*

Manufactured homes and associated parks are critical housing stock options for low-income Oregonians. With extremely low vacancy rates and escalating rents across the state, many park tenants have few options if a park closes. Additionally, high property values are enticing park owners to redevelop, increasing the likelihood that park closures will occur. Despite low usage, likely due in part to OHCS' preservation efforts, any incentive that assists displaced low-income manufactured home tenants is absolutely meeting its objectives and is achieving the purpose of the tax expenditure.



## 1.428 AGRICULTURAL WORKER OVERTIME

**Oregon Statute:** Ore. Laws 2022 c.115  
**Sunset Date:** 12-31-2028 (see description)  
**Year Enacted:** 2022 (HB 4002)

**Carryforward:** No  
**Refundable:** Yes  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Not Applicable	Not Applicable
2023-25 Revenue Impact:	\$1,800,000	\$15,200,000	\$17,000,000

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability and the portion paid directly to taxpayers.

**DESCRIPTION:**

A credit against personal or corporate income taxes is allowed based on overtime compensation paid to agricultural workers by eligible employers. The credit is available beginning or after January 1, 2023. Eligible employers are defined as employers who are in the business of crop production, animal production, or aquaculture. The credit is a percentage of the overtime compensation paid to agricultural workers over the tax year.

The credit is refundable. To the extent that the credit exceeds a taxpayer’s liability (reduced by any nonrefundable credits), the taxpayer receives payment for the excess.

Labor contractors may not claim the credit, but eligible employers may claim the credit based on wages paid to workers through a labor contractor. Overtime wages paid to immediate family members do not qualify for this credit. Before claiming the credit, the taxpayer must receive a notice of acknowledgment from the Department of Revenue stating the maximum amount of credit the taxpayer can claim. The amount of credit depends on the year, number of employees, and whether the employer works in dairying.

The total tax credit amount allowed for all taxpayers in a given calendar year may not exceed \$55 million. Nonresidents are entitled to claim this credit. The same limitations and calculations apply to residents and non-residents if the employees perform the work in Oregon.

Because it is not clear if the legislation enacting this statute expressly provided a period of applicability for this tax expenditure, ORS 315.037(3) may establish that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. If this holds, then the last applicable tax year is 2028.

**PURPOSE:**

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 4002 (2022), “the purpose of this credit is to reduce the costs to eligible employers resulting from requiring overtime compensation, with greater benefit available primarily to smaller agricultural employers. The ultimate intent of the policy is to ensure agricultural employees receive overtime compensation for weekly hours worked in excess of forty hours”.

**WHO BENEFITS:**

Eligible agricultural employers who are required to pay overtime compensation.

**EVALUATION:**

*provided by the Oregon Department of Agriculture*

The tax credit facts are described and cannot be evaluated until implemented in 2024 for the 2023 tax year.

**1.429 TIMBER HARVESTED NEAR FOREST CONSERVATION AREA (INCOME TAX)**

**Oregon Statute:** Ore. Laws 2022 c.34 §2  
**Sunset Date:** None  
**Year Enacted:** 2022 (SB 1502)

**Carryforward:** Yes, see description  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Not Applicable	Not Applicable
2023-25 Revenue Impact:	Not Available	Not Available	Not Available

**DESCRIPTION**

A credit against personal and corporation income tax is allowed for qualifying timber harvests starting in tax year 2023. A qualifying harvest is one that is adjacent to a riparian area subject to the Oregon Forest Practices Act, is equal to or larger than the area not harvested in the riparian area, and abides by standard practice harvest restrictions. To qualify, a taxpayer must be a small forestland owner and they cannot have harvested more than two million board feet of timber in the prior three years. A small forestland owner is a person who owns fewer than 5,000 acres of forestland.

The amount of the credit is equal to the total of the certified stumpage value of the specified standing timber not harvested in the conservation area, the cost of establishing the stumpage value, and one-half of certified stumpage value of retained timber in a dry channel area adjacent to the forest conservation area (if applicable).

The stumpage value of the harvest and its associated costs must be certified by the Oregon Department of Forestry to be eligible for the credit and the taxpayer is required to abide by the standard practice harvest restrictions on the property for fifty years after the certification is issued. If the property used to claim this credit is subsequently harvested or otherwise violates the conservation restrictions required to be certified for this credit, then additional tax, interest, and penalties may apply.

The credit is claimed in the tax year in which the harvest is completed. Credits unclaimed because of insufficient tax liability can be carried forward to any following tax year, and may be carried forward to nonconsecutive tax years.

If the holder of the credit dies before being able to use the full amount certified, the estate of the decedent may use the credit for estate taxes imposed by Oregon (see 15.002, Timber Harvested Near Forest Conservation Area). If the amount of the credit exceeds the estate tax liability, the heirs and devisees may use the remaining credit amount for their personal or corporate income taxes.

The legislation that enacted this tax expenditure specified that any sunset under ORS 315.037 does not apply.

**PURPOSE:**

The statute that allowed this expenditure did not explicitly state a purpose. The legislative staff revenue impact statement for SB 1502 (2022) stated “the policy purpose of this credit is to provide small forestland owners with financial encouragement to adopt standard practice harvest restrictions.”

**WHO BENEFITS:**

Individuals and corporations that own fewer than 5,000 acres of forestland in the state and harvest fewer than 2 million board feet annually in accordance with the specific restrictions and avoid harvesting trees within riparian areas.

**EVALUATION:**

Not evaluated.

## 1.430 BOVINE MANURE

**Oregon Statute:** 315.176(3)(a)  
**Sunset Date:** 12-31-2021  
**Year Enacted:** 2017

**Carryforward:** 4 years  
**Refundable:** No  
**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Available*	Not Available*	\$3,000,000
2023-25 Revenue Impact:	Not Available*	Not Available*	\$700,000

NOTE: The revenue impact estimate includes the effect of the sunset.

*\*In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer but could at a later date.*

**DESCRIPTION:**

The bovine manure tax credit expired as of December 31, 2021. Even though this credit has expired, there are revenue impacts in the 2021-23 and 2023-25 biennia due to credits carried forward. The last year to claim this credit is 2025. A credit was allowed for corporate or personal income taxpayers who collected bovine manure to be produced into biofuels or who produced bovine manure into biofuel. Tax credits were certified by the Oregon Department of Agriculture (ODA).

The credit rate is equal to \$3.50 per wet ton of bovine manure collected for or produced into biofuels. The credit can be claimed only one time for each unit of manure. The amount of credit used in a given tax year cannot exceed the tax liability of the corporation or individual claiming the credit, and any unused credit can be carried forward for four years. The total amount certified by ODA may not exceed \$5 million for all taxpayers in any calendar year. ODA is required to make rules to proportionately reduce the amount of certified credits among all taxpayers in the event that applications exceed the annual limit.

The tax credit for bovine manure collection or production can be transferred once to a third party. The transfer must take place before the due date (including extensions) or the filing date of either the transferor's or transferee's tax return, whichever is earliest, for the first year the credit is allowed.

Legislation in 2016 (SB 1507) extended only the biomass manure portion of tax credit 1.438, Production or Collection of Biomass, through December 31, 2021. A tax credit for all other forms of biomass was allowed to sunset. In addition, a tax credit for biomass manure was reduced from \$5.00 to \$3.50 per wet ton of biomass manure beginning tax year 2016, with the certification process to be continued by the Oregon Department of Energy. Legislation in 2017 (HB 2066) moved up the sunset date of the biomass manure provision to align with the sunset of the credit for other types of biomass, so no biomass credit could be claimed after tax year 2017, except for any unused credit carried forward.

That 2017 legislation also created a new credit for taxpayers who collect bovine manure that produce biofuels and producers of biofuels from bovine manure to be administered by ODA and with an annual limit per tax year for all credits certified. Legislation in 2018 (HB 4028) changed the annual limit period from tax year to calendar year (due to the difficulty of administering the transfer provisions) and clarified that the term "bovine manure" means cattle manure, whereas "cattle" means cows, heifers, bulls, steers, or calves.

**PURPOSE:**

The statute that allowed this expenditure does not explicitly state a purpose. The legislative staff revenue impact statement for HB 2066 (2017) stated "The policy

purpose of the bovine manure tax credit is to ensure the viability and use of digester technology investment.”

**WHO BENEFITS:** Producers and collectors of bovine manure that produce biofuel. The anaerobic digesters, which break down biodegradable material, in this case bovine manure, by microorganisms are located on dairy farms located in Tillamook and Morrow counties as well as in the Willamette Valley.

**EVALUATION:** Not evaluated.

### 1.431 CROP DONATION

**Oregon Statute:** 315.156  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 1977

**Carryforward:** 3 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$400,000	\$400,000
2023-25 Revenue Impact:	Less than \$100,000	\$400,000	\$400,000

**DESCRIPTION:** A credit is allowed against personal or corporation income taxes for crop donations to gleaned cooperatives, food banks, or qualifying charitable organizations in Oregon. Both harvest donations (gleaning) and post-harvest donations qualify. The definition of “crop” includes plants or orchard stock that produce food for human consumption and livestock animals that may be processed into human food.

The credit can be either fifteen percent of the wholesale market price of the crop or fifteen percent of the wholesale market price that the grower would have received had the crop donated been sold or salable. Unused credit amounts due to insufficient tax liability may be carried forward to later years, for up to three years. The amount of the credit is prorated for nonresidents and part-year residents.

The Crop Donation credit had expired as of December 31, 2011, but was reinstated beginning in 2014 with the passage of SB 1541. Previously, the credit was ten percent of the wholesale market price of the crop, but was increased to fifteen percent when the Oregon Legislature reinstated the credit.

Legislation in 2019 (HB 2164) extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is to “...increase the amount of food donated to gleaned cooperatives, food banks and other charitable organizations as well as providing compensation to farmers who donate already harvested crops.”

**WHO BENEFITS:** Farmers who donated crops to gleaned cooperatives, food banks, or charitable food distribution organizations. For tax year 2020, about 70 personal income taxpayers saved an average of about \$1,660 in Oregon tax, and few corporations claimed this credit.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

Food security is a significant issue for nearly 15 percent of the state's residents. The Crop Donation credit helps offset costs for farmers and growers who donate their crops/livestock to charitable organizations working to close this food gap.

Many costs are associated with getting the crop/livestock from the field to the food bank. Outside of the cost associated with the growing and raising the crop/livestock, there are costs associated with harvesting and transporting the crop/livestock to the food bank. Harvesting and transporting costs include labor, use of equipment, and fuel for the equipment and transportation.

Without this credit, some farmers who want to donate crops/livestock would be unable to afford to do so financially. For example, labor costs can make up over 35 percent of a farmer's gross income. Renewal of the credit helps farmers to offset the costs of donated crops/livestock by partially recovering some of the costs.

### 1.432 ENERGY CONSERVATION LENDER'S CREDIT

**Oregon Statute:** 317.112  
**Sunset Date:** 12-31-2011  
**Year Enacted:** 1981

**Carryforward:** 15 years, see description  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** The energy conservation lender's credit expired as of December 31, 2011; however, there can be revenue impacts for the 2021-23 and 2023-25 biennia due to unused tax credits carried forward to succeeding years. The last tax year for which a carryforward credit may be used is 2026.

Commercial lending institutions were allowed a tax credit for financing energy conservation measures of residential fuel oil customers or wood heating residents. The lending corporations must have charged no more than a 6.5 percent interest rate on the loan. The credit equaled the difference between the interest that would have been earned if the loan was made at the usual rate of interest (or alternatively at an upper limit rate established by the Department of Energy) and the interest earned at the 6.5 percent rate. For S corporations that claimed the credit, the credit was shared by the S corporation shareholders and claimed against their Oregon personal income tax.

The loan amount could not exceed \$5,000 for a single dwelling unit or \$2,000 for a single dwelling unit if it was owned by a corporation and the term could not exceed 10 years. The loan must have been used by the dwelling owner to finance energy conservation measures that were recommended as cost effective in an energy audit, which must have been completed before getting the loan. Any credits not used because of insufficient tax liability could be carried forward up to 15 succeeding years.

**PURPOSE:** The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was to promote energy conservation in oil and wood heated homes by encouraging lending institutions to make loans for the financing of energy saving projects.

**WHO BENEFITS:** Lenders who made loans for energy conservation measures. Homeowners and owners of rental housing qualifying for energy conservation loans. Very few taxpayers benefit from this credit.

**EVALUATION:** Not evaluated.

### 1.433 TRANSPORTATION PROJECTS

**Oregon Statute:** 315.336(1)

**Carryforward:** 5 years

**Sunset Date:** 12-31-2017 (12-31-2015 for transit service projects)

**Refundable:** No

**Year Enacted:** 2011

**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$100,000	\$100,000	\$200,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** The credit for transportation projects expired as of December 31, 2017; however, there can be revenue impacts for the 2021-23 and 2023-25 biennia due to certified credits claimed over five years and unused tax credits that are allowed to be carried forward for a maximum of five years. A credit is only allowed if the first tax year for which the credit would otherwise be allowed to be claimed began on or before 2017.

A credit is allowed against corporation or personal income taxes for transportation projects in Oregon. Entities were eligible for this credit if they acquired an alternative fuel vehicle fleet or developed alternative fuel vehicle infrastructure (AFVI) projects such as electric vehicle charging or compressed natural gas systems. Public or nonprofit entities that provided transit services to members of the public and received state or federal funding for those services were also eligible for a transportation projects tax credit. In the case of transit service projects, a credit was only allowed if the first tax year for which the credit would otherwise be allowed to be claimed began on or before 2015. Also in this case, the last tax year for which a carryforward credit may be used is 2024.

The transportation projects program was created in 2011, along with 1.436, Energy Conservation Projects, and a previous tax expenditure for renewable energy development contributions (ORS 315.326).

To qualify for a transportation project tax credit, a taxpayer must have had the project certified by the Oregon Department of Energy (ODOE).

Alternative fuel vehicle projects were eligible for a credit up to 35 percent of the certified cost. Alternative fuel vehicle projects could either be for the development of alternative fuel vehicle infrastructure or the acquisition of an alternative fuel vehicle fleet. Legislation in 2013 added alternative fuel vehicle fleet acquisitions as eligible for tax credits beginning in January 2015.

Certified projects other than alternative fuel vehicle projects were eligible for a credit amount ranging from 10 to 35 percent of certified project costs, depending on the tax year.

When this provision was enacted, the total amount of potential tax credits for the program was limited to \$20 million per biennium. Legislation in 2013 and 2014 redirected a one-time total of \$3 million of transportation project tax credits for the

2013-15 biennium to be auctioned for tax years 2013-2016. The proceeds from the auction of these tax credits were to be deposited into the Alternative Fuel Vehicle Revolving Fund.

Project owners with no tax liability—such as schools, governmental agencies, tribes or nonprofit organizations—could take advantage of the transportation project program by using the pass-through option, which allowed project owners to transfer their tax credit eligibility to a partner for a lump sum cash payment. Transfer partners can be businesses or individuals with an Oregon tax liability, who then claim the credit on their tax returns. Transfer to a partnership was not allowed. ODOE administered the transfer process and set the rate for calculating the payment. Each credit could be transferred or sold only once.

**PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was similar to that of 1.435, Business Energy Facilities, Conservation and Renewables, which was “to encourage the conservation of electricity, petroleum and natural gas by providing tax relief for Oregon facilities that conserve energy resources or meet energy requirements through the use of renewable resources.” (ORS 469B.133)

**WHO BENEFITS:** The alternative fuel vehicle infrastructure and fleet portions of the transportation tax credit program benefited businesses, organizations, nonprofits, tribes, schools, and public bodies that wanted to invest in cleaner transportation fuels and vehicles.

The transit services portion of the transportation tax credit program benefited government or nonprofit entities that received state or federal funding for transit services.

**EVALUATION:** Not evaluated.

### 1.434 ALTERNATIVE ENERGY DEVICES (RESIDENTIAL)

**Oregon Statute:** 316.116  
**Sunset Date:** 12-31-2017  
**Year Enacted:** 1977

**Carryforward:** 5 years, see description  
**Refundable:** No  
**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$700,000	\$700,000
2023-25 Revenue Impact:	Not Applicable	\$200,000	\$200,000

**DESCRIPTION:** The alternative energy devices (residential) tax credit (or commonly referred to as the Residential Energy Tax Credit, RETC) expired as of December 31, 2017; however, there can be revenue impacts for the 2021-23 and 2023-25 biennia due to possible tax credits being claimed over a four-year period and also due to unused tax credits that are allowed to be carried forward for a maximum of five years. The last tax year for which a carryforward credit may be used is 2025.

A credit against personal income tax was allowed to taxpayers who installed qualifying alternative energy devices in their residences.

The Oregon Department of Energy (ODOE) listed a set of eligible devices that homeowners or renters could purchase and install in their primary or secondary residence located in Oregon. Eligible devices, appliances, and systems have changed over time to adapt to changes in energy use and market conditions.

Tax credit eligibility requirements varied for over twenty types of eligible devices. In general, tax credits were issued for no more than 50 percent of the cost of the device or \$1,500. Credits over \$1,500 must have been claimed over multiple years, with no more than \$1,500 being claimed per year.

RETC applicants may also have been eligible for additional incentives offered by their utility, the Energy Trust of Oregon, or the federal government. These additional incentives were deducted from the eligible cost of the device when calculating the credit amount. The sum of the state and federal credits and incentives could not exceed the cost of the acquisition, construction, and installation of the alternative energy device.

Any credit unused in a particular year because of insufficient tax liability could be used in later years, for up to five years. If a taxpayer had no Oregon tax liability, the taxpayer could have transferred the tax credit to an individual with an Oregon tax liability, who made a lump sum payment equal the present value of the certified tax credit (as determined by ODOE) to the taxpayer.

**PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to promote residential energy savings, energy displacement, and market transformation by providing personal income tax credits to Oregonians who purchased energy efficient devices and renewable energy systems for their homes.

**WHO BENEFITS:** The Residential Energy Tax Credit program benefited homeowners, renters, and landlords statewide who upgraded or purchased energy efficient devices and renewable energy systems.

The table below shows personal income tax usage of this credit for tax year 2020.

<b>2020 Personal Income Tax Filers</b>				
<b>Income Group of Full-Year Filers*</b>	<b>Number of Filers Using Credit</b>	<b>Average Revenue Impact of Credit</b>	<b>Revenue Impact (\$ millions)</b>	<b>Percent of Revenue Impact by Income Group</b>
<b>Below \$14,900</b>	30	\$160	<\$0.1	<1%
<b>\$14,900 - \$32,900</b>	110	\$390	<\$0.1	2%
<b>\$32,900 - \$57,500</b>	190	\$890	\$0.2	8%
<b>\$57,500 - \$102,200</b>	420	\$1,320	\$0.6	26%
<b>Above \$102,200</b>	1,000	\$1,400	\$1.4	64%
<b>All Full-Year Filers</b>	1,740	\$1,240	\$2.2	100%
<b>Part-Year and Nonresident Filers</b>	40	\$820	\$0.0	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** Not evaluated.



## 1.435 BUSINESS ENERGY FACILITIES, CONSERVATION AND RENEWABLES

**Oregon Statute:** 315.354  
**Sunset Date:** 12-31-2012, see description  
**Year Enacted:** 1979

**Carryforward:** 8 years, see description  
**Refundable:** No  
**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$1,600,000	\$600,000	\$2,200,000
2023-25 Revenue Impact:	\$200,000	\$100,000	\$300,000

**DESCRIPTION:** The conservation and renewable energy resource components of the Business Energy Facilities tax credit (or commonly referred to as the Business Energy Tax Credit, BETC) have expired as of December 31, 2012; however, there can be revenue impacts for the 2021-23 and 2023-25 biennia due to certified credits taken over a five-year period and unused tax credits that are allowed to be carried forward for a maximum of eight years. The last tax year for which a carryforward credit may be used is 2027.

The 2011 Legislature transferred the administration of the manufacturing component of BETC from the Oregon Department of Energy (ODOE) to the Oregon Business Development Department and in the process made the manufacturing component of BETC its own tax expenditure, 1.415, Renewable Resource Equipment Manufacturing Facilities tax credit.

To replace the expired components of the BETC program, the 2011 Legislature created three new tax credits which are a part of the Energy Incentive Program (EIP):

- 1.433, Transportation Projects
- 1.436, Energy Conservation Projects
- A credit for contributions to the renewable energy development fund administered by ODOE (ORS 315.326)

For this tax expenditure, which includes just the conservation and renewable components of BETC, a credit was allowed against corporation or personal income taxes for Oregon businesses with investments in such projects as energy conservation and renewable energy resources.

To have qualified for a BETC (conservation and renewables), the project must have been certified by ODOE before starting. Conservation projects included a variety of energy conservation projects in the following categories: energy efficiency (e.g. insulation, HVAC, and lighting), homebuilder (e.g. solar systems installed in new or existing homes), rentals (e.g. appliance and weatherization improvements in rental housing), transportation (e.g. alternate fuel vehicles) and other projects, such as recycling. Renewable energy resource projects included a variety of projects that use or produce energy from biomass, wind, water, geothermal, solar photovoltaic cells or solar thermal (water heating) systems.

In general, conservation projects received a tax credit of 35 percent of the eligible costs. After the 2007 Legislative Session, renewable projects received a tax credit of 50 percent of eligible costs. Eligible costs must have been directly related to the project and included equipment costs, engineering and design fees, materials, supplies, installation costs, loan fees and permit costs. Maintenance costs and costs to

replace equipment at the end of its useful life or required to meet regulations were not eligible.

The limit on eligible costs was \$10 million for conservation projects and \$20 million for renewable projects. For certain types of projects, there were additional limits on the eligible costs.

The tax credit was taken over five years with 10 percent taken the first two years and 5 percent taken the final three years for 35 percent tax credits, and 10 percent taken each year for 50 percent tax credits. If the eligible costs of the project were \$20,000 or less, the tax credit could be taken in one year. Any tax credit not used in a particular year because of insufficient tax liability could be carried forward for up to eight years.

Project owners with no tax liability, such as schools, governmental agencies, tribes or nonprofit organizations could take advantage of the BETC program by using the pass-through option, which allowed project owners to transfer their BETC eligibility to a partner for a lump sum cash payment. The transfer partner could have been a business or individual with an Oregon tax liability, who then claimed the tax credit on their tax returns. The ODOE administered the transfer process and set the rate for calculating the payment. The pass-through option was expanded by the Legislature in 2001 and participation steadily increased. In 2009, just over half of the projects transferred their BETC credit. The 2009 Legislature limited the transferability, so that the credit could not be transferred more than once.

House Bills 3672 (2011) and 4079 (2012) clarified the sunset of the BETC program:

- Applications for preliminary BETC certification that were received by April 15, 2011 must have received their preliminary certification by June 30, 2011.
- Projects with a preliminary certification that began construction by April 15, 2011 must receive their final certification based on the conditions of their preliminary certifications (for conservation and transportation projects, final certification cannot be after June 30, 2014).
- Projects with preliminary certification that began construction after April 15, 2011 must receive final certification by December 31, 2012.

Certifications are granted for a period not to exceed five years and begin on the tax year during which the applicant submitted their completed application for final certification.

**PURPOSE:** “To encourage the conservation of electricity, petroleum and natural gas by providing tax relief for Oregon facilities that conserve energy resources or meet energy requirements through the use of renewable resources.” (ORS 469B.133)

**WHO BENEFITS:** Businesses that invested in facilities that produced energy, reduced the consumption of energy, recycled, or used less polluting transportation fuels. For tax year 2019, about 20 corporate taxpayers benefited from the credit. These taxpayers reduced their tax liability by an average of about \$110,000. For tax year 2020, approximately 80 personal income taxpayers (composed of individuals, S corporations, and partnerships) benefited from the credit.

Over 99 percent of the personal revenue impact goes to personal income tax filers with incomes above \$100,000.

**EVALUATION:** Not evaluated.

## 1.436 ENERGY CONSERVATION PROJECTS

**Oregon Statute:** 315.331(1)  
**Sunset Date:** 12-31-2017  
**Year Enacted:** 2011

**Carryforward:** 5 years  
**Refundable:** No  
**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$600,000	\$400,000	\$1,000,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** The tax credit for an energy conservation project has expired as of December 31, 2017; however, there can be revenue impacts for the 2021-23 and 2023-25 biennia due to certified credits taken over a five-year period and unused credits that are allowed to be carried forward for a maximum of five years. The last tax year for which a carryforward credit may be used is 2026.

A credit was allowed against corporation or personal income taxes for energy conservation projects in Oregon. The Energy Conservation Projects program was created in 2011, along with 1.433, Transportation Projects, and a previous tax expenditure for renewable energy development contributions (ORS 315.326).

To qualify for an Energy Conservation Project tax credit, a taxpayer must have had the project certified by the Oregon Department of Energy (ODOE). Qualifying energy conservation projects were eligible for a credit that was equal to an amount up to 35 percent of project cost. The credit was taken over five years in increments related to project cost: 10 percent in the first and second year and 5 percent each year thereafter. Taxpayers with certified costs of \$20,000 or less could take the tax credit in one year. Any credit unused in a particular year because of insufficient tax liability could be carried forward for up to five years. The total amount of potential tax credits for the program was limited to \$28 million per biennium.

Project owners with no tax liability, such as schools, governmental agencies, tribes, or non-profit organizations could take advantage of the Energy Conservation Project program by using the pass-through option, which allowed project owners to transfer their tax credit eligibility to a partner for a lump sum cash payment. Transfer partners could be a business or individual with an Oregon tax liability, who then claimed the tax credit on their tax return. Transfer to a partnership was not allowed. The ODOE administered the transfer process and set the rate for calculating the payment. The credit could be transferred or sold only once. The 2015 Legislature permitted ODOE to require applicants to enter into a performance agreement, which can include a recertification requirement for owners of projects with a cost of \$1 million or more.

**PURPOSE:** The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was similar to 1.435, Business Energy Facilities, Conservation and Renewables which states "...to encourage the conservation of electricity, petroleum and natural gas by providing tax relief for Oregon facilities that conserve energy resources or meet energy requirements through the use of renewable resources." (ORS 469B.133)

**WHO BENEFITS:** The program benefited businesses, organizations, public bodies, schools, nonprofits, and tribes that invested in energy efficiency or conservation projects at a business or residential rental property in Oregon.

**EVALUATION:** Not evaluated.

### 1.437 WEATHERIZATION LENDER’S CREDIT

**Oregon Statute:** 317.111

**Sunset Date:** 10-31-1981

**Year Enacted:** 1977

**Carryforward:** 15 years, see description

**Refundable:** No

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000

**DESCRIPTION:** The weatherization lender’s credit has expired as of October 31, 1981; however, there can be revenue impacts in the 2021–23 and 2023–25 biennia due to credits carried forward to succeeding years due to possible unused tax credits from credits claimed during the term of the weatherization loan. A credit against corporation income taxes was allowed for lending institutions that made below market rate loans for financing weatherization projects. The credit was equal to the difference between the amount of interest charged at a rate of 6.5 percent and the amount that would have been charged at the lesser of 12 percent or the average percent the lending institution charged for home improvement loans. Unused credit amounts could be carried forward for 15 years.

**PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to promote energy conservation by encouraging lending institutions to make loans for projects to weatherize homes.

**WHO BENEFITS:** Lending institutions that made weatherization loans between 1977 and 1981. Very few taxpayers benefit from this credit.

**EVALUATION:** Not evaluated.

### 1.438 PRODUCTION OR COLLECTION OF BIOMASS

**Oregon Statute:** 315.141

**Sunset Date:** 12-31-2017

**Year Enacted:** 2007

**Carryforward:** 4 years

**Refundable:** No

**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$0	\$0	\$0

**DESCRIPTION:** The credit against corporation or personal income taxes to producers and collectors of biomass material expired as of December 31, 2017; however, there can be revenue impacts for the 2021–23 biennium due to tax credits being carried forward for up to a four-year period. The last tax year for which a carryforward credit may be used was 2021.

Legislation in 2017 (HB 2066) adjusted the sunset date of the biomass manure piece to align with the rest of the biomass tax credit, so no biomass credit could be claimed after tax year 2017, except for any remaining carryforward credit. In the process a new credit, 1.430, Bovine Manure, was created to be administered by the Oregon Department of Agriculture.

The biomass material must have been sourced within Oregon and must have been used as biofuel or to produce biofuels in Oregon. Types of biomass included: woody (forest based) biomass, agriculture crops, manure, used oil and waste grease. The credit was certified by the Oregon Department of Energy and allowed applications up to 60 days after the end of the applicant’s tax year.

The credit was computed as a product of the quantity of biomass produced and the applicable credit rate. The credit rates varied by the type of biomass. A biomass tax credit could be claimed only one time for each unit of biomass. The credit could be carried forward for four years and could not exceed the tax liability of the corporation or individual claiming the credit.

The tax credit for biomass production or collection could be transferred to a third party.

In 2016, the Legislature extended the sunset of the biomass tax credit, for animal manure only, to December 31, 2021 (SB 1507). In addition, the tax credit rate for animal manure was reduced from \$5.00 per wet ton to \$3.50 per wet ton beginning with tax year 2016. The extended sunset date, however, was repealed in 2017 (HB 2066).

- PURPOSE:** The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was to stimulate production and collection of biomass material for producing biofuel, which could be used instead of fossil fuels. The legislative staff revenue impact statement for SB 1507 (2016) stated “the policy purpose of the change in Biomass manure tax credit [the extension of the sunset date] is to increase the capital investment in manure digesters.”
- WHO BENEFITS:** Very few taxpayers benefit from this tax credit.
- EVALUATION:** Not evaluated.

### 1.439 FISH SCREENING DEVICES

**Oregon Statute:** 315.138  
**Sunset Date:** 01-01-2024 (preliminary certification)  
**Year Enacted:** 1989

**Carryforward:** 5 years  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** A credit against personal and corporation income tax is allowed for installing a fish screening device, bypass device, or fishway (except where the device is part of a federally regulated hydroelectric project). These projects are primarily on agricultural land to keep fish from entering irrigation canals. Legislation passed in 2007 attempted to encourage the wider use of these devices by allowing the credit on any substantial diversion of water from rivers, lakes and streams that is not required to be licensed by the Federal Energy Regulatory Commission. Legislation passed in 2009 (HB 2065) further clarified that the credit is allowed for installing any of the following: a fish screening device, bypass device, or fishway.

The credit for each device installed equals 50 percent of the taxpayer's net certified cost of installing the screening device, bypass device, or fishway. The total credit

allowed cannot exceed \$5,000 per device installed. Devices that are financed by the Water Development Fund are ineligible for the credit.

The device must be certified by Oregon Department of Fish and Wildlife (ODFW) to be eligible for the credit. There is a preliminary certification prior to installation and a final certification upon completion.

Screening devices may be required on any diversion located in waters of the state in which fish subject to the department’s jurisdiction live. The owner must maintain any mandatory device after completion.

The credit is claimed in the year of final certification. Credits unclaimed because of insufficient tax liability can be carried forward for up to five years. In 2017, the statute was modified so that ODFW may not issue a preliminary certification after January 1, 2024.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote the use of fish screening devices and bypasses to prevent fish from entering irrigation diversions and to allow fish to swim around dams and other obstructions. In many cases, the ODFW requires these devices to be installed. A tax credit for installing a required device may help mitigate the cost.

**WHO BENEFITS:** Taxpayers who install fish screening or passage devices. For 2020, ODFW certified fewer than ten screens and fishways for a qualifying tax credit.

**EVALUATION:** *provided by the Oregon Department of Fish and Wildlife*

This tax credit is an additional incentive for water users to install fish screens and fishways to maximize fish protection while still allowing landowners to divert and utilize water for agricultural and other operations. This program is not used frequently enough to create a significant impact on the State budget but it is a benefit at the individual land owner scale. Participation in this program is low due to many projects being implemented with cost share assistance from a variety of partners such that the landowner and eligible taxpayer does not end up with certifiable costs eligible for the tax credit. When landowners do fund these projects their ability to use this tax credit is part of the selling point of the project.

## 1.440 ALTERNATIVES TO FIELD BURNING

**Oregon Statute:** 315.304

**Sunset Date:** 12-31-2008 (certification)

**Year Enacted:** 1975

**Carryforward:** Yes, see description

**Refundable:** No

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$0	\$0	\$0

**DESCRIPTION:** The Alternatives to Field Burning credit expired as of December 31, 2008; however there are revenue impacts for the 2021-23 biennium due to possible unused tax credits carried forward to succeeding years. The final year this credit could be used is tax year 2021. A credit was allowed against corporation or personal income taxes for up to 35 percent of acquisition or construction costs for equipment and facilities as alternatives to grass seed and cereal grain straw open field burning. The taxpayer must have had the investment certified through the Department of Environmental

Quality (DEQ). This provision was added as an expansion of tax expenditure 1.441, Pollution Control, in 1975 and sunset at the end of 2008. For full details, refer to the Pollution Control entry.

Voluntary projects, projects that cost less than \$200,000, projects located in an enterprise zone or economically distressed area, or projects that met high levels of environmental compliance were eligible for a credit of up to 35 percent of the certified cost of the facility.

The credit was taken in equal amounts over the remaining useful life of the facility at the time of certification, but not less than one year nor more than 10 years. The applicant must have demonstrated a reduction in acreage burned to qualify.

A taxpayer may use any credit unclaimed in a particular year because of insufficient tax liability in later years, for up to three years.

Note that tax expenditure 2.035, Mobile Field Incinerators, provides a property tax exemption that applies to some of the same equipment as this credit does.

**PURPOSE:**

The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to encourage reduction in the practice of open field burning while developing and using alternative methods of field sanitation and alternative methods of using grass seed and cereal grain straw.

**WHO BENEFITS:**

Growers who invested in equipment, facilities, and land for gathering, densifying, processing, handling, storing, transporting, and incorporating grass straw or straw based products that resulted in reduction of open field burning, propane flamers, or mobile field sanitizers that reduced air quality impacts, and drainage tile installations that resulted in a reduction of grass seed acreage under production.

**EVALUATION:**

Not evaluated.

## 1.441 POLLUTION CONTROL

**Oregon Statute:** 315.304

**Sunset Date:** 12-31-2008 (certification)

**Year Enacted:** 1967

**Carryforward:** Yes, see description

**Refundable:** No

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$0	\$0	\$0

**DESCRIPTION:**

The Pollution Control credit expired as of December 31, 2008; however, there are revenue impacts for the 2021-23 biennium due to unused tax credits carried forward to succeeding years. The final year this credit could be used is tax year 2021. This tax credit was allowed against corporation or personal income taxes equal to up to 35 percent of the certified cost of pollution control facilities (depending on the type of project and installation date). The taxpayer must have had the investment certified through the Department of Environmental Quality (DEQ). The sunset date for construction completion was December 31, 2007. The last day to submit an application for credit certification to DEQ was December 31, 2008. DEQ certified both the facilities and the allowable costs.

To have qualified, the principal purpose of the facility must have been to meet pollution control requirements, or the sole purpose must have been to prevent,

control, or reduce a significant quantity of pollution. Projects could have included the purchase of or reconstruction and improvements to structures, land, machinery, or equipment. The statute specifically excluded certain items, including asbestos abatement, septic tanks, human waste facilities, office buildings, parking lots, landscaping, and automobiles.

The qualified taxpayer may have included the owner, lessee, lessor, or contract purchaser, depending on the categorization of the facility.

The annual amount of credit was up to 35 percent of the certified cost of the facility multiplied by the certified percentage allocable to pollution control, divided by the number of years of the facility's useful life. The maximum useful life for calculating the credit was 10 years.

Projects eligible for a credit of up to 35 percent of the certified cost of the facility included the following: voluntary projects if the certified cost did not exceed \$200,000; projects that cost less than \$200,000; projects located in an enterprise zone or economically distressed area; or projects constructed at a site where the taxpayer held an environmental certification or permit.

A taxpayer may use any credit unclaimed in a particular year because of insufficient tax liability in later years, for up to three years.

The property tax expenditure 2.116, Pollution Control Facilities exemption, was a companion to this income tax credit. Non-profit corporations and cooperatives qualified for a 20-year property tax exemption on the facility.

**PURPOSE:**

“...to assist in the prevention, control and reduction of air, water and noise pollution and solid waste, hazardous wastes and used oil in this state by providing tax relief with respect to Oregon facilities constructed to accomplish such prevention, control, and reduction” (ORS 468.160).

**WHO BENEFITS:**

Businesses that invested in pollution-control equipment and facilities benefit from this credit. Most of the benefit went to large corporations in manufacturing industries, including paper and allied products, wood processing, food processing, and electronics. For tax year 2019, fewer than 10 corporate taxpayers benefited from the credit. Other corporate taxpayers claiming this credit were unable to use it due to insufficient tax liability. For tax year 2020, fewer than 10 personal income tax taxpayers used this credit. Most of these taxpayers were using credits carried forward from previous years. In calendar year 2008, the final year for credit certification, the DEQ issued 226 certificates for a potential of \$10.9 million in tax credits to corporate and personal income taxpayers.

**EVALUATION:**

Not evaluated.



## 1.442 REFORESTATION

**Oregon Statute:** 315.104

**Sunset Date:** 12-31-2011 (issue of preliminary certificate)

**Year Enacted:** 1979

**Carryforward:** 3 years

**Refundable:** No

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$0	\$0	\$0

### DESCRIPTION:

The reforestation credit expired as of December 31, 2011 for the issue of preliminary certification. Nevertheless, there may be revenue impacts for the 2021–23 biennium due to final certification allowed through December 31, 2018 and unused credit amounts carried forward to succeeding years. Unused credit amounts due to insufficient tax liability may have been used in later years, for up to three years. A taxpayer who received final certification in the last year allowed, 2018, could have carried forward unused amounts through tax year 2021.

For taxpayers who received preliminary certification on or before December 31, 2011 and final certification on or before December 31, 2018, the reforestation credit was allowed against personal or corporation income tax in an amount equal to 50 percent of the qualified cost of reforesting underproductive commercial forestland. The tax credit occurred in two parts: one after the preliminary certification and one after the final certification.

To qualify for this program, the taxpayer must have paid a nonrefundable application fee (which was \$400 in 2010) to the Oregon Department of Forestry (ODF) for the initial application. The Oregon Department of Forestry must have preliminarily certified the project after planting was completed. The taxpayer could claim 25 percent of the qualified costs in the year the trees were planted. After two growing seasons, the ODF must have reported to the Department of Revenue any plantings that were not established. If a project was not established after two years, the remaining second half of the credit could not be claimed. If the project was not established because of reasons within the taxpayer’s control, the credit previously claimed on preliminary certification must be returned. For plantings that were determined by ODF to be established after two growing seasons and considered by ODF to be “free to grow” by the end of the fifth growing season or the sixth full calendar year, ODF could issue the final certificate and the taxpayer could claim the remaining 25 percent of the initial cost, plus 50 percent of qualified maintenance costs.

The taxpayer must have owned at least five acres of commercial Oregon forestland, and the taxpayer’s portion of project cost must have been at least \$500 for the project to qualify for the credit. Qualified costs included the application fee and costs actually incurred for site preparation, tree planting, and other necessary silviculture treatments (such as moisture, erosion, and animal damage control). Qualified costs excluded costs associated with reforestation projects required under the Forest Practices Act, any portion of costs paid through federal or state cost-sharing programs, and costs for growing Christmas trees, ornamental trees, or shrubs. Costs associated with short-rotation hardwoods (such as cottonwoods) were not eligible.

The application fee, initiated in 2006, provided minimal administrative funding for the program. Full administrative funding was previously provided by the privilege

tax until that tax was eliminated. The 2007 Legislature allowed the application fee to be a qualified cost in claiming the credit.

- PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to increase the public benefits that come from forested lands by promoting reforestation of commercial forestlands that previously did not have commercial trees growing on them, such as brush lands, burned areas with no commercial timber salvage value, and marginal pasture lands. These lands were typically mixed in with or adjacent to land being used to grow timber.
- WHO BENEFITS:** Very few taxpayers benefit from this credit.
- EVALUATION:** Not evaluated.

### 1.443 SHORT LINE RAILROAD REHABILITATION

**Oregon Statute:** 315.593  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 2019

**Carryforward:** 5 years  
**Refundable:** No  
**Transferable:** Yes

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Available*	Not Available*	Not Available*
2023-25 Revenue Impact:	Not Available*	Not Available*	Not Available*

\* In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.

**DESCRIPTION:** A credit is allowed against corporation or personal income taxes based on short line railroad rehabilitation project costs paid or incurred during the tax year for which the credit is claimed.

Project costs are those directly related to the work necessary to maintain, reconstruct, or replace infrastructure in Oregon owned or leased by a short line railroad. Project costs do not include those funded by or used to qualify for any state or federal grants, or costs that are used to claim a federal tax credit.

A short line railroad is defined as a class II or class III carrier grouped in 49 C.F.R. (Code of Federal Regulations) Part 1201 according to annual operating revenues. As of 2022, carriers having operating revenues between \$40.4 million and \$900 million are considered class II and carriers with revenues of \$40.4 million or below are considered class III.

The amount of the credit allowed to a taxpayer is the lowest of:

- 50 percent of their project costs paid or incurred
- For tier I short lines (200 or more miles of short line track in Oregon), \$1,000 times their number of miles of short line track in the state
- For tier II short lines (fewer than 200 miles of track or government owned or leased), \$3,500 times their number of miles of short line track in the state.

Any portion of the credit exceeding the taxpayer’s liability in a particular tax year may be carried forward for up to five years. A taxpayer eligible to claim the credit

may transfer the entire amount of the credit to another taxpayer. The amount of the credit is prorated for nonresidents and part-year residents.

Rehabilitation projects must be certified by the Oregon Department of Transportation to be eligible for this credit. The total amount of potential tax credits allowed at the time of preliminary certification may not exceed \$4 million for any biennium (ORS 315.603).

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is “to encourage and leverage private capital investment in short line railroad infrastructure with the intent to create cascading economic development opportunities across the state and to incentivize new short line rail customers by improving the conditions of short line railroads throughout Oregon.”

**WHO BENEFITS:** Short line railroads with eligible rehabilitation costs and taxpayers who receive transferred credits.

**EVALUATION:** *provided by the Oregon Department of Transportation*

ODOT provides approximately seven preliminary certifications per year to short line railroads for the rehabilitation tax credit. This preliminary certification is step 1 of a 2-step process. Step 2 requires the railroad to submit proof that they actually completed the project and spent the funds as outlined in their application by year end. Roughly two final certifications are received per year which amounts to approximately 28.5% of the received preliminary certifications.

## 1.444 OREGON LIFE AND HEALTH IGA ASSESSMENTS

**Oregon Statute:** 734.835  
**Sunset Date:** 12-31-2027  
**Year Enacted:** 1975

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$1,200,000	Not Applicable	\$1,200,000
2023-25 Revenue Impact:	\$700,000	Not Applicable	\$700,000

**DESCRIPTION:** Life and health insurance companies pay both the corporation income tax and two types of assessments (class A and class B) to Oregon Life and Health Insurance Guaranty Association (OLHIGA). The class B assessment is made if needed to cover the cost of claims against insurers that have gone out of business. In general, the solvent insurers are then entitled to a credit against their corporation income taxes for class B assessments paid to OLHIGA at the rate of 20 percent of the assessment per year for each of the five calendar years following the year in which the assessment was paid, not to exceed each solvent insurer’s corporate income tax liability. In the event that an insurer goes out of business, all remaining assessment amounts may be credited for the year it goes out of business.

According to legislation in 2021 (HB 2433), tax credits are not allowed if the first tax year for which the credit would otherwise be allowed begins on or after January 1, 2028.

**PURPOSE:** ORS 734.770 states that “the purpose of ORS 734.750 to 734.890 is to protect the persons specified in ORS 734.790, subject to certain limitations, against failure in the performance of contractual obligations, under life and health insurance policies and

annuity contracts specified in ORS 734.790, because of the impairment or insolvency of the insurer issuing such policies or contracts.”

**WHO BENEFITS:** Insurance companies affected by OLHIGA class B assessments. The recent OLHIGA class B assessments have been:

- \$4,410,000 in 2017
- \$1,700,000 in 2018
- \$1,145,000 in 2019
- \$1,500,000 in 2020

There was no assessment in 2021 or 2022.

**EVALUATION:** *provided by the Department of Consumer and Business Services*

This type of credit is common throughout the United States. It allows insurers to recover the costs of the assessment they pay to the guaranty association, which in turn is used to cover the cost of claims against insolvent insurers. In effect the General Fund, through the OLHIGA, funds the costs associated with Oregon claims filed against insolvent insurers, with some offsetting increase in retaliatory tax.

Because this tax credit is taken on the excise tax and the excise tax, net of credits, is used in calculating the retaliatory tax, there is an offsetting increase in retaliatory tax as a result of this credit, which is dollar for dollar within certain thresholds.

## 1.445 POLITICAL CONTRIBUTIONS

**Oregon Statute:** 316.102

**Sunset Date:** 12-31-2025

**Year Enacted:** 1969

**Carryforward:** No

**Refundable:** No

**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$6,100,000	\$6,100,000
2023-25 Revenue Impact:	Not Applicable	\$6,300,000	\$6,300,000

**DESCRIPTION:** A nonrefundable credit may be claimed against personal income taxes for qualified political contributions made, not to exceed \$50 (\$100 for a joint return). The credit may not be taken by joint filers with adjusted gross income above \$150,000, or by single filers with adjusted gross income above \$75,000. These limits were decreased from \$200,000 and \$100,000 by legislation in 2019 (HB 2164) and are not adjusted for inflation.

Qualified political contributions include cash contributions to a major or minor political party; to candidates for state, federal, or local elective office; or to political action committees that are registered with the Oregon Secretary of State’s office. Credits that cannot be used because of insufficient tax liability in the current year may not be carried forward to later years.

Legislation in 2019 (HB 2164) extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose of the credit is “to encourage large numbers of people to contribute small amounts of money to candidates and political parties, thereby encouraging participation in the political process.”

**WHO BENEFITS:** Taxpayers who make cash contributions to political candidates or parties or political action committees. The number of full-year resident taxpayers who claim this credit fluctuates from year to year. Usage of the credit is generally highest during presidential election years. The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	9,020	\$10	\$0.1	2%
\$14,900 - \$32,900	12,910	\$40	\$0.5	11%
\$32,900 - \$57,500	18,150	\$50	\$1.0	20%
\$57,500 - \$102,200	23,650	\$70	\$1.7	36%
Above \$102,200	16,850	\$90	\$1.5	31%
<b>All Full-Year Filers</b>	<b>80,560</b>	<b>\$60</b>	<b>\$4.8</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	2,570	\$50	\$0.1	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** *provided by the Secretary of State*

In 2016, the multi-partisan Campaign Finance Task Force chaired by former Secretary of State Jeanne Atkins voted 13-1 (with three excused) to adopt the statement that: “Oregon campaign contribution tax credit is useful in encouraging small contributions by individuals and gives candidates and political committees the opportunity to do positive outreach to constituents. The program has had bipartisan support over the years.”

Since the tax credit has been in effect since 1969, it is difficult to know how many Oregonians would participate without the tax credit, although many candidates and political committees highlight the tax credit as a fundraising tool. However, the credit amount is relatively small at \$100 on a joint return for filers earning less than \$150,000 and \$50 for filers earning less than \$75,000. In the absence of publicly funded elections or other state-sponsored grassroots campaign financing measures, the political contribution tax credit remains a tool to encourage political participation by individuals.

While prior assessments of this tax expenditure have included speculation on the percentage of contributions that used the credit, the adoption of income limits in 2017 makes such calculations untenable. For example, while the Secretary of State’s Elections Division can reasonably estimate the number of donations made each year under \$100, they are not able to assess the income level of the contributor(s) and whether they qualified for this tax credit. Therefore, the Oregon Secretary of State is unable to discern which contributions were received from contributors that are eligible for this tax credit from those that are not.

Because the income limit is not tied to inflation, the overall fiscal impact of this expenditure is likely to decrease with time, as fewer and fewer Oregonians become eligible.

### 1.446 OREGON CULTURAL TRUST

**Oregon Statute:** 315.675  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 2001

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$8,200,000	\$8,200,000
2023-25 Revenue Impact:	Less than \$100,000	\$8,600,000	\$8,600,000

**DESCRIPTION:** A credit is allowed against personal or corporation income tax for contributions made to the Trust for Cultural Development Account of the Oregon Cultural Trust. In order to qualify for the credit, the taxpayer must first contribute to one of the more than 1,600 Oregon cultural organizations exempt from federal income taxes per 26 U.S.C. 501(c)(3). The taxpayer can then make a contribution of equal or lesser value to the Trust for Cultural Development Account, thereby purchasing a tax credit for that amount. The credit is equal to the amount of the contribution to the Trust for Cultural Development Account, and may not exceed \$500 for a single filer, \$1,000 for joint filers, or \$2,500 for corporations. Married taxpayers filing separate returns may claim a share of the allowed joint credit in proportion to the contribution made by each spouse. The amount of the credit is prorated for nonresidents and part-year residents. This credit may not exceed the tax liability of the taxpayers and may not be carried forward to another tax year.

Legislation in 2019 (HB 2164) extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose of the credit is “to protect and stabilize Oregon’s cultural resources by creating a solid foundation for the future through the leveraging of private sector support from both individuals and businesses.”

**WHO BENEFITS:** The table below shows personal income tax usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	160	\$40	<\$0.1	<1%
\$14,900 - \$32,900	300	\$140	<\$0.1	1%
\$32,900 - \$57,500	590	\$270	\$0.2	4%
\$57,500 - \$102,200	1,740	\$390	\$0.7	17%
Above \$102,200	4,990	\$630	\$3.1	78%
<b>All Full-Year Filers</b>	<b>7,780</b>	<b>\$520</b>	<b>\$4.0</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	80	\$230	\$0.0	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

For tax year 2019, fewer than 10 corporate taxpayers benefited from this credit. These taxpayers reduced their tax liability by \$2,100, on average.

**EVALUATION:**

*provided by the Oregon Cultural Trust*

Oregon Cultural Trust (OCT) is nationally recognized for its engagement of citizens around statewide cultural issues, and its role in providing stable and accessible funding for cultural nonprofits. Part of this access is achieved through 36 county coalitions, whose role is to distribute funds locally according to each county’s cultural plan. Since its inception the Trust has bought in 154,631 donations totaling \$75,501,251. Fiscal year 2022 was a record year with 11,024 donations totaling \$5.7 million., with an average giving amount of \$502 per gift. Annually, about one half of the income from contributions (50-40 percent) is allocated to the Trust corpus, ensuring the health and growth of the cultural sector in Oregon for future generations. The balance (no less than 50 percent, but no more than 60 percent) is granted to Cultural Development Grant Program, Community Participation Grant Program, and Core Partner Agencies. Through a competitive peer review process administered by the OCT, grant awards are strategically made to fulfill the OCT’s mission, to lead Oregon in cultivating, growing and valuing culture as an integral part of communities. OCT does this by inspiring Oregonians to invest in a permanent fund that provides annual grants to cultural organizations. Final report and plans are also reviewed annually by the OCT for compliance and impact.

The Trust for Cultural Development Account serves as a repository for both public and private moneys designated to fund specific arts, heritage and humanities programs. Under the direction of the Trust Board, each fiscal year the Oregon Cultural Trust (OCT) disburses no less than 50 percent, but no more than 60 percent of the amount in the Trust for Cultural Development Account on July 1. The OCT may use up to \$400,000 of the total amount disbursed from the account for administrative expenses, with a cost of living increase applied annually (Consumer Price Index). The balance of the amount disbursed from the account is distributed in the following three ways: Cultural Development Grant Program (50 percent), Community Participation Grant Program (25 percent), and Core Partner Agencies (25 percent).

The Cultural Development Grant Program supports the preservation, stabilization of and investment in Oregon's cultural resources. Grants address significant opportunities to advance, preserve or stabilize cultural resources, and invest in the development of new cultural resources. Grant awards are required to be matched 1:1 and have a broad cultural impact, and applicants must have culture as a priority

within their mission. To ensure equitable distribution of program awards, organizations must wait to apply for one year if they have received funding in the previous two consecutive years.

The Community Cultural Participation Grant Program provides funds to 36 counties and Oregon's nine federally recognized Indian tribes, collectively called the “County Coalition,” for local cultural activities. Each applicant must develop a local cultural plan that identifies priorities specific for building public participation across cultural disciplines and organizations. Each member must also identify annual benchmarks and involve local leadership and governance for grant fund management and plans must be broadly disseminated within each county or tribe. The members of the statewide coalitions are all volunteer driven and disburse grants in their communities, often in fiscal sponsorship with their county government or mission-aligned cultural nonprofit.

The Core Partner Agencies program enables state agencies to carry out their missions and mandates, serve more grantees, encourage new cultural undertakings, and research and investigate ways in which culture and related cultural policy will impact the state in the future. The core partner agencies are the Oregon Arts Commission, Oregon Humanities, the State Historic Preservation Office, the Oregon Heritage Commission, and the Oregon Historical Society. The partners also decide on disbursement of Cooperative Partner Projects, which have included statewide projects such as Oregon’s Poet Laureate Program, The Confluence Project, the Oregon Folklife Network and the newly, much needed Organizational and Professional Development Grants for cultural organizations across the state of Oregon.

Of particular note in fiscal year 2022, the Trust received \$325,387 in grants, bequests and matching gifts that were given without the tax credit. Also, we received 100 gifts above the tax credit limit. This is a testament to Oregonians’ generous support of the work we are doing for culture in Oregon.

Because of this amazing support, the Trust will be granting a record \$3,422,748 in FY23 grants.

## 1.447 PERSONAL EXEMPTION

**Oregon Statute:** 316.085  
**Sunset Date:** None  
**Year Enacted:** 1985

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,280,000,000	\$1,280,000,000
2023-25 Revenue Impact:	Not Applicable	\$1,340,000,000	\$1,340,000,000

**DESCRIPTION:**

Oregon personal income taxpayers receive a personal exemption credit for each taxpayer and dependent represented on the return. Individuals who can be claimed as a dependent on another’s return cannot claim a credit on their own return. The amount of the credit is indexed to inflation and is \$219 in 2022. The amount of the credit is prorated for nonresidents and part-year residents.

Taxpayers whose filing status is married filing jointly, qualifying widow(er), or head of household may not claim this credit if their adjusted gross income is above



\$200,000, and single filers or married taxpayers filing separate returns may not claim this credit if their adjusted gross income is above \$100,000. The adjusted gross income limits are not adjusted for inflation.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide a minimum level of tax-free income that increases with family size for all Oregon personal income taxpayers below a certain income level.

**WHO BENEFITS:** Oregon personal income taxpayers, except those who are claimed on another taxpayer’s return. The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	320,380	\$120	\$38.2	7%
\$14,900 - \$32,900	374,010	\$300	\$111.7	19%
\$32,900 - \$57,500	382,980	\$350	\$135.8	23%
\$57,500 - \$102,200	379,860	\$430	\$164.5	28%
Above \$102,200	226,180	\$590	\$133.0	23%
<b>All Full-Year Filers</b>	<b>1,683,410</b>	<b>\$350</b>	<b>\$583.2</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>236,710</b>	<b>\$180</b>	<b>\$42.0</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** Not evaluated.

### 1.448 OREGON VETERANS' HOME PHYSICIANS

**Oregon Statute:** 315.624  
**Sunset Date:** 12-31-2027  
**Year Enacted:** 2007

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** A credit against personal income tax is allowed for physicians who provide medical care to residents of an Oregon Veterans’ Home. The credit is \$1,000 for every eight residents to whom the physician provides care, with a maximum of \$5,000 per year. To qualify for the credit, a physician cannot miss more than 5 percent of scheduled visits with residents, as verified by a letter from an Oregon Veterans’ Home. The letter must be submitted with the corresponding tax return. Nonresidents and part-year residents must multiply their credit by their Oregon percentage.

A qualifying taxpayer may claim both this credit and the rural medical practitioner credit (see 1.408, Rural Medical Practice).

Legislation in 2021 extended the scheduled sunset of the provision from December 31, 2021 to December 31, 2027.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the purpose of this credit is "...to increase the number of health care professionals providing long-term care to Oregon veterans, thereby increasing the number of veterans receiving such care."

**WHO BENEFITS:** Physicians providing care to residents of an Oregon Veterans' Home. Oregon has two Oregon Veterans' Homes, one in The Dalles and one in Lebanon. Very few personal income taxpayers claimed this credit.

**EVALUATION:** *provided by the Oregon Department of Veterans' Affairs*  
 This tax credit is having the desired effect of encouraging physicians to provide care to residents of an Oregon Veterans' Home. The tax credit is important because Oregon Veterans' Homes are in rural locations and at times have experienced challenges finding physicians to provide care to residents.

### 1.449 CERTAIN RETIREMENT INCOME

**Oregon Statute:** 316.157  
**Sunset Date:** 12-31-2025  
**Year Enacted:** 1991

**Carryforward:** No  
**Refundable:** No  
**Transferable:** No

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,300,000	\$1,300,000
2023-25 Revenue Impact:	Not Applicable	\$1,400,000	\$1,400,000

**DESCRIPTION:** Low-income taxpayers who are 62 or older and receiving taxable retirement income are allowed a credit against personal income taxes of up to 9 percent of their net pension income. Net pension income is all retirement income included in federal taxable income, except federal pensions excluded from Oregon taxable income (see 1.324, Federal Pension Income) and Social Security benefits, which are not taxed by Oregon. Thus, net pension income consists of private, state, local, and some federal government pensions and distributions from deferred compensation plans, IRAs, SEPs, and Keoghs.

Net pension income qualifying for the credit is limited. The limit is \$7,500 (\$15,000 if married filing jointly) minus Social Security benefits minus household income over \$15,000 (\$30,000 if married filing jointly) and is not adjusted for inflation.

To qualify for the credit, the taxpayer must meet all of the following conditions:

- Household income of \$22,500 or less (\$45,000 or less if married filing jointly)
- No more than \$7,500 (\$15,000 if married filing jointly) in Social Security and/or Tier 1 Railroad Retirement Board benefits
- Household income plus Social Security and Tier 1 Railroad Retirement Board benefits of \$22,500 or less (\$45,000 if married filing jointly).

Legislation in 2019 extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is “To provide tax relief to low-income individuals with pension income.”

**WHO BENEFITS:** Low-income retirees benefit from this credit. The table below shows usage of this credit for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	2,520	\$50	\$0.1	17%
\$14,900 - \$32,900	1,970	\$230	\$0.4	59%
\$32,900 - \$57,500	630	\$290	\$0.2	24%
\$57,500 - \$102,200	0	\$0	\$0.0	0%
Above \$102,200	0	\$0	\$0.0	0%
<b>All Full-Year Filers</b>	5,110	\$150	\$0.8	100%
<b>Part-Year and Nonresident Filers</b>	110	\$100	\$0.0	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

**EVALUATION:** *provided by the Oregon Department of Human Services*

This tax expenditure appears to achieve its purpose. It provides added financial security to those eligible and contributes to their ability to remain self-sufficient. By encouraging financial independence, this provision reduces demand for other state funded services and saves the state money. This tax expenditure will become increasingly important as the population distribution changes. Current forecasts indicate that current retirement savings are not nearly sufficient to support future retirees in their accustomed lifestyles.

## 1.501 PUBLIC WAREHOUSE SALES THROWBACK EXEMPTION

**Oregon Statute:** 314.665

**Sunset Date:** None

**Year Enacted:** 2005

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000

**DESCRIPTION:** For the purposes of taxation, income of corporations doing business in more than one state is apportioned based on Oregon sales relative to sales in all other states. Sales outside the state that originate in Oregon can be taxed in Oregon, known as a throwback, if the sales are to the federal government or are made in another state where the company is not subject to tax (does not have nexus).

This measure exempts certain corporations from throwing back sales. To qualify for the exemption, the corporation’s sole activity in Oregon must be the storage of goods in a public warehouse or storing goods in a public warehouse and with employees in the state whose sole purpose is to solicit sales.

Public warehouse means:

- A warehouse owned or operated by a person who does not own the goods stored in the warehouse
- Does not include a warehouse that is owned by a person who is related to the person who owns goods that are stored in the warehouse, or an affiliate of the person who owns goods that are stored in the warehouse.

The Department of Revenue may determine if a corporation’s activities fit this definition of a public warehouse.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development and expansion of public warehouses in Oregon.

**WHO BENEFITS:** Corporate taxpayer with a public warehouse. No known taxpayer benefits from this provision.

**EVALUATION:** Not evaluated.

## 1.502 TAX RATES FOR CERTAIN PASS-THROUGH INCOME

**Oregon Statute:** 316.043(2)

**Sunset Date:** None

**Year Enacted:** 2013

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$239,000,000	\$239,000,000
2023-25 Revenue Impact:	Not Applicable	\$236,000,000	\$236,000,000

**DESCRIPTION:** Taxpayers with qualifying nonpassive income attributable to a partnership, S corporation, or a sole proprietorship may make an irrevocable election on the original return for that year’s qualifying income to be taxed at the following marginal rates:

<u>Net Qualifying Income</u>	<u>Tax Rate</u>
\$1 to \$500,000	7.0%
\$500,001 to \$1,000,000	7.5%
\$1,000,001 to \$2,500,000	8.0%
\$2,500,001 to \$5,000,000	9.0%
More than \$5,000,000	9.9%

These brackets are not adjusted for inflation.

Generally, taxable personal income at or below \$250,000 would be taxed at marginal rates from 4.75 to 8.75 percent, and income over \$250,000 (\$125,000 for single or married filing separately) would be taxed at a marginal rate of 9.9 percent.

Nonpassive taxable income is reduced by nonpassive losses. Nonpassive income and loss are income and loss other than from passive activity as determined under section 469 of the Internal Revenue Code. Nonpassive income does not include wages, interest, dividends, or capital gains.

The taxpayer must materially participate in the trade or business and must meet an employment requirement. Legislation passed in 2014 (SB 1534) clarified the definition of the term “material participation” to match the definition in section 469 of the federal Internal Revenue Code.

A requisite employee may not be an owner, member, or limited partner of the partnership, S corporation, or sole proprietorship. Employees who meet this requirement must work, in the aggregate, at least 1,200 hours in Oregon by the close of the tax year; however, only the hours worked by such an employee in a week in which the employee works at least thirty hours may be considered in determining whether this requirement is met.

Legislation in 2021 (SB 139) modified the tax rates on qualifying income and created additional requirements for partnerships and S corporations related to total business income and employee requirements. Beginning tax year 2021, the partnership’s or S corporation’s ordinary business income could not be in excess of \$5 million for the tax year for the taxpayer to be able to use these tax rates.

The partnership or S corporation must meet either the employee ratio or the income distribution requirement based on the amount of ordinary business income (OBI) as follows. The employee requirements are:

<b>OBI at Least</b>	<b>But not More Than</b>	<b>Employees Required</b>	<b>Aggregate Hours Worked by Employees</b>
\$0	\$250,000	One	1,200
\$250,001	\$500,000	One per owner	1,200
\$500,001	\$1,000,000	Two per owner	2,400
\$1,000,001	\$2,500,000	Four per owner	4,800
\$2,500,001	\$5,000,000	Ten per owner	12,000

If the employee ratio requirements are not met, then the distributions of income of a partnership or S corporation, as a percentage of ordinary business income, may not exceed 25 percent. The percentage is computed based on total distributions and total OBI for the current and most recent two tax years.

The only addition or subtraction allowed in the calculation of qualifying income is any depreciation adjustment directly related to the partnership, S corporation, or sole proprietorship.

Nonresident taxpayers who elect to use these rates may not join in the filing of a composite return under ORS 314.778.

A nonresident may apply reduced rates only to qualifying income earned in Oregon. Part-year residents calculate the tax due on the qualifying income based upon the proportion of qualifying income in Oregon to their qualifying income from all sources.

In 2018, the Legislature met in a special session to allow sole proprietors meeting the same nonpassive income and employment requirements as partnerships and S corporations to apply these preferential tax rates to qualifying business income (HB 4301).

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3601 (2013), the purpose of allowing this preferential tax rate election “is to encourage small business growth and investment.”

**WHO BENEFITS:** Taxpayers who have qualifying income attributable to a partnership, S corporation, or sole proprietorship and who elect to be taxed at preferential rates. For tax year 2020, 23,140 personal income taxpayers saved an average of \$5,140 in Oregon tax using these reduced tax rates. The table below shows personal income tax usage of these tax rates for tax year 2020.

2020 Personal Income Tax Filers				
Income Group of Full-Year Filers*	Number of Filers Using Tax Rates	Average Revenue Impact	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$14,900	30	\$20	<\$0.1	<1%
\$14,900 - \$32,900	230	\$90	<\$0.1	<1%
\$32,900 - \$57,500	820	\$210	\$0.2	<1%
\$57,500 - \$102,200	2,560	\$430	\$1.1	1%
Above \$102,200	19,500	\$6,040	\$117.7	99%
<b>All Full-Year Filers</b>	<b>23,140</b>	<b>\$5,140</b>	<b>\$119.0</b>	<b>100%</b>
<b>Part-Year and Nonresident Filers</b>	<b>1,560</b>	<b>\$6,080</b>	<b>\$9.5</b>	

\*Each income group contains 20 percent of the full-year filers (approximately 384,000)

EVALUATION:

*provided by the Oregon Business Development Department*

This tax expenditure may contribute to the strength of the Oregon economy by encouraging greater activity by certain smaller-sized companies with potential for high growth in employment and income generation. The department, however, lacks the data or direct experience to address it further.

### 1.503 INCOME AVERAGING FOR FARMERS

**Oregon Statutes:** 314.297

**Sunset Date:** None

**Year Enacted:** 2001

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$1,300,000	\$1,300,000
2023-25 Revenue Impact:	Not Applicable	\$1,300,000	\$1,300,000

DESCRIPTION:

Personal income taxpayers may elect to average all or some of their current tax year's farm income by shifting that farm income to the three prior years, when calculating their Oregon tax liability.

For the current year, the taxpayer subtracts their elected farm income from their total taxable income. The tax is then computed on that new value of taxable income using the current tax year's tax rates. To that tax is added the cumulative increase in the tax that would result from adding one-third of the elected farm income to the taxable income for each of the three prior years.

The elected farm income can include gain on the sale of farm assets, with the exception of gain on the sale of land.

If the taxpayer has current tax year farm income higher than their taxable income for one or more of the three prior years, because of Oregon's progressive tax rate structure, it is possible that the taxpayer's tax liability computed by the farm income averaging method can be less than the tax liability computed by the normal method.

Even though the Oregon statute allowing income averaging for farmers does not have an explicit connection to the federal tax code for farm income averaging, the method in Oregon's statute follows that in the federal tax code.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to allow personal income taxpayers to compute their Oregon personal income taxes on farm income following the federal farm income averaging method. According to the Congressional Research Service, the purpose of the federal provision is to mitigate the adverse tax consequences of fluctuating incomes under a progressive tax structure.

**WHO BENEFITS:** Taxpayers whose main source of income is agricultural production. In each year from 2016 to 2020 an average of about 710 individuals saved about \$800 of Oregon tax using this provision.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

From year to year, the vast majority of farmers can receive substantial price swings for their commodity. Farmers also have very little control over the cost of their expenses. Subsequently, farmers are traditionally “price takers, not price makers.” Matching the Oregon tax code to the federal code and allowing farmers to use income averaging is consistent and provides a tool for farmers to smooth out their financial management.

## 1.504 CAPITAL GAINS FROM FARM PROPERTY

**Oregon Statutes:** 316.045, 317.063, and 318.020

**Sunset Date:** None

**Year Enacted:** 2001

	Corporation	Personal	Total
2021-23 Revenue Impact:	Less than \$100,000	\$4,700,000	\$4,700,000
2023-25 Revenue Impact:	Less than \$100,000	\$4,300,000	\$4,300,000

**DESCRIPTION:** If a taxpayer sells or exchanges capital assets used in qualified farming activities, a reduced tax rate of 5 percent is available on the realized capital gain. The sale or exchange must represent termination of all the taxpayer’s ownership interests in a farming business, or a termination of all the taxpayer’s ownership interests in property that is used in a farming business.

The sale of ownership interests in a farming corporation, partnership, or other entity qualifies for the special tax rate. A personal income taxpayer must have at least a ten percent ownership interest in the entity before the sale or exchange.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to lower the tax burden on farmers liquidating their farming businesses, allowing transition farmland to continue in farm use, and the owners to retain capital they have accumulated over years of investment in an operation.

**WHO BENEFITS:** Property owners who terminate a farming business benefit by realizing more of their capitalized equity. For tax year 2020, approximately 240 individuals saved an average of about \$8,000 of Oregon tax using this provision. Very few corporations benefit from this credit.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

Agricultural landowners build equity in their operations over time through ownership (debts, collateral), appreciation, and improvements. Years of work are capitalized



into the land, buildings, and equipment used to operate a viable farm business, which represents the retirement savings for the farm family. Capital gains taxes can substantially reduce the retirement “savings” which can discourage and delay transitioning or selling farmland to the next generation. Many retired farmers lease or rent out their land because of the high cost to transition land including a capital gains penalty from selling. This behavior shifts the tax burden upon the owner's death to the next generation of farmers and ranchers. Reducing the cost of land transfers provides stability and opportunity for Oregon’s farming and ranching families.

The average age of farmers in Oregon is 60 years (up from 55 years in 2002). A study jointly completed by Oregon State University, Portland State University and Rogue Farm Corps, states that as older (Oregon) farmers retire over the next two decades, over 10 million acres, or 64 percent of Oregon's agricultural land, will pass to new owners. Lower capital gains rates for agriculture landowners achieves the purpose of an orderly transfer of ownership with a more secured retirement for older farmers. Lower capital gains taxes also support Goal 3 (to preserve and maintain agricultural lands) in Oregon's Statewide Planning Goals and Guidelines for Land Use by keeping farmland in agricultural use.

## 1.505 NONRESIDENT INCOME FROM DISASTER OR EMERGENCY RELATED WORK

**Oregon Statute:** 401.690

**Sunset Date:** None

**Year Enacted:** 2015

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Available	Not Available	Not Available
2023-25 Revenue Impact:	Not Available	Not Available	Not Available

**DESCRIPTION:**

An out-of-state emergency service provider, whether a business or an individual, is exempt from corporate or personal income tax when operating solely for the purpose of performing disaster or emergency-related work on critical infrastructure in Oregon. For purposes of this exemption, a disaster must have been declared to exist within this state by the President of the United States or the Governor of Oregon.

This tax expenditure generally grants these benefits for disaster or emergency-related work conducted by an out-of-state business:

- The activity may not be used as the sole basis for determining that a corporation is doing business in Oregon.
- The business income from the activity is not considered for apportionment of corporate income to Oregon.
- Income from the activity cannot be the sole basis of imposition of corporate income and excise taxes on the business.

For individuals, an out-of-state employee who performs disaster or emergency-related work during a declared emergency is not taxed as a resident, nonresident, or part-year resident, is not considered to have established domicile or residence in this state, and is not subject to withholding.

Businesses and individuals exempt under this provision are still required to pay appropriate transaction taxes and fees, such as the lodging tax, except as otherwise exempted by law.

Legislation in 2019 (HB 2127) removed any sunset under ORS 315.037 for this tax expenditure.

**PURPOSE:** “To ensure that businesses may focus on quick response to the needs of this state and its residents during a declared disaster or emergency, it is appropriate for the Legislative Assembly to deem that this activity for a reasonable period of time before, during and after the disaster or emergency for repairing and restoration of the often devastating damage to critical infrastructure in this state as defined in section 3 of this 2015 Act does not establish presence, residency, doing business in this state or any other criteria for purposes of state and local taxes or licensing and regulatory requirements.” (ORS 401.680(5))

**WHO BENEFITS:** Out-of-state companies and employees providing disaster or emergency related services in Oregon.

**EVALUATION:** *provided by the Oregon Department of Emergency Management*

To date Oregon has not suffered from a catastrophic disaster which would require a massive influx of individuals or companies to come in and assist the State in recovery operations. The end goal of the legislation is to ease the barriers of entry for private industry in order to encourage support and investment to help expedite Oregon’s recovery from catastrophic disasters.

## 1.506 APPORTIONMENT FOR UTILITY AND TELECOMMUNICATION COMPANIES

**Oregon Statute:** 314.280

**Sunset Date:** None

**Year Enacted:** 2001

	Corporation	Personal	Total
2021-23 Revenue Impact:	\$600,000	Not Applicable	\$600,000
2023-25 Revenue Impact:	\$600,000	Not Applicable	\$600,000

**DESCRIPTION:** Corporate taxpayers primarily engaged in the business of utilities or telecommunications may elect to apportion their business income to Oregon using an apportionment formula based on the double-weighted sales factor instead of the apportionment formula currently in place. Currently, the apportionment formula is based purely on Oregon sales relative to sales in all states. The double-weighted sales factor is calculated as 50 percent of the sales factor plus 25 percent of the property factor and 25 percent of the payroll factor.

Utilities and telecommunications firms may elect to use this alternative apportionment formula until they decide to revoke it. The revocation is done according to the rules, established by the Department of Revenue, and it applies to the tax year following the year in which the election is made and to all subsequent tax years until the election is revoked. Because corporate taxpayers presumably use the method that results in the lowest tax liability, tax revenue from these corporations

will be lower at least for the first year of using the alternative apportionment formula than it would be if either apportionment formula applied to all corporations.

**PURPOSE:** “...so as fairly and accurately to reflect the net income of the business done within the state...” (ORS 314.280).

**WHO BENEFITS:** Utility and telecommunication firms benefit by being able to choose between double weighted sales and the current apportionment formulas for telecommunication and utility firms established by ORS 314.280. On average, fewer than 20 corporate taxpayers benefit from this alternative apportionment formula each year.

**EVALUATION:** *provided by the Public Utility Commission*

The state has deemed that allowing utilities and telecommunications companies to use the alternative apportionment formula provides a “fair and equitable” allocation of a corporate taxpayer's business income to Oregon. Firms that choose the alternative formula lower their Oregon tax liability and retain the benefit.

## 1.507 NONRESIDENT ARMED FORCES

**Oregon Statutes:** 316.027 and 316.127(7)

**Sunset Date:** None

**Year Enacted:** 2015

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	\$10,300,000	\$10,300,000
2023-25 Revenue Impact:	Not Applicable	\$10,900,000	\$10,900,000

**DESCRIPTION:** Compensation paid by the United States for service in the Armed Forces of the United States performed in Oregon by a nonresident does not constitute income derived from sources within the state.

If a military servicemember’s address in the payroll records of the Defense Finance and Accounting System is outside Oregon, regardless of where they are domiciled, all military pay and non-Oregon source income is excluded from taxation.

See 1.328, Military Active Duty and Related Pay for the Oregon subtraction from taxable income for certain military-related income.

**PURPOSE:** The statute that allows this tax expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2171 (2015), the purpose of this subtraction “... is to provide tax relief to service members ... in consideration of their work and sacrifices for their state and country.”

**WHO BENEFITS:** Nonresident Armed Forces workers who perform service in Oregon.

**EVALUATION:** *provided by the Oregon Military Department*

This tax expenditure achieves its purpose and is a valuable benefit to members of the National Guard, as well as other military personnel assigned to the State of Oregon in an active duty status. This benefit ensures that personnel assigned to an installation within the borders of this state, but who retain residence in another state are not subject to Oregon income tax. This is a valuable benefit to military personnel who may choose to leave their families in another state as they fulfill their active duty mission in Oregon. This alleviates an additional tax burden on these families who are

already sacrificing by having their family member(s) serving in another state. The number of personnel impacted by this expenditure is limited as there is a very small active duty presence within Oregon.

### 1.508 NONRESIDENT SPOUSE OF NONRESIDENT SERVICEMEMBER SERVING IN OREGON

**Federal Laws:** P.L. 111-97 and P.L 115-407

**Sunset Date:** None

**Year Enacted:** 2009

	Corporation	Personal	Total
2021-23 Revenue Impact:	Not Applicable	Not Available	Not Available
2023-25 Revenue Impact:	Not Applicable	Not Available	Not Available

**DESCRIPTION:** Under federal law—the Military Spouses Residency Relief Act—enacted in 2009 (P.L. 111-97), “a spouse of a servicemember shall neither lose nor acquire a residence or domicile for purposes of taxation with respect to the person, personal property, or income of the spouse by reason of being absent or present in any tax jurisdiction of the United States solely to be with the servicemember in compliance with the servicemember’s military orders if the residence or domicile, as the case may be, is the same for the servicemember and the spouse.”

Federal law was amended by the Servicemembers Civil Relief Act in 2018 (P.L 115-407) to also include, “for any taxable year of the marriage, the spouse of a servicemember may elect to use the same residence for purposes of taxation as the servicemember regardless of the date on which the marriage of the spouse and the servicemember occurred.”

In effect, these laws exclude from taxable income earnings of spouses of servicemembers who are relocated to Oregon from out-of-state. The 2018 changes add the option for the spouse of a servicemember who is relocated to Oregon from out-of-state to elect to use Oregon as their residence for tax purposes.

**PURPOSE:** To comply with federal law.

**WHO BENEFITS:** Nonresident spouses of nonresident servicemembers living and working in Oregon.

**EVALUATION:** *provided by the Department of Revenue*

This expenditure complies with federal law and also relieves the specified taxpayers of the difficulty of determining the portion of income earned in Oregon while working in the state.

## CHAPTER 2. PROPERTY TAX

The property tax is Oregon’s second largest source of revenue, providing most of the revenue for nonschool local governments and roughly one quarter of the revenue for school districts. Total property taxes imposed, including taxes for urban renewal agencies, are forecast to total \$16.9 billion in the 2021–23 biennium and \$18.4 billion in the 2023–25 biennium.

The major features of Oregon’s property tax system are largely defined by two voter-approved ballot measures: Measure 5 in 1990 and Measure 50 in 1997. Measure 5 placed constitutional limits on the amount of tax that could be levied on a property for most purposes. Measure 50 cut property taxes and made three fundamental changes to the structure of the property tax system: first, it replaced most tax levies with limited permanent tax rates; second, it rolled back the assessed value of every property in the state to 90 percent of its 1995–96 assessed value; and third, it limited the future growth in each property’s maximum assessed value to 3 percent per year.

The Department of Revenue also publishes an annual report that provides detailed statistics on Oregon’s property tax system. The most recent edition of *Oregon Property Tax Statistics* can be found at [www.oregon.gov/DOR/Stats](http://www.oregon.gov/DOR/Stats).

### Property Tax Expenditures

The base for taxation for property taxes is generally all real property and all tangible personal property in Oregon, and is set by ORS 307.030. Tax expenditures occur when certain property are excluded from some or all taxation, or have reduced taxable value. There are three primary types of property tax expenditures: full exemption, partial exemption, and special assessment. With a full exemption, a property’s entire value is exempt from all property taxes.

Partial exemptions reduce, but do not eliminate, the taxes on a property, and they exist in several different forms. For example, an exemption program may exempt only improvement value, but the land value continues to be taxed. Other properties may be exempt from the taxes imposed by the local city but still pay property taxes for schools and other districts. Some exemptions apply only to taxing districts that have opted in, or have not opted out, of the tax exemption program.

The final primary type of property tax expenditure is known as a special assessment. Specially assessed properties are assigned a property value using an assessment technique that results in a lower taxable value than would be the case if the usual assessment practice were used.

### Revenue Loss and Shift

The revenue impact for property tax expenditures consists of two components: revenue loss and shift. Most property taxes levied in Oregon are through fixed tax rates. With these levies if a property is exempt from taxation then the taxing district simply raises less money than if the property were taxable. This direct loss of tax revenue is the much larger impact of property tax exemptions and special assessments and is reported here as the “loss.”

Some levies, mostly bond levies to repay debt, do not have a fixed tax rate and instead calculate the tax rate each year by dividing the amount of tax revenue needed that year across the value of all taxable properties. In these cases, if a property is exempt from tax the effect is to raise the overall tax rate on the remaining taxable properties. Therefore, the final amount of tax raised for the district will remain the same because the tax burden is shifted to the other properties. The amount of tax that would have been paid by the exempt properties that is instead paid by the remaining taxable properties is reported here as the “shift.” More than 80

percent of all property taxes are from fixed tax rates, so the revenue losses due to property tax exemptions are much larger than the shifts.

Property tax expenditures also interact with other parts of the public finance system, especially school funding. Approximately 40 percent of all property taxes are imposed to pay for K-12 schools. Because the state General Fund also provides funding for schools using a statewide funding formula, some of the property tax revenue lost to school districts from tax expenditures is replaced by state funding. Therefore, property tax exemptions have an indirect effect on the state General Fund. This replacement component is not included in the revenue impacts reported here. For all property tax expenditures, the detailed descriptions report both the revenue loss and shift separately, while the Index of Tax Expenditures at the beginning of this report includes only the loss.

Whenever possible, the exempt assessed value is obtained from county or DOR property tax reporting. For some expenditures, the assessed value of the exempt properties is estimated using other data sources.

## 2.001 ACADEMIES, DAY CARE, AND STUDENT HOUSING

**Oregon Statute:** 307.145

**Sunset Date:** None

**Year Enacted:** 1957

2021-22 Estimated Reduction in the Taxable Assessed Value: \$2.0 billion

	Loss	Shift
2021-23 Revenue Impact:	\$65,300,000	\$16,300,000
2023-25 Revenue Impact:	\$70,900,000	\$17,700,000

**DESCRIPTION:** Property owned by a charitable or religious organization that is used for childcare facilities, schools, academies, or student housing is exempt from property taxation under this provision. Childcare facilities must be regulated by the Office of Child Care at the Department of Early Learning and Care unless exempted by rule. Prior to the passage of HB 3073 (2021), the facilities were regulated by the Office of Child Care in the Early Learning Division at the Department of Education. To qualify, the property must be used for educational purposes. The organization must file an application with the county assessor to claim the exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to maintain tax treatment for certain school and childcare properties that is comparable to the treatment provided to similar organizations under 2.085, Charitable, Literary, and Scientific Organizations.

**WHO BENEFITS:** Approximately 800 schools and day care properties in 18 counties were exempt in fiscal year 2021–22.

**EVALUATION:** *provided by the Oregon Department of Education*

This tax expenditure is used by organizations that qualify through preschool programs administered through the Oregon Department of Education’s Early Learning Division – Oregon Prekindergarten and Preschool Promise. It reduces costs of these programs, which helps lay the groundwork for a child’s intellectual, emotional, social, and physical development. It also helps children get a good start in life by supporting strong parenting, appropriate education, and adequate nutrition and health care. The Oregon Prekindergarten and Preschool Promise programs serve children who are below the federal poverty level. Studies have shown that participation in a quality preschool program increases the chances of a child successfully completing school and holding a job while decreasing the chances of dropping out of school and needing public assistance. Money invested in our youth through this program means less money will be required later for more costly programs. It is a fiscally effective method of achieving its purpose.

## 2.002 STUDENT HOUSING FURNISHINGS

**Oregon Statute:** 307.195

**Sunset Date:** None

**Year Enacted:** 1957

2021-22 Estimated Reduction in the Taxable Assessed Value: \$5 million

	Loss	Shift
2021-23 Revenue Impact:	\$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$200,000	Less than \$100,000

**DESCRIPTION:** All personal property, furniture, goods, and furnishings in a student housing cooperative, fraternity, or sorority are exempt from property taxation so long as the housing is not rented out for profit.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the costs associated with college housing. In conjunction with 2.095, Fraternities, Sororities, and Cooperatives, this expenditure provides equitable treatment with those students living on campus in publicly owned dormitories; see 2.003, Leased Student Housing Publicly Owned, for more information.

**WHO BENEFITS:** Nonprofit organizations that rent furnished units to college students, which in turn benefits students by reducing rental rates.

**EVALUATION:** *provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose. As with real property taxes, the tax exemption on personal property for not-for-profit student housing is a valuable provision in minimizing housing costs for students. It is a fiscally effective means of achieving its purpose, as housing expenses typically carry some of the highest financial burden on postsecondary students.

## 2.003 LEASED STUDENT HOUSING PUBLICLY OWNED

**Oregon Statute:** 307.110(3)(a)

**Sunset Date:** None

**Year Enacted:** 1947

2021-22 Estimated Reduction in the Taxable Assessed Value: \$980 million

	Loss	Shift
2021-23 Revenue Impact:	\$31,300,000	\$7,500,000
2023-25 Revenue Impact:	\$35,200,000	\$8,400,000

**DESCRIPTION:** Generally, state-owned housing that is rented is taxable. However, publicly owned property that is rented or leased for housing purposes to students attending a school or college is exempt from property tax. This provision applies to all student housing, such as residence halls and student family housing, owned by public universities and leased to students. Residence halls owned by private colleges generally fall under tax expenditure 2.001, Academies, Daycare, and Student Housing. This provision is an exception to the general rule that public property is taxable when held under contract of sale or leased to a private individual or business.



**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the costs associated with college housing.

**WHO BENEFITS:** Approximately 12,000 students who lease rooms or apartments from eight public university campuses.

**EVALUATION:** *provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose and is critical to minimizing the cost of student housing. Housing costs are one of the highest expenses for students, particularly at a time when their income generation is limited and generally committed to education expenses. Nearly half of students (possibly more, as data are limited) cannot afford the cost of postsecondary education and training, even with expected financial aid grants, institutional grants, their own expected earnings, and expected family contributions. Exempting these properties from taxes contributes to facilitating access to higher education.

## 2.004 HIGHER EDUCATION PARKING SPACE

**Oregon Statute:** 307.110(3)(f)

**Sunset Date:** None

**Year Enacted:** 1989

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.079, State and Local Property

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.079	Included in 2.079
2023-25 Revenue Impact:	Included in 2.079	Included in 2.079

**DESCRIPTION:** State-owned property rented for public parking is generally taxable. However, state property owned by public universities and rented to employees, students, or visitors for parking use is exempt from property tax. University spaces are taxable when rented to members of the general public who are not employees, students, or visitors.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the costs associated with attending, visiting, or working at a public university.

**WHO BENEFITS:** All eight higher education campuses rent parking spaces to students, employees, and visitors. Some are paved lots and others are parking structures built with bond revenue.

**EVALUATION:** *provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose and is an additional element in providing access to higher education. Reducing the cost of parking for students, who generally have a severely limited income, is another means of providing financial assistance to students attending colleges and universities. Applying this exemption to all parking eliminates the administrative costs of separately tracking student and employee parking.

## 2.005 PRIVATE LIBRARIES FOR PUBLIC USE

**Oregon Statute:** 307.160

**Sunset Date:** None

**Year Enacted:** 1854

2021-22 Estimated Reduction in the Taxable Assessed Value: \$3 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Private property used as a library open to the public is exempt from property taxation. The exemption includes the real property, books, and furnishings dedicated to library use. Privately owned libraries open to the general public use the exemption while publicly owned libraries are exempt under tax expenditure 2.079, State and Local Property. The owner must file an application with the county assessor to claim the exemption. (ORS 307.162)

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to broaden the application of tax expenditure 2.085, Charitable, Literary, and Scientific Organization exemption, to public or private libraries, acknowledging the public contribution of these efforts as activities and services that relieves government from having to provide the same.

**WHO BENEFITS:** Ten libraries use this exemption within Benton, Clackamas, Lane, Multnomah, and Tillamook counties.

**EVALUATION:** Not evaluated.

## 2.006 LEASED RURAL HEALTH CARE PROPERTY

**Oregon Statute:** 307.110(3)(i)

**Sunset Date:** None

**Year Enacted:** 1999

2021-22 Estimated Reduction in the Taxable Assessed Value: \$2 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure exempts the property of a health district if the property is leased or rented for purposes of providing facilities for health care practitioners. The health district must reside in a frontier rural practice county, as defined by the Office of Rural Health. In 2022, ten counties were included in this category: Baker, Gilliam, Grant, Harney, Lake, Malheur, Morrow, Sherman, Wallowa, and Wheeler.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage medical practitioners to practice in rural areas by extending the public health district property tax exemption to property leased by health districts to private taxable entities.

WHO BENEFITS: Currently one health district in Wallowa County benefits from this exemption.

EVALUATION: *provided by the Office of Rural Health*

This modest benefit costs local governments less than \$100,000 per biennium and affects only ten Oregon counties. It allows very fragile rural hospitals that are located in “frontier” communities to use a portion of their property to provide office space for physicians, without incurring a tax liability on those properties. Provision of adequate and convenient office space is often a critical factor in the recruitment and retention of rural physicians. Passage of this law has allowed Harney District Hospital to complete new office suites for its physicians and played a significant role in Wallowa Memorial Hospital in Enterprise building a badly needed new facility.

## 2.007 SENIOR SERVICES CENTERS

**Oregon Statute:** 307.147

**Sunset Date:** None

**Year Enacted:** 1993

2021-22 Estimated Reduction in the Taxable Assessed Value: \$15 million

	Loss	Shift
2021-23 Revenue Impact:	\$400,000	Less than \$100,000
2023-25 Revenue Impact:	\$400,000	Less than \$100,000

DESCRIPTION: Property that is owned by a nonprofit organization and used for senior services and qualified activities is exempt from property tax. To qualify, the property must be primarily used to provide services and activities to people over age 50. Eligible services and qualified activities include food service programs, exercise and health screening, estate planning, crafts workshops, and dances or celebrations. If the property is used primarily for fund raising or as living quarters, then the exemption is not allowed. The nonprofit organization must file an application with the county assessor to claim the exemption.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage organizations to provide services to senior citizens.

WHO BENEFITS: Thirty-three property tax accounts received this exemption in tax year 2021-22.

EVALUATION: *provided by the Oregon Department of Human Services*

While this tax does exempt properties that do not meet the requirements of tax expenditure 2.085, Charitable, Literary, and Scientific Organizations, one concern is the restriction placed on fundraising. This condition often translates into a choice for senior service centers between fundraising and this property tax exemption. It is not likely that many centers will opt for the exemption over the fundraising, so questions of applicability and efficiency of this tax expenditure arise.

## 2.008 LAND OWNED BY NONPROFIT FOR PURPOSE OF BUILDING LOW-INCOME HOUSING

**Oregon Statute:** 307.513

**Sunset Date:** 06-30-2029

**Year Enacted:** 2015

2021-22 Estimated Reduction in the Taxable Assessed Value: \$3 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

- DESCRIPTION:** Land acquired and held by a nonprofit corporation for the purpose of building residences to be sold to certain individuals is exempt from property tax. This exemption only applies to the land on which the residences are to be built.
- To qualify for this exemption the residences must be sold to individuals whose income is not greater than 80 percent of area median income, adjusted for family size. In addition, the nonprofit corporation must have sold at least one residence to a qualifying person in the 10 years prior to claiming this exemption. The exemption can last for up to 7 years, or 10 years if a request for an extension is filed timely. The exemption expires before the 7- or 10-year limit when the corporation transfers title to the residence(s) or the land.
- This exemption has the potential for additional taxes to be due if the property is disqualified from exemption or the property is sold to a non-qualifying individual.
- Legislation in 2019 (HB 2130) extended the scheduled sunset of this exemption to June 30, 2029.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2690 (2015): “The policy purpose of this measure is to provide tax relief to land owning nonprofit corporations building residences to be sold to lower income individuals thus encouraging the development and availability of low income housing.”
- WHO BENEFITS:** Land-owning nonprofit corporations building residences to be sold to lower income individuals. Counties reported 38 property tax accounts receiving this exemption in tax year 2021-22.
- EVALUATION:** *provided by the Housing and Community Services Department*
- This expenditure achieves its purpose of supporting affordable housing providers and developers. By allowing a property tax exemption to nonprofit corporations, the cost of holding land and therefore the cost of development is decreased. This modest savings allows nonprofit corporations to acquire land for eventual development without incurring recurring tax costs. In addition the tax savings allows for homes to be built with fewer subsidies, which then better enables the nonprofit corporations to set purchase prices so that they are affordable to households earning at or below 80 percent area median income.

## 2.009 AGRICULTURAL HOUSING AND DAY CARE FACILITIES

**Oregon Statute:** 307.485

**Sunset Date:** None

**Year Enacted:** 1973

2021-22 Estimated Reduction in the Taxable Assessed Value: \$50 million

	Loss	Shift
2021-23 Revenue Impact:	\$1,400,000	\$300,000
2023-25 Revenue Impact:	\$1,600,000	\$400,000

**DESCRIPTION:** Eligible agricultural workforce housing and farm labor camps for farm laborers, as well as eligible day care facilities operating in conjunction with those housing facilities, are exempt from property tax. All property eligible for this exemption must be owned or operated by a nonprofit corporation. Community-based eligible agricultural workforce housing provides occupancy to active, retired, or disabled agricultural workers and their families. To be eligible, the housing must comply with applicable building codes. An eligible farm labor camp is a place where housing, sleeping places, or campgrounds provide occupancy in compliance with applicable safety and health standards for agricultural labor housing. Eligible child care facilities must be certified by the Office of Child Care at the Department of Early Learning and operated in conjunction with eligible farm labor housing.

An exemption claim with supporting documentation must be made each year with the county assessor.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2610 (2015), the purpose of this exemption "... is to expand the availability of low cost housing and child care facilities for agricultural workers and their families, so long as the property meets applicable safety and health standards."

**WHO BENEFITS:** Nonprofit owners and operators of agricultural workforce housing, farm labor camps and associated day care facilities. In tax year 2021-22, counties reported 59 exempt tax accounts in six counties; most are located in Umatilla, Morrow, or Washington counties.

**IN LIEU:** In lieu of real and personal property taxes, the nonprofit corporation owning or operating the exempt agricultural workforce or farm labor housing must make annual payments to the county treasurer equal to 10 percent of net rental income from the previous year.

Nonprofit corporations operating agricultural workforce or farm labor housing do not usually have a net rental income after depreciation, and generally make no in lieu of tax payments. When payments are made, they are usually small. Any funds collected are distributed to taxing districts where the exempt property is located.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose of supporting housing and service providers. Without the tax exemption, the associated day care facilities and agricultural housing may not be built or rehabilitated at all. Assuming that the difference between (a) the amount of property taxes that would be owed without this statute and (b) the amount of the payment in lieu of taxes that in fact is paid under the statute is passed along to the residents, then the benefit of the tax expenditure is easily calculated by the amount of the reduced rent or day care cost.

While an administrative improvement would be to eliminate the requirement that an application be filed every year, it is probably the trigger mechanism needed for the annual health and safety inspections.

## 2.010 FAIRGROUND LEASED STORAGE SPACE

**Oregon Statute:** 307.110(3)(d) and (e)  
**Sunset Date:** None  
**Year Enacted:** 1987

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure provides an exception to that general rule. County or state fairground land or buildings are exempt from property tax if they are used for certain purposes in addition to county fair use. Usage described in ORS 565.230(2), such as, exhibitions, shows, carnivals, circuses, dances, entertainment, or public gatherings qualifies. Storage of recreational vehicles or farm machinery and equipment and use of horse stalls also qualify.

While leasing storage space for livestock and equipment at fairgrounds is common, the duration of the leases are short enough and the sizes of space being leased small enough to make the revenue impact minimal.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote fairs by allowing fair boards to earn more revenue throughout the off-season to support fairs. Boards can receive higher rent because the renter pays no property taxes.

**WHO BENEFITS:** All 36 counties in Oregon hold county fairs; 34 counties have fairgrounds and most are able to benefit from this exemption. The Oregon State Fair and Exposition Center has minimal leased property that is exempt under this statute.

**EVALUATION:** Not evaluated.

## 2.011 COMMERCIAL BUILDINGS UNDER CONSTRUCTION

**Oregon Statute:** 307.330

**Sunset Date:** None

**Year Enacted:** 1959

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.3 billion

	Loss	Shift
2021-23 Revenue Impact:	\$40,400,000	\$9,900,000
2023-25 Revenue Impact:	\$44,800,000	\$10,900,000

**DESCRIPTION:** Certain commercial and industrial buildings are exempt from property taxation while they are under construction. A new structure or an addition is exempt from property taxation if meeting the following criteria on the January 1 assessment date:

- The property is under construction, including additions to an existing structure.
- No part of the new structure or improvement has been or is in service for any commercial use or occupancy.
- The property is being built for the purpose of earning income.
- The property is not to be occupied for at least one year after construction began in the case of any non-manufacturing facility.
- The property is not centrally assessed by the Department of Revenue.

The exemption cannot be claimed for more than two consecutive years. Machinery and equipment at the building site also qualifies if it will be installed as real property in the structure. The property is listed on the county property tax assessment roll, but the assessment is canceled if proof that the property meets the above requirements is furnished to the assessor by April 1 of each assessment year.

The revenue impact estimates include those from the largely interchangeable tax expenditure 2.012, Construction in Process in an Enterprise Zone.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage business investment in plant and equipment by delaying property taxes until a facility can generate cash revenue. Manufacturing firms do not commonly experience immediate cash flow.

**WHO BENEFITS:** In fiscal year 2021–22, 201 properties were exempt under this expenditure or under 2.012, Construction in Process in an Enterprise Zone. The use of this provision is driven by construction projects and fluctuates significantly. The majority of the exempt value is in Washington County.

**EVALUATION:** *provided by the Oregon Business Development Department*

This expenditure achieves its purpose by allowing new traded-sector investments to delay paying property taxes until they are much more likely to be able to earn revenue. Economic consequences are also relevant. New construction and investments might be significantly deterred by the additional up-front cost of paying property taxes on partially finished but still unproductive property.

This expenditure is administratively effective and efficient. Alternatives to this expenditure would be to refund such taxes through direct payments or credits on other taxes. The administrative burdens and complexity of such alternatives suggest that the current exemption is preferable.

This program might be underutilized, probably because it is not widely known outside Portland and other metropolitan areas (as noted above, aside from utilization with enterprise zones); administrative technicalities may also limit accessibility. Otherwise, although manufacturing operations are favored, this expenditure has been available to any industry sector consistent with its purpose for more than 50 years.

## 2.012 CONSTRUCTION IN PROCESS IN AN ENTERPRISE ZONE

**Oregon Statute:** 285C.170

**Sunset Date:** None (enterprise zone program sunsets 06-30-2025, except for reservation enterprise and reservation partnership zones)

**Year Enacted:** 2003

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.011, Commercial Buildings Under Construction

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.011	Included in 2.011
2023-25 Revenue Impact:	Included in 2.011	Included in 2.011

**DESCRIPTION:** Property undergoing construction, addition, modification, or installation is exempt from property taxation for up to two consecutive years provided that the property satisfies all the following requirements:

- Located in a current enterprise zone.
- Owned or leased by a business firm authorized by the local zone sponsor and county assessor to receive the standard enterprise zone exemption on qualified property – expenditure 2.013, Enterprise Zone Businesses.
- Will be qualified property upon completion, in that there is no known reason to conclude that the property or firm will not satisfy the requirements for 2.013, Enterprise Zone Businesses.
- Has not been exempt under 2.011, Commercial Buildings Under Construction.
- Not centrally assessed.
- Will not be operated as a hotel, motel, or destination resort.

This exemption is effectively an extension of expenditure 2.011, Commercial Buildings Under Construction, specifically to properties that are expected to qualify for a standard enterprise zone exemption (2.013, Enterprise Zone Businesses) when they are completed. If a property is exempt under 2.011 in a subsequent year, the combined duration of the exemptions cannot exceed two consecutive years.

**PURPOSE:** “To stimulate and protect economic success ... throughout all regions of the state, but especially in those communities at the center of or outside major metropolitan areas for which geography may act as an economic hindrance ... by providing tax incentives for employment, business, industry and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management and efficient infrastructure” (ORS 285C.055).

**WHO BENEFITS:** See 2.011, Commercial Buildings Under Construction.



EVALUATION: *provided by the Oregon Business Development Department*

This program has achieved its purpose in allowing for a more straightforward message about the new property that is exempt in an enterprise zone – both before and after that property is placed in service. Most standard enterprise zone projects, if they still have property in the process of construction/installation on January 1, will be able to avail themselves of this exemption. Consequently, this tax expenditure has contributed to the ability of Oregon’s enterprise zone system to attract and spur development, and new employment, in especially interested and economically distressed parts of Oregon. It will also smooth out administration of property subject to exemption over the course of taxpayer’s investment.

In the absence of this tax expenditure, most affected property could otherwise be exempt under the rather longstanding tax expenditure 2.011, Commercial Buildings Under Construction. At times, however, that exemption will cover less property. Additional coverage under this provision compared to 2.011 includes:

- A project of an authorized business firm with no new construction or additions to a building or structure, but rather only modifications to or installations of qualified property that were incomplete but still had an appreciable effect on valuations as of a given January 1 assessment date
- Property items that once fully installed will remain personal property
- Real property machinery and equipment installed directly on land and not inside a building or otherwise affixed to a structure
- Nonmanufacturing facility (*e.g.*, a distribution center) necessitating less than 12 months to build
- Property that is still in the process of construction, reconstruction, modification or installation in a year after another part of the same facility or building has already been placed in service—property is severable with this program.

It is not possible to isolate and analyze usage of this tax expenditure independent of 2.011, Commercial Buildings Under Construction, because they operate through parallel filing systems and are basically interchangeable. The differences are transitory and tend to involve factors that would only modestly affect total market value. Though in certain cases, the last two bullets above could entail substantial property tax abatement in a given year.

## 2.013 ENTERPRISE ZONE BUSINESSES

**Oregon Statute:** 285C.175

**Sunset Date:** None (enterprise zone program sunsets 06-30-2025, except for reservation enterprise and reservation partnership zones)

**Year Enacted:** 1985

2021-22 Estimated Reduction in the Taxable Assessed Value: \$4.0 billion

	Loss	Shift
2021-23 Revenue Impact:	\$96,900,000	\$18,200,000
2023-25 Revenue Impact:	\$98,700,000	\$18,500,000

DESCRIPTION: Qualified real and personal property owned or leased and newly placed into service by a qualified business firm in an enterprise zone is exempt from property tax for

three to five consecutive years. A new or expanding business can qualify for this exemption if the business meets all the conditions outlined in ORS 285C.135 and 285C.200, such as applying locally for authorization prior to construction, engaging in eligible business operations, entering into a “first source” hiring agreement with local publicly funded job training providers, and increasing the number of jobs in the enterprise zone by the greater of one additional job or 10 percent. By resolution, the local zone sponsor may waive the requisite increase in jobs under special circumstances.

To be exempt, the property owned or leased by the business must satisfy timing, location, minimum cost, and other requirements described in ORS 285C.180. Property is disqualified if used for an ineligible activity, such as retail operations, or if the business firm substantially curtails operations or closes during the exemption period. When property becomes disqualified, previously exempt amounts must be repaid. In 2021, the Legislature (HB 2343) provided multiple options for the governing body or bodies of local enterprise zones to change or suspend the employment requirements (or to defer exemption periods) of participating business firms, in 2021 and 2022. Zone sponsors may adopt resolutions waiving the employment requirements in relation to the state of emergency and impacts of the COVID-19 pandemic.

The length of most exemptions is three years, but for many of the larger projects and nearly all projects in the Portland metropolitan region, the length of the exemption is five years. The additional two years of exemption depend on a written agreement executed prior to local authorization between the business firm and the local zone sponsor, which may stipulate additional requirements for the firm. New jobs of the firm (except in the Portland and Salem area urban zones) need to also satisfy special criteria for employee pay, which the Legislature modified in 2017. Any urban enterprise zone may also impose additional conditions related to employment opportunities on any authorized business firm regardless of the exemption period.

Enterprise zones are sponsored, designated, and amended by city, port, or county governments, subject to determination by the Oregon Business Development Department (OBDD) of compliance with economic criteria, local taxing district consultations and other statutory requirements.

In addition, nine federally recognized Indian tribes can each have OBDD designate one reservation enterprise zone comprising any of their tribal lands, or they may create any number of contiguous reservation partnership zones with a local government. These tribal zones are otherwise enterprise zones, but they may continue after 2025, and this expenditure does not sunset for purposes of tribally based designations. Businesses in a tribal zone, even ones not eligible for this exemption, might be able to claim a state income tax credit, see expenditure 1.420, Reservation Enterprise Zone (Income Tax). ORS 285C.300 defines an eligible business in a tribal zone as one that is:

- a) Engaged within a reservation enterprise zone in manufacturing or providing goods, products or services to other businesses or the public.
- b) Occupies or owns a new business facility within a reservation enterprise zone where the new facility is used in the operation of the business and not just in leasing the facility to another person and has been acquired on or after January 1, 2002.

As of July 2022, Oregon had 76 enterprise zones, of which 58 are categorized as rural, and 18 urban. They are spread throughout the state in 35 of the 36 counties and

sponsored by 124 cities, 15 ports, 30 counties, and 2 Indian tribes. In addition, 19 cities, 7 ports and 3 other counties currently consent to zones within their territory that are sponsored by other jurisdictions.

All enterprise zones terminate after 10 to 11 years. A qualified business receiving this exemption when the zone terminates may continue to receive the exemption for the number of years for which it qualified.

The relationship and comparison of this tax expenditure to others in this report are summarized as follows:

- Property of an authorized business under construction or in the process of being installed in the enterprise zone is generally allowed an exemption upon filing for 2.012, Construction in Process in an Enterprise Zone, of up to two consecutive years.
- Up to 15 enterprise zones may also be designated as an Electronic Commerce Enterprise Zone. In addition to the enterprise zone property tax exemption—but with some expanded eligibility for business activities and an even lower cost minimum for many types of personal property items—this overlay designation formerly allowed businesses qualifying for this tax expenditure to also claim an investment tax credit described in expenditure 1.421, Electronic Commerce Enterprise Zone (Income Tax) on certain capital expenses incurred until the business’s 2017 income tax year. Qualified e-commerce businesses located in an electronic commerce city would also be eligible for this property tax expenditure.
- Facilities specially approved by the zone sponsor in most rural enterprise zones may alternatively use 2.014, Long Term Rural Enterprise Zones (Property Tax). That 7 to 15-year tax abatement differs from this standard exemption in its approval process, length of exemption period, the treatment of property under construction, necessary county location, and required minimum investment and employment criteria.
- Projects in a Rural Renewable Energy Development (RRED) Zone as described in 2.019, Rural Renewable Energy Development Zone, may receive this same standard enterprise zone exemption, but the RRED Zone program differs in four basic ways: 1) only certain types of renewable energy projects are eligible; 2) the zone areas are more expansive, generally countywide; 3) there is a locally determined limit of up to no more than \$250 million for all exemptions with a given RRED Zone designation; and 4) the exemption does not sunset for purposes of RRED Zones.

**PURPOSE:** “To stimulate and protect economic success ... throughout all regions of the state, but especially in those communities at the center of or outside major metropolitan areas for which geography may act as an economic hindrance ... by providing tax incentives for employment, business, industry and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management and efficient infrastructure” (ORS 285C.055).

**WHO BENEFITS:** Eligible businesses operating in an enterprise zone (or engaged in e-commerce operations in an electronic commerce city). Many of these businesses are manufacturers, across a wide array of subsectors, but they also include financial/service centers, headquarters, data centers, distribution facilities, hotels in some zones by local choice, and various other traded-sector business types.

**IN LIEU:** Businesses may make payments imposed by or agreed to with the zone sponsor under special cases provided in statute for reasonable additional local requirements. If a business is not satisfying certain program requirements, a one-time payment of that year's tax savings (PiLoD) may be made to the zone sponsor to avoid fully retroactive disqualification. Some applications or property tax filings also entail administrative fees. The cumulative payments and fees collected locally over the years for projects with an ongoing exemption in the 2019-21 biennium were calculated to be \$32 million in the *Property Tax Incentives Impact Study*, by Applied Economics (Business Oregon, Salem, February 2022).

**EVALUATION:** *provided by the Oregon Business Development Department*

This tax expenditure achieves its purpose. The program continues to be associated with numerous job-creating investments (mostly by in-state companies), located in more economically challenged areas of Oregon. The jobs should help improve the material quality of life for many existing residents through employment opportunities and in indirect ways. Although a few zones have been unable to foster new re/investment, most have had at least some activity.

The following data for outcomes come from the latest reports annually prepared for the Department of Revenue by county assessor's offices, and they are subject to diligent follow-up and quality checking annually by OBDD. The data again show a program that has expanded substantially in recent years in terms of business investment and employment.

In the 2021-22 tax year, these county reports show 464 standard exemptions. Those exemptions affected \$63.6 million in taxes extended (as directly reported by the counties). Another 115 exemptions each lasting up to 5 years will begin in 2022 on investments completed in 2021 and costing \$1.7 billion respective to approximately \$1.6 billion in investments each year on average from 2017 to 2020.

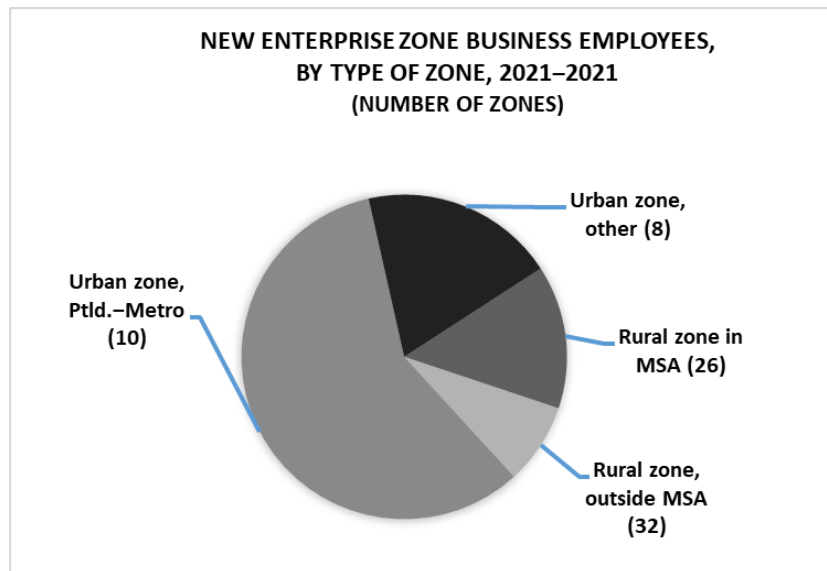
All told, these exemptions encompass 351 distinct projects by about 310 different business firms; at least 70 percent are companies that were already operating inside that enterprise zone. Their employees in full-time, year-round jobs totaled 38,576 in 2021 or by early 2022, of which 18,474 were jobs newly created with the exemption inside an enterprise zone.

Dividing estimated property taxes abated over several years by these new direct jobs yields a range of around \$10,400 to \$13,500 in property taxes per job depending on the method used. This sort of measure can vary wildly among projects, from less than \$100 per job to greater than \$100,000, skewing the average, such that property taxes per job would drop dramatically if calculated excluding a few of the most capital-intensive projects. Consistent, straightforward employment criteria (which local governments can waive in certain situations) control a qualified business firm's receipt of the standard enterprise zone exemption. The respective tax benefit depends simply on how much qualified property the business firm owns or leases at the time. This is how exempting property from taxation works, but the effect as an inducement can be rather blunt.

Given the nonlinear nature of capital investment, it has long been the case that a handful of enterprise zone businesses (10 or less) overwhelmingly account for most exempt property and thus taxes forgone each year. Presently for example, with its data and fulfillment centers, Amazon alone represents 46 percent of exempt value in 2021-22 and 37 percent of new jobs among only ten projects statewide.

Undoubtedly, some enterprise zone investments would have been made even without this tax inducement, but they would tend to be among the many smaller projects comprising relatively little exempt property value overall. As investment size grows, the present-value benefit of avoiding taxes during a project’s early years becomes increasingly significant for a firm’s cash-flow analysis, not only in encouraging, attracting, and retaining sizeable capital investments and associated traded-sector jobs in Oregon, but also in terms of expediting or expanding the actual business operations. In addition, this program can militate these investments toward places with underutilized economic resources.

Most of program activity and job creation occur in the urbanized Portland region, a good deal of which is again due to Amazon (fulfillment centers). The following chart distributes new jobs among zones in the METRO urban growth boundary, other urban enterprise zones, rural zones inside the 13 Oregon counties that are part of a metropolitan statistical area (MSA), and all other rural designations:



For the impact study referenced above (see In Lieu), the consultant to Business Oregon compiled data from the Oregon Employment Department on the change in payrolls related to business projects that were actively using this expenditure during the 2019-21 biennium. The data were modeled to estimate indirect and induced employment effects in Oregon and overall return on investment (ROI). The study covers various quantitative and qualitative matters, including other local and state costs and benefits and examples associated with Oregon’s property tax incentives, but in summary for the standard enterprise zone program, it found that over the course of those projects through 2020 at 279 companies:

- They produced 42,081 jobs, giving rise to total labor income of \$2.3 billion and economic output of \$7.8 billion in Oregon.
- After adjusting for local in-lieu funds, the resulting net ROI is \$29.16 of total economic output for each dollar of foregone property tax revenue.
- They generated \$604 million in cumulative state personal income tax revenue relative to \$289 million of foregone property taxes- and net ROI of \$1.35 per property tax dollar.

- Considering the program’s extensive activity and relatively brief period of tax abatement, such robust ROI is not surprising, so that the expenditure could very well pay for itself even if many developments might have soon occurred any ways in one form or another.
- Additional analysis of one-time impacts from \$5.5 billion in construction costs estimated another 39,626 jobs and \$2.5 billion of labor income.

For illustrative purposes in an appendix, the Study also replicated findings in a 2009 Legislative Revenue Office (LRO) study (#4-09) that demonstrate this expenditure’s ability also to break even in a reasonable time frame due to the taxable property added to the rolls following exemption periods.

More immediately in terms of post-exemption properties, \$878 million in assessed value of formerly exempt property was added to the 2021 rolls, rendering additional taxes on the order of \$13.1 million in the second half of the current biennium, for which Multnomah County does not report, and which does not include disqualified exemptions or special payments (see In Lieu above). Some of this added value would have occurred eventually, of course, possibly with a very different facility by another business, but not necessarily for a long time, as indicated anecdotally with the effect of newly designated enterprise zones on sites that had long gone undeveloped. Much of the once-exempt machinery and equipment is also not retired or removed for many years or may give rise to related/replacement investments that do not qualify for subsequent exemption.

Looking ahead—based on local applications for authorization copied by zone sponsors to OBDD by the beginning of August 2022—83 additional projects were proposed to begin exemptions in 2023 or later years; these potentially future exemptions were conservatively estimated at the time of application to include 1,535 jobs, in addition to about 8,000 existing enterprise zone employees of the authorized business firms, and to entail nearly \$1.4 billion of further investment.

Enterprise zones are relatively common; their benefits are the same throughout the state, and the zone typically covers all relevant land or sites for trade-sector development within a defined area. These characteristics allow a wide spectrum of traded-sector businesses to participate while adhering to uniformity and other strictures for taxation in the State Constitution.

This expenditure is also fiscally effective. Administration while highly decentralized is manageable, inexpensive, and minimizes the possibility of abuse. The short time frame of the exemption, three to five years, will tend to moderate revenue impacts. One alternative would be an income tax credit, but that could present greater challenges to administer and enforce, and any anticipated lack of immediate state income tax liability would substantially lessen its attractiveness to businesses. This type of expenditure also affords economic-administrative advantages and efficiencies compared to a directly funded grant to influence business development decisions about where and when to locate or expand.

Diverse enterprise zone programs are still found in most other states, many of which also offer high-impact, statewide incentives that Oregon does not. Oregon’s enterprise zone system continues to stand out for its rural basis, local control, and reliance on property tax relief.

Finally, on a broad, statewide level, Oregon enterprise zones are one of, if not the state’s premier tool for stimulating increased business investment across many

traded-sector industries, including in competition with places outside of Oregon for retaining existing operations in Oregon. While many of the projects indicated above would also involve other local and state attributes, efforts, or programs, the standard exemption from property taxes is oftentimes the only significant inducement that the locality and Oregon can bring to bear.

## 2.014 LONG TERM RURAL ENTERPRISE ZONE (PROPERTY TAX)

**Oregon Statute:** 285C.409

**Sunset Date:** 06-30-2025 (local certification)

**Year Enacted:** 1997

2021-22 Estimated Reduction in the Taxable Assessed Value: \$9.2 billion

	Loss	Shift
2021-23 Revenue Impact:	\$280,000,000	\$30,200,000
2023-25 Revenue Impact:	\$334,000,000	\$37,400,000

### DESCRIPTION:

The value of all new property and improvements at qualifying facilities in a rural enterprise zone can be exempt from property tax for 7 to 15 years as determined by an agreement between the business operating the facility and the local zone sponsor (city, county, or port). This new property can also be exempt while under construction for an unlimited number of years. To receive these exemptions, the business must also have approval by resolution of the city and county in which the proposed facility is located. Unlike business operations receiving a three- to five-year exemption under ORS 285C.175 (see 2.013, Enterprise Zone Businesses), any type of business activity is eligible for this tax expenditure.

In addition to being in a rural enterprise zone at the time of the agreement, the facility also needs to be inside one of presently 25 eligible counties (containing 39 of Oregon’s 58 rural zones) that:

- Meets statutorily prescribed criteria for net out-migration or chronically low per capita income or high unemployment, or
- Is a qualified rural county (QRC), defined as a county outside a federal metropolitan statistical area (MSA) with a general countywide property tax rate of at least 1.3 percent.

The locally certified business must then meet specific requirements for minimum investment costs, new full-time hires, and average annual employee wages and compensation at the facility, as shown in the table below for facilities that begin their exemption in or after 2018. If a qualified business fails to meet those requirements, previously abated taxes must be repaid.

### **Minimum qualifications:** Long-term rural enterprise zone facility

Criteria	Minimums
Investment (\$) by end of year when operations begin (including existing, nonexempt property)	1% of total county real market value (RMV) up to \$25 million – or 0.5% of county RMV up to \$12.5 million if facility $\geq$ 10 miles from Interstate 5 (I-5) <sup>1</sup>
Full-time hires by business at facility	75 by end of 5 <sup>th</sup> year <sup>2</sup> – or if $\geq$ 10 miles from I-5: 50, 35 or 10 by end of 3 <sup>rd</sup> year <sup>2,3</sup>

Criteria	Minimums
Average annual employee compensation (including benefits, <b>all</b> facility workers)	At least 130% <sup>4</sup> if in QRC or 150% of county average annual wage by end of 5 <sup>th</sup> year, <sup>2</sup> based on the most recent final wage figure, ... and thereafter maintain at that level
Average annual employee wage ( <b>all</b> facility workers)	At least 100% of county wage (as updated) in every year after meeting compensation criterion <sup>4</sup>

1 If > \$200 million, then only 10 or more jobs are required

2 (Only) after the year in which facility operations commence

3 35 if county population ≤ 40,000; 10 if population ≤ 10,000

4 Not applicable to 7–15-year exemptions that began before 2018.

A business locally certified before July 1, 2018 may also claim a corporate excise tax credit if formally allowed by the Governor. See tax expenditure 1.419, Long Term Rural Enterprise Zone Facilities (Income Tax).

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose for this expenditure. Presumably, it expands on the purpose of enterprise zones generally: “To stimulate and protect economic success ... throughout all regions of the state, but especially ... outside major metropolitan areas for which geography may act as an economic hindrance ... by providing tax incentives for employment, business, industry and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management and efficient infrastructure” (ORS 285C.055).

**WHO BENEFITS:** Businesses operating certain specially certified facilities in rural communities. As of 2022, a total of 16 facilities of 10 distinct companies were receiving a long-term rural enterprise zone facility (post-construction) exemption.

**IN LIEU:** The agreement between the business and the sponsor of the rural enterprise zone may include additional requirements requested by the sponsor, including but not limited to contributions for local services or public infrastructure benefiting the facility. Agreements typically have stipulated a schedule of other local payments during the exemption period, which benefit sponsoring governments and the local community. For the *Property Tax Incentives Impact Study*, by Applied Economics (Business Oregon, Salem, February 2022), cumulative payments collected locally over the years for projects with an ongoing exemption in the 2019-21 biennium were calculated to be \$34 million.

**EVALUATION:** *provided by the Oregon Business Development Department*

In addition to a lumber manufacturer, this program currently consists of facilities that process either data or food, including massive, follow-on investments by Apple, Facebook, and Google in Crook and Wasco counties. Since 2001 to 2021, the facilities in this program have been located in the following counties: Clatsop, Crook, Douglas, Morrow, Umatilla, and Wasco, in which the original exemption for Google expired in 2022. Other certified facilities yet to begin a 7 to 15-year exemption include:

- Red Rocks biofuel producer in Lake County



- Amazon data centers in Umatilla County and a third one in Morrow County (until very recently in both counties, Amazon had instead been using tax expenditure 2.013, Enterprise Zone Businesses)
- Klean Industries, tire recycling, also in Morrow County
- Wilsonart laminated lumber production in Klamath County
- SA Piazza & Associates pizza processing in Deschutes County

The recent Big Beam/Fort George Brewery facility in Clatsop County demonstrates that new facility investments can be far from the massive for a business to utilize this program.

It is possible, and perhaps likely, that if Oregon did not have this program, these major investments in rural areas would not have happened there, and other prospective investors would not be looking so seriously at rural Oregon, which faces considerable economic challenges compared to metropolitan areas. In addition, these are very extraordinary projects, for which there is strong probability that nowhere near that amount of taxable property would otherwise exist at those locations or elsewhere in the state. That Oregon offers other advantages for these investments—for example, cost of electricity, climate, and absence of any sales and use tax in the case of data centers—does not diminish that assessment. Businesses considering major investments will typically have comparably profitable options, such that property tax relief might still be indispensable for such rural development opportunities.

For purposes of the distribution of state revenue in association with the (former) state tax credit noted above, counties provide a limited report to Department of Revenue on the property taxes currently being forgone under this tax expenditure at the end of each calendar year. Program administration and compliance are entirely a local, *ad hoc* matter, with nothing by way of statutory provisions. The Oregon Business Development Department (OBDD), however, has created administrative tools to assist in monitoring hiring and other criteria. Informal outreach by OBDD to local zone sponsors has met with increasing success in collecting data to complement county reports for the figures and analysis below. Regular information on local, additional requirements or fee payments is not currently obtainable.

From 2019 to 2021, the exempt value of 15 facilities receiving 7 to 15-year property tax abatements under this expenditure grew from \$5.5 to \$9.2 billion due to growth at certain data centers and additional food-processing and other projects. This corresponds to about \$350 million in property taxes abated during three years, among 15 facilities. The exempt value of these facilities ranges from several million to a couple billion dollars. By 2021, the 15 facilities had added 1,088 full-time employees, with average annual wages well above county norms, at just a little more than \$80,000 on average. These jobs' total compensation, including benefits, averaged more than \$95,000 annually in 2021. In addition, (non-construction) contractors and vendors employed nearly another 600 on-site at data center facilities using the program.

For the Impact Study referenced above (see In Lieu), the consultant to Business Oregon compiled data from the Oregon Employment Department on the change in payrolls related to business projects that were actively using this expenditure during the 2019–21 biennium. The data were modeled to estimate indirect and induced employment effects in Oregon and overall return on investment (ROI). The Study

covers various quantitative and qualitative matters, including other local and state costs and benefits and examples associated with Oregon’s property tax incentives, but in summary for long term rural enterprise zone facilities, it found that over the course of those projects through 2020 at eight companies:

- They produced 4,172 jobs, giving rise to total labor income of \$277 million and economic output of \$1.1 billion in Oregon.
- After adjusting for local in lieu funds, the resulting net ROI is \$1.18 of total economic output for each dollar of forgone property tax revenue.
- They generated \$81 million in cumulative state personal income tax revenue relative to \$535 million of forgone property taxes—and net ROI of –\$0.85 per property tax dollar.
- Considering the amounts and periods of property tax abatement, this program cannot rival the robust ROIs of 2.013, Enterprise Zone Business, or even 2.100, Strategic Investment Program, which have recently been associated with so much direct job creation or in lieu of moneys, so that a fuller ROI assessment depends on the value of economic development and quality jobs in relevant geographies and the improbability of so much taxable property otherwise existing in Oregon relative to rather modest additional burdens on public services.
- Additional analysis of one-time impacts from \$10.1 billion in construction costs estimated another 72,728 jobs and \$4.6 billion of labor income.

## 2.015 CERTAIN PROPERTY OWNED BY A PORT

**Oregon Statute:** 307.110(3)(j) and Ore. Laws 2013 c.287

**Sunset Date:** 06-30-2023

**Year Enacted:** 2013

2021-22 Estimated Reduction in the Taxable Assessed Value: \$0

	Loss	Shift
2021-23 Revenue Impact:	\$0	\$0
2023-25 Revenue Impact:	\$0	\$0

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** Property owned by a port that is used or held for future use by an entity other than the port pursuant to an agreement that obligates the entity to provide common carrier rail freight service to shippers is exempt from property tax. Normally, port property (as well as other public property) when leased to a taxable entity (such as a private business) would then become subject to property taxes.

The port must be organized under ORS chapter 777, have a board of commissioners appointed by the Governor, and be located in a county with a population of less than 450,000.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3276 (2013), the purpose of this provision “...is to encourage infrastructure investment and operating agreements

by ports in Oregon that help to retain and improve competitive multimodal transportation connections for Oregon communities and businesses. The investments would lay the groundwork for future economic development related to industrial and natural resource commodity movement.”

- WHO BENEFITS:** No property is currently using this exemption. The Oregon International Port of Coos Bay is the only port meeting the conditions of this statute. The port itself currently operates rail service that was previously contracted out to a private business.
- EVALUATION:** Not evaluated.

## 2.016 BROWNFIELD DEVELOPMENT

**Oregon Statute:** Ore. Laws 2016 c.96 and 2019 c.492

**Sunset Date:** 01-01-2027

**Year Enacted:** 2016

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** This provision allows a local governing body of a city, county, or port to adopt an ordinance or resolution providing for a program that offers property tax incentives for any land that constitutes a brownfield located within the jurisdiction of the city, county, or port. The property tax program as specified in the local ordinance may contain either or both of the following:

- Special assessment of the brownfield land
- Exemption or partial exemption of improvements and personal property on the brownfield land.

The following properties are not eligible for a local property tax incentive program:

- Properties centrally assessed under ORS 308.505 to 308.681 by the Department of Revenue
- Industrial properties assessed by the Department of Revenue
- Superfund sites.

The local ordinance does not become effective unless the taxing districts representing at least 75 percent of the property taxes within that location agree to the property tax incentive program.

Other elements of this program include:

- The owner of the property must obtain, as applicable, a site evaluation by a state registered geologist or professional engineer. If the evaluation shows that the site needs remedial action due to the presence of hazardous substances, then such remediation must be conducted under a process authorized by the Department of Environmental Quality.

- The period for which the property tax incentive program benefits may be granted, not to exceed ten years, must be specified by the local ordinance. However, the ordinance may allow for an additional period, not to exceed five years.
- For ordinances that contain a provision for a special assessment, the special assessment is based on the real market value of the property if the property were not a brownfield minus the eligible costs required to clean up and contain the brownfield. Eligible costs include costs associated with site evaluations and remedial action, demolishing existing improvements as needed to complete remedial action, treating and disposing of hazardous waste and materials that contain hazardous waste, and constructing or modifying existing improvements to contain or abate hazardous substances. Eligible costs are reduced by government grants, tax credits, insurance proceeds or legal settlement funds received to offset remediation costs.
- For an ordinance that contains an exemption or partial exemption of improvements and personal property on a brownfield, the ordinance must state the percentage of the exemption to be applied to the real market value of the improvements and personal property.
- A local government may adopt other provisions, so long as they do not conflict with the statutory requirements.
- Property receiving a benefit under this program will continue to do so until the earlier of: the benefit period expiring, the date on which the dollar amount of the benefit equals the eligible costs for the property, or discovery that the owner of the brownfield failed to comply with the agreement. If the land is specially assessed, the owner must report annually the eligible costs incurred, for purposes of verification against the benefit limit.
- Upon disqualification, the taxes that would have been due for all prior years, if not for the benefit, are added to the next tax roll.

If a local governing body adopts both a special assessment and an exemption or partial exemption program, the two tax benefits must be granted concurrently for any property.

Applications are made to and approved by the local jurisdiction and may require an application fee. Property approved for the benefits may also be charged a fee by the county assessor.

Legislation in 2016 (HB 4084) enacted this provision and scheduled it for repeal in 2027. The last day a local governing body can adopt an ordinance as specified by this provision is January 1, 2027. Despite such a repeal of the state law, property that has been granted a benefit under this provision will continue to receive the benefit for the specified term, provided that all other conditions are met.

At any time, a local governing body may amend or repeal its program for property tax incentives related to brownfields. However, property that is receiving a benefit at the time the local program is amended or repealed will continue to receive the tax benefit under the conditions that were in place when the tax benefit was initially granted.

Originally, property was ineligible for this brownfield tax incentive if the property was granted any other special assessment, exemption, or partial exemption for the same tax year. Legislation in 2019 (HB 2699) enabled property benefiting from this

brownfield tax incentive to be granted any other special assessment, exemption, or partial exemption for the same property tax year, provided that the total property tax liability of the property is not reduced below zero.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to allow the governing body of a city, state, or county, or port to provide a tax incentive program to encourage owners of brownfield land to take remedial action on the land, so that it is possible the land can be developed.

**WHO BENEFITS:** Owners of brownfield land who take remedial action on that land. In tax year 2021-22, counties reported two accounts that benefited from this exemption.

**EVALUATION:** *provided by the Department of Environmental Quality*  
DEQ recommends maintaining Oregon Laws 2016, Chapter 96 because it is a valuable tool for local governments to increase brownfield cleanups and redevelopment throughout Oregon. Implementation of brownfield tax incentives will contribute to creating a market for the brownfields properties, help in allowing for the cleanup and mitigation of these properties, and help to address the high costs of brownfield remediation that often hinder redevelopment opportunities throughout our communities in Oregon. Cleanup and redevelopment of brownfields will result in reduced human health and environmental risk from exposure to contaminated sites, as well as aid in creating more jobs and affordable housing.

Since Oregon Laws 2016, Chapter 96 was enacted in 2016, local governments have been considering how to implement this law in their jurisdictions. It takes communities some time to learn how to implement new legislation in their communities and draft legally sound ordinances/resolutions. In June 2018, Marion County became the first local government to implement Oregon Laws 2016, Chapter 96 by adopting Ordinance 1390.

The Oregon Brownfield Coalition fully supports Oregon Laws 2016, Chapter 96. The coalition is a group of more than 50 public, private, and nonprofit organizations dedicated to finding solutions to the statewide problem of brownfield contamination. Coalition members have expressed that the tax incentive authority is absolutely needed by local governments.

## 2.017 NEW INDUSTRIAL PROPERTY IN RURAL AREAS

**Oregon Statute:** Ore. Laws 2016 c.112, 2018 c.111 §15, and 2019 c.575

**Sunset Date:** 01-01-2024

**Year Enacted:** 2016

2021-22 Estimated Reduction in the Taxable Assessed Value: \$5.2 million

	Loss	Shift
2021-23 Revenue Impact:	\$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$100,000	Less than \$100,000

**DESCRIPTION:** This provision allows a governing body of a city or county to adopt an ordinance or resolution granting a limited-duration property tax exemption or tax deferral for industrial property located within the boundaries of that city or county. The local ordinance does not become effective unless the taxing districts representing at least 75 percent of the applicable property taxes agree to the property tax incentive program.

The following criteria must be met according to the local governing body’s ordinance or resolution for the property to receive an exemption or tax deferral:

- The industrial property must be newly constructed or installed in a rural area, whether or not the location has formerly been used for industrial purposes. “Rural area” for the purpose of this provision is defined as an area located in unincorporated territory, or in a city with a population of less than 40,000, that is located entirely outside of urban growth boundaries of any city with a populations of 40,000 or more.
- The property must be newly constructed or installed industrial property and must have a cost of initial investment of at least \$1 million and not more than \$25 million.
- The applicant must meet employment or other conditions per agreement with the city or county.

Unless the city or county specifies otherwise, the exemption is granted at 100 percent of the real market value of the qualified property for any three out of five consecutive property tax years.

The county or city may specify in the ordinance or resolution:

- A minimum cost of initial investment greater than \$1 million,
- Number of years not greater than five for which exemption is granted,
- The percentage of real market value of the qualified property granted exemption each year, and
- Different schedules in each property tax year for the number of exempt years and percentage of real market value exempt, depending on the minimum cost of initial investment.

Instead of an exemption, a city or county may adopt an ordinance that defers the payment of tax that otherwise would be exempt as described above for qualified property. Interest does not accrue while the taxes are deferred. As with an exemption, the deferral cannot be granted for more than five tax years. The first year of deferred taxes are billed and due in the first tax year after the deferral ends. The second year of deferred taxes are billed and due in the second tax year after the deferral ends. This pattern continues for each deferred tax year, year by year, until all deferred taxes are billed.

At any time, a city or county may amend or terminate their ordinance for exemption or deferral on qualified industrial property. However, a property that is receiving an exemption or deferral at the time that the ordinance is amended or terminated will continue to receive the exemption or deferral that was in place when the exemption was initially granted.

Property cannot receive both this exemption or deferral and any other exemption or special assessment (excluding 2.011, Commercial Buildings Under Construction).

If exempt property is not used in the manner or location for which it had been approved, or employment or other agreement terms are not met, the property may be disqualified from exemption and previously exempted tax would be charged on the next tax roll.

Legislation in 2016 (SB 1565) enacted this provision. The last day a local governing body can adopt an ordinance as specified by this provision is January 1, 2024.

Legislation in 2018 (HB 2048) made some technical modifications to the definition of the “eligible location” for the industrial property to qualify for the property tax exemption. Legislation in 2019 (HB 2053) made a change to the due date for meeting employment requirements.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1565 (2016), “The policy purpose of this measure is to allow cities and counties the ability to provide temporary property tax relief to industrial owners newly constructing or installing qualified industrial improvements in rural area, thereby encouraging business investment in such property and contributing to overall economic development.”

**WHO BENEFITS:** Owners of industrial property in rural areas who construct or install new industrial property improvements.

**EVALUATION:** *provided by the Oregon Business Development Department*

This tax expenditure might contribute to economic development in Oregon by offering rural city/county jurisdiction an alternative to enterprise zones (see exemption 2.013, Enterprise Zone Business) in a few cases, especially unincorporated areas with economic conditions that would not allow for zone designation. The department, nevertheless, lacks the data or direct experience to address it further, except to observe that the promulgation of the necessary ordinance, local district concurrence, and development of program apparatus at the local level necessitates a great deal of time and special efforts, as undertaken in Marion County, where this tax expenditure is currently being used.

## 2.018 INDUSTRY APPRENTICESHIP/TRAINING TRUST

**Oregon Statute:** 307.580

**Sunset Date:** None

**Year Enacted:** 1983

2021-22 Estimated Reduction in the Taxable Assessed Value: \$43 million

	Loss	Shift
2021-23 Revenue Impact:	\$1,400,000	\$400,000
2023-25 Revenue Impact:	\$1,500,000	\$400,000

**DESCRIPTION:** All real and personal property owned, held under contract of sale, or leased by an industry apprenticeship or training trust is exempt from property taxation if the industry apprenticeship or training trust meets all of the following conditions:

- The trust is organized only for assisting or implementing training programs according to ORS Chapter 660, Apprenticeship and Training
- The property is used exclusively and actively in training
- The trust is exempt from federal income taxes
- The trust does not discriminate based on age, race, religion, sex, or national origin.

The organization must file an application with the county assessor to claim the exemption. Industries and occupations likely to benefit from this exemption may

include carpentry, electrical, masonry, plumbing, sheet metal, painting, mechanical, and machinist trades.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide equity between training trusts and other private schools. Trusts cannot qualify for an exemption under other statutes because they are not incorporated and are prevented from doing so by federal regulation. Many skilled labor occupations require an apprenticeship period to obtain a license in Oregon, and apprenticeship trusts provide training often unavailable at traditional schools.

**WHO BENEFITS:** The exemption lowers the cost of operation to the apprenticeship trusts. Eight counties reported 37 accounts for this exemption.

**EVALUATION:** Not evaluated.

## 2.019 RURAL RENEWABLE ENERGY DEVELOPMENT ZONE

**Oregon Statute:** 285C.362

**Sunset Date:** None

**Year Enacted:** 2003

2021-22 Estimated Reduction in the Taxable Assessed Value: \$280 million

	Loss	Shift
2021-23 Revenue Impact:	\$7,100,000	\$800,000
2023-25 Revenue Impact:	\$10,900,000	\$1,000,000

**DESCRIPTION:** Qualified property is exempt from property tax in a Rural Renewable Energy Development (RRED) Zone if used for the generation of electricity from a “renewable energy resource” or for the manufacture, storage, or distribution of biodiesel, ethanol or similar fuels made from applicable inputs, subject to certain criteria. The exemption can last up to five years.

Counties, cities in rural counties, or a combination of contiguous rural counties can request the Oregon Business Development Department to designate them as a RRED Zone, encompassing all rural territory of the jurisdiction(s), which is defined as any area outside the urban growth boundary of cities with a population of 30,000 or more. From 2006 to mid-2022, 18 counties and one city have been designated as RRED Zones, and some have been re-designated either after terminating by operation of law or to refresh the \$250-million cap discussed below. Currently, there are 13 counties and the City of Pilot Rock designated as RRED Zones.

RRED Zones are indistinguishable from an enterprise zone in terms of the standard property tax exemption that it provides (see expenditure 2.013, Enterprise Zone Businesses), except that the zone sponsor (typically, the county government) may waive the requirement to increase employment for projects with investment costs of \$5 million or more. The geography, however, for a RRED Zone is quite different. The entire (rural) territory of the applicant zone sponsor is designated as a zone, which is helpful in accommodating physically expansive developments, such as solar or wind farms. Biofuel projects could just as easily use an existing enterprise zone.

The overall amount of exempt property allowed over time within the zone is set by a local resolution with the zone’s designation, and by default, it cannot exceed \$250



million (increased from \$100 million in 2007) in terms of the real market value of property at the outset of the exemption period.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose for this expenditure. Presumably, it is to further renewable energy business development.

**WHO BENEFITS:** Firms involved in the production of biofuels or electricity from renewable energy resources in rural communities. In fiscal year 2021–22, five solar energy projects in Crook, Jefferson, and Malheur counties received this exemption.

**EVALUATION:** *provided by the Oregon Business Development Department*

This expenditure has contributed to its purpose. Several businesses have placed projects into service, including biofuel production, community-size wind farms, geothermal power generation, and utility solar installations in rural areas, motivated in part, it seems, by this incentive. Current exempt projects employed at least a handful of people full time. (RRED Zone tax and other data are sometimes included as part of the annual county assessor reports required for standard enterprise zone exemptions, 2.013, Enterprise Zone Businesses)

Wind farms were the originally intended use of this expenditure, but the huge increase during the mid- to late 2000s in their sheer size meant that they turned to a program more appropriate for such increasingly massive capital investments—see 2.100, Strategic Investment Program. After 2010, the RRED Zone program saw a number of different project types, but use later subsided.

Subsequently, greater solar energy development arose and applied for authorization in the RRED Zones, but for a time, some of these and other solar farms instead used another tax expenditure—see 2.048, Solar Projects. More recently, solar developers found greater favor with RRED Zones, and interest for re /designations of such zones grew as a result (and because of possibilities with harnessing wave or tidal energy). Further investments in utility scale solar energy are anticipated to begin exemptions in 2022 or 2023 in Crook and Wasco counties. Moreover, in using the RRED Zone program, these solar farms generally receive the \$5 million waiver noted above, absolving them of necessarily maintaining one or more employees inside the zone (typically the entire county). 2021 Legislation (SB 154) is expected to improve the relative attractiveness of 2.048, Solar Projects going forward. Nevertheless, the RRED Zone statutes offer a clearer basis for counties to negotiate side issues with energy developers, including possibly additional ‘in lieu of like’ payments. This expenditure may also represent a better deal for other local taxing districts that depend more on property tax revenues.

## 2.020 HOUSING AUTHORITY RENTAL PROPERTIES

**Oregon Statute:** 307.092

**Sunset Date:** None

**Year Enacted:** 1937

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.1 billion

	Loss	Shift
2021-23 Revenue Impact:	\$34,100,000	\$8,700,000
2023-25 Revenue Impact:	\$38,600,000	\$10,000,000

**DESCRIPTION:** Property that is owned or leased by housing authorities is considered to be public property and is exempt from all state and local taxes and special assessments. This exemption does not apply to commercial property of the housing authority which is leased to a taxable entity.

Property held in a partnership with private partners is also exempt so long as the housing authority is the general partner or manager of the property, and the property is used for housing low-income persons.

Housing authorities are public corporations at the city or county level created under ORS 456.055. They provide affordable housing services to low-income individuals and families.

**PURPOSE:** The exemption recognizes housing authority property as “public property used for essential public and governmental purposes” (ORS 307.092) and gives it the same exempt status as other public property. Presumably, the exemption also facilitates authorities providing lower rents to low-income renters.

**WHO BENEFITS:** In tax year 2021-22, approximately 1,350 property accounts in 28 counties around the state received this exemption.

**IN LIEU:** A housing authority can agree to make payments in lieu of tax payments for improvements, services, and facilities furnished by local governments, such as streets, lighting, water, and sewer.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose of supporting housing authorities. Based on research, this statute was required with the federal Housing Act of 1937 that created housing authorities. Since then, the exemption has proven to be a critical component of their ability to provide more units of housing and homes at more affordable rates to very low-income Oregonians.

The exemption achieves affordable rents in the following two ways. First, approximately 50 percent of housing authority tenants pay a rent of 30 percent of their income. That is the maximum they can pay under federal law in public housing—that is, federally subsidized, housing authority owned housing. The balance of their rent is paid by the federal government through the housing authority. Tenant rent cannot be increased if the cost of their housing unit is increased. The benefit of the property tax exemption in these units is that the housing authorities can make more homes available to a larger number of tenants than if there were no exemption.

Second, approximately 50 percent of the tenants live in housing owned by housing authorities but not subsidized by the old federal public housing subsidies. Instead, this housing has been financed through a mix of commercial loans and “off market”

financing sources including federal Low Income Housing Tax Credits, the Oregon Housing Fund, and the property tax exemption. In these housing developments, rent is not restricted to 30 percent of income. Even though the tenants are low income, their rents are directly related to construction and operating costs. The property tax exemption is a substantial part of making these units affordable to low-income households.

The people who benefit from this expenditure have very low or no income at all. Clearly, fewer of them would have affordable housing, and some no housing at all, without this exemption. This exemption successfully achieves its purpose. The process for providing the exemption is very straightforward and easily administered; upon demonstration of a housing authority’s qualifying relationship to a given piece of property, the exemption is granted. It is unlikely that local jurisdictions would prefer to collect taxes and use them in a direct spending program to achieve the low-income housing development that this exemption makes possible. The exemption is also the most fiscally effective means of achieving its purpose.

## 2.021 LOCAL GOVERNMENT OWNED LOW-INCOME HOUSING

**Oregon Statute:** 307.110(3)(h)

**Sunset Date:** None

**Year Enacted:** 2013

2021-22 Estimated Reduction in the Taxable Assessed Value: \$35 million

	Loss	Shift
2021-23 Revenue Impact:	\$1,300,000	\$500,000
2023-25 Revenue Impact:	\$1,500,000	\$500,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, property of any county or city, town or other municipal corporation or political subdivision of Oregon that is used for affordable housing or is leased or rented to persons of lower income is exempt from property taxation. A person of lower income is a person whose income is not greater than 80 percent of the area median income, adjusted for family size, as determined by the Oregon Housing and Community Services Department using United States Department of Housing and Urban Development information.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3112 (2013), the purpose of this provision “...is to provide cities and local governments with the ability to acquire property to build and maintain adequate low-income housing.”

**WHO BENEFITS:** In the 2021-22 tax year, counties reported that fewer than 20 accounts used this exemption, nearly all in Multnomah County.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose. By allowing city and county affordable housing projects to be exempt from property taxation, the operating costs of the project are reduced. While not all cities and counties have the organizational and budget capacity to own and operate affordable housing, for those that do have the capacity, this reduction to operating costs serves as an incentive to acquire, build, and maintain affordable housing rental resources for low-income households.

## 2.022 TRANSFER OF CEMETERY LAND FOR LOW-INCOME HOUSING

**Oregon Statute:** 307.158

**Sunset Date:** 06-30-2024

**Year Enacted:** 2018

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** In general, if land that was used or held exclusively for cemetery or crematory purposes ceases to be used or held exclusively for cemetery or crematory purposes, it becomes taxable. Additional taxes on the land are applied at the time of the property’s disqualification from exempt status. The additional taxes are equal to the taxes on the land for the last 10 years that would have been assessed if not for the exempt status (see ORS 307.155).

Under this provision, land that ceases to be used for cemetery or crematory purposes exempt under 2.088, Cemeteries, Burial Grounds, and Mausoleums, is not subject to the additional taxes under certain conditions. Those conditions are that the owner must apply for, and receive, a property tax exemption under either 2.107, Property for Low-Income Rental or 2.108, Nonprofit Low-Income Rental Housing. If the property fails to qualify for an exemption or is not used as low-income rental housing under one of these exemptions for at least a period of 10 years, then the additional taxes will become due. If the property is used for low-income rental housing for 10 years after the transfer from cemetery use, then the potential liability for additional taxes end.

Because the legislation enacting this statute did not expressly provide a period of applicability for this tax expenditure, ORS 315.037(3) establishes that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year is 2023–24.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 4028 (2018), the purpose of this exemption “...is to eliminate the potential tax burden when transferring property from cemetery to low-income housing use, thereby encouraging such practice.”

**WHO BENEFITS:** Owners of land that will be used to develop low-income housing that transferred from cemetery use.

**EVALUATION:** *provided by the Housing and Community Services Department*

Giving a property tax exemption for the conversion of land uses in order to develop affordable rental housing can be a valuable tool that serves as an incentive for developing this much needed housing to serve low-income households. Such incentives can play a foundational role in having owners choose to make the land use conversion as well as ensuring the viability of development budgets. OHCS doesn’t administer this program and does not have an understanding of the supply of vacant cemetery land, and therefore cannot speak to the utilization rate or ultimate success.

## 2.023 FEDERAL LAND UNDER SUMMER HOMES

**Oregon Statutes:** 307.183 to 307.184

**Sunset Date:** None

**Year Enacted:** 1975

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available

	Loss	Shift
2021-23 Revenue Impact:	Not Available	Not Available
2023-25 Revenue Impact:	Not Available	Not Available

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, the land under summer homes that is owned by the Forest Service or Bureau of Land Management and used by permit or lease is exempt from property tax. The summer home, other buildings or structures, and improvements to the land (water or septic systems, electric service, and landscaping) are all taxable to the lessee.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to avoid the administrative difficulty of valuing federal property that has restrictions on land use.

**WHO BENEFITS:** Owners of summer homes on federal land. The Forest Service reports 1,674 special use permits for residential purposes in Oregon in 2022. Each of these permits could be associated with one or multiple residential buildings.

**EVALUATION:** Not evaluated.

## 2.024 FEDERAL LAND UNDER RECREATION FACILITY

**Oregon Statute:** 307.182

**Sunset Date:** 06-30-2024

**Year Enacted:** 1975

2021-22 Estimated Reduction in the Taxable Assessed Value: \$5 million

	Loss	Shift
2021-23 Revenue Impact:	\$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$100,000	Less than \$100,000

**NOTE:** The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This provision ensures that federal government land remains exempt from property tax when occupied and used by a commercial recreation facilities operator under a permit. Examples are ski resorts and lake marinas on federal land. Only the land is exempt. All real and personal property improvements are taxable to the taxpayer having possession of the property.

This exemption applies only to recreation facility land held under permit. Some recreation facility land is held only by lease and is thus taxable.

This property tax exemption was allowed to sunset on June 30, 2012; however, legislation in 2013 (SB 549) reinstated this exemption retroactive to tax year 2012–13 and set a sunset date of June 30, 2024.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 549 (2013), the purpose of this credit is “to acknowledge the fees paid by permit holders to the Forest Service, 25 percent of which is returned to counties. It is also to avoid the administrative difficulty of valuing federal land with restrictions on land use.”
- WHO BENEFITS:** Operators of recreational facilities that operate under permit on federal land benefit from this exemption.
- IN LIEU:** Recreational facilities pay for permits to use the land. Twenty-five percent of the fees paid to the Forest Service are shared with counties.
- EVALUATION:** *provided by the Oregon Business Development Department*
- This expenditure achieves its purpose. Recreation areas that benefit from this legislation are on Forest Service land via a Special Use Permit. This permit, while long term, is very restrictive and not at all like a typical, private landlord–tenant arrangement. These restrictions make it very difficult to establish a value on the property. In addition, removal of the property tax exemption for recreation facilities on federal lands would subject these areas to some level of double taxation unless other adjustments were also made. Moreover, exceptional legal complexities might attend efforts to assess taxes on land effectively still under federal ownership and control. Finally, this tax expenditure would help sustain and control costs at recreational opportunities, including as attractions for spending by out of state tourists that could benefit the state as well as local economies.

## 2.025 NONPROFIT ELDERLY HOUSING STATE FUNDED

**Oregon Statute:** 307.242

**Sunset Date:** None

**Year Enacted:** 1977

2021-22 Estimated Reduction in the Taxable Assessed Value: \$98 million

	Loss	Shift
2021-23 Revenue Impact:	*	\$3,600,000*
2023-25 Revenue Impact:	\$3,800,000*	*

*\*Any taxes exempted under this provision and not paid by the state result in a loss to the taxing districts. The amount of taxes paid by the state represents costs borne by the General Fund. At this time, sufficient funds to pay the taxes for the 2021-23 biennium are expected to be available in the General Fund appropriation. As no funds are yet allocated for the 2023-25 biennium, the exempted taxes represent a loss to the taxing districts under current law.*

**DESCRIPTION:** Group homes for the elderly built or acquired after January 1, 1977 by private nonprofit corporations (defined in ORS 307.375) that receive subsidies under certain federal and state housing programs are exempt from property taxation. Only the land and improvement value, not personal property, may be exempted. The corporation may not charge more than one month’s rent as a “move in” fee or deposit, and rents must reflect the property tax savings. The occupants do not qualify for the veteran’s exemption or homestead tax relief. If the corporation receives a state subsidy, any property added after January 1, 1990 is not eligible for exemption.

An annual claim must be filed with the county assessor to receive the exemption. If approved, an amount equal to what the exempt taxes would have been is billed to the

Department of Revenue instead of the property owner. Funds to pay these amounts are appropriated by the legislature from the General Fund. If the General Fund appropriation is not sufficient to pay the liabilities in full, then all of the amounts paid are prorated to no more than the appropriation amount. In the event that this proration is necessary, it will result in a revenue loss to the taxing districts. For 2021-22, no proration was needed, and the payments made by the state totaled approximately \$1.7 million.

**PURPOSE:** To “assist private nonprofit corporations to provide permanent housing, recreational and social facilities, and care to elderly persons” (ORS 307.241).

**WHO BENEFITS:** Residents of exempted homes who pay lower rent as a result of the home not paying property tax. In 2022, thirteen counties had 39 homes receiving this exemption.

**EVALUATION:** *provided by the Housing and Community Services Department*

Generally, this expenditure appears to achieve its purpose. The effect of the state funded tax relief is to reduce housing project operating expenses, thereby reducing the rents to project occupants. Tenants otherwise would have to support the property taxes through the monthly rent they pay. The average monthly rent reduction is about \$40 per unit. For seniors on fixed incomes, any rent reduction can be significant.

Because eligible project sponsorship or ownership is limited to nonprofit corporations, it is assumed the full benefit of the tax relief is passed on to the project tenants. As OHCS does not income verify residents, it is also assumed that the elderly households that reside in eligible housing projects have limited incomes that warrant the benefit of this rent reduction.

The current annual application process is very time consuming and involves a minimum of six separate steps each year. The administrative steps for county government include: 1) mail applications to each qualifying nonprofit, 2) verify information received from each applicant, 3) provide a copy of the information to the Department of Revenue, 4) notify applicant of approval/denial, 5) send tax statements and certification letter to the Department of Revenue for payment, and 6) notify applicant that the taxes have been paid. An alternative to the annual application could be a statement of compliance from the qualifying nonprofit if verification is required.

An alternate means to provide an equal benefit to the project residents would be a rent subsidy program. However, administration of a rent subsidy program would be more administratively burdensome than the existing subsidy.

A direct property tax exemption may be a more efficient means to provide a like benefit to the project tenants. However, local taxing districts (such as cities and schools) would not receive compensating income if a direct property tax exemption were implemented in lieu of the tax relief program. This revenue loss would be relatively small when considered in the context of the overall scope of exemptions and special assessments. However, property taxes are direct expenses that affect the operating costs of rental housing. Without this exemption, seniors would likely experience corresponding increases in rent payments.

## 2.026 INVENTORY

**Oregon Statute:** 307.400

**Sunset Date:** None

**Year Enacted:** 1969

2021-22 Estimated Reduction in the Taxable Assessed Value: \$27.2 billion

	Loss	Shift
2021-23 Revenue Impact:	\$856,000,000	\$205,000,000
2023-25 Revenue Impact:	\$902,000,000	\$216,000,000

**DESCRIPTION:** Inventory is exempt from property taxation. In general, inventory is tangible personal property that is or will become part of the stock held for sale in the ordinary course of a taxpayer’s business. This includes materials, supplies, containers, goods in process, finished goods, and “for sale” inventory, but not machinery and equipment used to produce these goods.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the tax compliance burden of enumerating inventory and to eliminate behavior specifically aimed at reducing inventories on the date of assessment.

**WHO BENEFITS:** Manufacturing, wholesale, and retail trade businesses are the primary beneficiaries of this exemption.

**EVALUATION:** Not evaluated.

## 2.027 BUSINESS PERSONAL PROPERTY

**Oregon Statute:** 308.250(2)(a)

**Sunset Date:** None

**Year Enacted:** 1979

2021-22 Estimated Reduction in the Taxable Assessed Value: \$377 million

	Loss	Shift
2021-23 Revenue Impact:	\$10,300,000	\$2,000,000
2023-25 Revenue Impact:	\$11,000,000	\$2,100,000

**DESCRIPTION:** Business personal property, such as office equipment, is exempt from property tax if the total assessed value of all taxable personal property required to be reported under ORS 308.290 by a taxpayer in a year is less than the specified maximum. The maximum threshold is \$20,000 for the tax year beginning July 1, 2022. It is indexed annually to inflation.

To receive an exemption from property tax where one did not exist in the previous tax year, the taxpayer must file a business personal property return with the county assessor. After receiving an initial exemption of property tax on this property, in order to maintain the exemption for future years, the taxpayer may file an annual statement declaring that the value continues to be less than the threshold. If the taxpayer has added or deleted personal property since the prior assessment year, the taxpayer is required to submit to the county assessor a signed business personal property return with an updated asset detail list on or before March 15.



In 2017, the Legislature passed HB 2573 that changed this expenditure from a cancellation of property tax to an exemption from taxation.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the filing burden for small businesses and to reduce administrative costs related to the processing and collections of small business personal property accounts.
- WHO BENEFITS:** Counties reported that over 71,000 property tax accounts benefited in tax year 2021-22.
- EVALUATION:** Not evaluated.

## 2.028 CARGO CONTAINERS

**Oregon Statute:** 307.835  
**Sunset Date:** 06-30-2026  
**Year Enacted:** 1979

2021-22 Estimated Reduction in the Taxable Assessed Value: \$8 million

	Loss	Shift
2021-23 Revenue Impact:	\$200,000	Less than \$100,000
2023-25 Revenue Impact:	\$300,000	Less than \$100,000

- DESCRIPTION:** All cargo containers principally used for the transportation of cargo by vessels in trade and ocean commerce are exempt from property tax. Cargo containers must be designed for carriage of goods by vessels, be strong enough for repeated use, and be fitted with handling devices. In 2019 (HB 2130), the Legislature extended the sunset date to June 30, 2026.
- This statutory exemption applies to containers owned by both domestic and foreign (international) companies. However, the containers owned by foreign companies would be exempt even in the absence of this statute based upon interpretation of commerce law in the U.S. Constitution, as clarified under the rulings of the following court cases: *Japan Line Ltd., v. County of Los Angeles*, 441 US 434 (1979) and *Itel Containers International Corp. v. Huddleston, Comm’r of Revenue of Tennessee*, 507 US 60 (1993) (explaining the scope of the holding in *Japan Line*).
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2130 (2019), “the policy purpose is to assist Oregon shipping companies in competing in a global market.”
- WHO BENEFITS:** Owners of ocean-going cargo containers. The Port of Portland reported handling 105,989 containers associated with ocean-going vessels at its marine terminals in 2021.
- EVALUATION:** *provided by the Oregon Business Development Department*
- The Port of Portland and Oregon’s shipping interests face a very competitive environment among West Coast ports in their efforts to reestablish container shipping services for Oregon businesses. Because of that, both the Port and the Columbia River Steamship Operators Association have traditionally supported retention of the cargo container exemption in the interest of regaining and maintaining the state’s access to international container shipping service. The exemption also benefits agricultural shippers and others seeking to move containerized cargo through the

upriver ports of Morrow and Umatilla to Terminal 6 at the Port of Portland, as well as the Oregon International Port of Coos Bay in the future as it is developing a multimodal container facility. Besides helping maintain competitive access to international container shipping service that is important to many Oregon industries, this property tax expenditure is also intended to moderate shipping costs for those industries.

## 2.029 LEASED DOCKS AND AIRPORTS

**Oregon Statute:** 307.120

**Sunset Date:** None

**Year Enacted:** 1947

2021-22 Estimated Reduction in the Taxable Assessed Value: \$560 million

	Loss	Shift
2021-23 Revenue Impact:	\$18,600,000	\$5,900,000
2023-25 Revenue Impact:	\$20,300,000	\$6,400,000

**DESCRIPTION:**

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure provides exceptions to this rule as it relates to leased dock and airport property.

Public dock property is exempt from property tax if it is leased, subleased, rented, or preferentially assigned and used for:

- Berthing ships or barges
- Handling, loading, and unloading cargo from ships
- Cleaning or decontaminating agricultural cargo, if the property does not further alter or process an agricultural commodity.

Dock property that is leased or used for any other purpose is not exempt.

By December 31 preceding a year in which the property is leased, or within 30 days of entering into the lease, whichever is later, the private lessee must file a request for the county assessor to compute a required in-lieu payment.

The requirements above do not apply to property held under lease or rental agreement executed for any purpose prior to July 5, 1947, which is exempt and does not require the in-lieu payment. In this case, the exemption continues only during the term of the lease or rental agreement in effect on July 5, 1947.

For a city-owned airport or port district serving a population of fewer than 300,000, airport property that is leased and used by private individuals remains exempt if the rent proceeds are used for airport operations and maintenance. An in-lieu payment is not required.

**PURPOSE:**

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to support the operation of docks and small airports, regardless of the type of entity operating them.

**WHO BENEFITS:**

Entities leasing eligible dock or airport properties. In fiscal year 2021–22, there were approximately 328 exempt properties in ten counties.

**IN LIEU:** For dock properties used for storage of cargo directly incidental to transshipment, an in-lieu payment of one-quarter of one percent of real market value is assessed annually and distributed to school districts. Other dock properties and airports are not subject to the in-lieu requirement.

**EVALUATION:** *provided by the Oregon Business Development Department*

Besides reducing revenue available for other public service, this exemption shifts a portion of the local property tax burden from owners and users of dock and airport property to owners of other properties. Increased economic activity due to this exemption may compensate for these tax effects by increasing other local and state tax collections, in addition to public benefits arising from the upkeep and use of port infrastructure and of local airports in smaller communities. Public ports, which support retaining this exemption, use it in various ways across Oregon, including as an essential way to generate revenue to maintain properties and attract tenants at their airport facilities, as well as working productively with dock operators or cargo handlers for maritime shipping.

### 2.030 SHIP REPAIR FACILITY MATERIALS

**Oregon Statute:** 308.256(7)

**Sunset Date:** None

**Year Enacted:** 1957

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.026, Inventory

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.026	Included in 2.026
2023-25 Revenue Impact:	Included in 2.026	Included in 2.026

**DESCRIPTION:** Materials and parts held by shipyards and ship repair facilities as of January 1 are exempt from property tax if, by April 1, the parts and materials are physically attached to or part of watercraft undergoing major remodeling, renovation, conversion, or repair. The parts and materials are initially assessed, but assessors must cancel the assessment if documentary proof of qualification for exemption is provided before April 1.

The value of watercraft under construction or undergoing major remodeling is also exempt, as described in tax expenditure 2.137, Watercraft Locally Assessed.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help Oregon shipyards compete with shipyards in other states.

**WHO BENEFITS:** This exemption predates tax expenditure 2.026, Inventory. Most—if not all—of the material exempted by this statute would probably be considered inventory.

**EVALUATION:** Not evaluated.

### 2.031 RAILROAD CARS BEING REPAIRED

**Oregon Statute:** 308.665

**Sunset Date:** None

**Year Enacted:** 1973

2021-22 Estimated Reduction in the Taxable Assessed Value: \$24 million

	Loss	Shift
2021-23 Revenue Impact:	\$700,000	\$200,000
2023-25 Revenue Impact:	\$700,000	\$200,000

**DESCRIPTION:** Railroad cars owned by private companies and undergoing major work are exempt from property taxation. Major work includes remodeling, renovation, conversion, or repairs, if the total labor exceeds 10 hours. A railroad car is exempt starting from the time it awaits transportation to a repair facility and ending with the time it has returned from a repair facility. Documentation proving qualification for the exemption must be furnished to the Department of Revenue.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing transportation equipment that is temporarily unable to be used for its intended purpose.

**WHO BENEFITS:** Approximately 30 companies benefited from this exemption in tax year 2021–22.

**EVALUATION:** Not evaluated.

### 2.032 LOW-INCOME HOUSING OWNED BY RELIGIOUS ORGANIZATION

**Oregon Statute:** 307.140(4)

**Sunset Date:** None

**Year Enacted:** 2021 (HB 2008)

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.087, Religious Organizations

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.087	Included in 2.087
2023-25 Revenue Impact:	Included in 2.087	Included in 2.087

**DESCRIPTION:** Land and buildings on the land owned by a religious organization and held or used solely to provide affordable housing to low-income individuals is exempt from taxation. This exemption is explicitly excluded from the automatic six-year sunset under ORS 315.037.

**PURPOSE:** The law that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2008 (2021), the purpose of this provision is “to increase the supply of affordable housing in the state.”

**WHO BENEFITS:** Religious organizations who own land that is rented by low-income individuals, and those low-income individuals.

**EVALUATION:** *provided by the Housing and Community Services Department*

To increase the supply of affordable housing for Oregonians we need the participation of as many sectors as possible, including the faith-based and religious organizations. Allowing the tax exemption on the land and buildings for low-income housing purpose will reduce the operating expenses as well as keeping the rents low for tenants.

## 2.033 FOOD PROCESSING EQUIPMENT

**Oregon Statute:** 307.455

**Sunset Date:** 06-30-2025

**Year Enacted:** 2005

2021-22 Estimated Reduction in the Taxable Assessed Value: \$391 million

	Loss	Shift
2021-23 Revenue Impact:	\$10,500,000	\$2,300,000
2023-25 Revenue Impact:	\$8,700,000	\$1,900,000

**DESCRIPTION:** Upon application, qualified real or personal property machinery and equipment that is newly acquired by a food processing business is exempt from property taxation for five years. The machinery or equipment may be new or used, as long as it is newly acquired by the food processor. Food processing businesses are those that freeze, can, dehydrate, concentrate, preserve, process, or repack fruit, vegetables, nuts, legumes, or seafood in any procedure that generally occurs before the first sale by the processor. Producers of alcoholic beverages are ineligible.

Legislation in 2015 (HB 3125) expanded the exemption to include machinery and equipment used to process grains, bakery products, dairy products, and eggs, and prohibited anyone engaged in the business of producing marijuana or any product containing marijuana or a marijuana extract from qualifying for the exemption. The legislation also required qualified machinery and equipment used to process grains and bakery products to have real market value of at least \$100,000 when placed in service. However, the 2016 Legislature modified this provision to require the total cost of initial equipment investment by the food processor to be at least \$100,000 to qualify for the exemption.

Qualified machinery is certified by the Oregon Department of Agriculture. Machinery and equipment is exempt for five years following certification.

Legislation in 2019 (HB 2164) allows a city or county to adopt a lower exemption amount or opt out of the exemption. HB 2164 also extended the sunset date for this property tax exemption. The program sunsets on June 30, 2025; any equipment that has already received the exemption by that date will continue to receive the exemption for the full five years.

**PURPOSE:** “The Legislative Assembly declares that a property tax exemption for qualified real property machinery and equipment encourages continued operation and expansion of the food processing industry in this state” (ORS 307.453).

**WHO BENEFITS:** Food processors that acquire machinery and equipment.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

Not only must Oregon’s food and beverage processors be competitive with their national competitors, they must also be competitive in the global marketplace.

Opportunities to make capital investments that provide gains in efficiencies and expand product lines is one strategy for businesses to remain competitive.

This tax exemption encourages food-processing companies to replace aging equipment with more efficient and modern equipment. The exemption also supports food processors make the needed investments for new product lines. Investments made by local businesses are an investment in local jobs and healthy communities. Because processors try to be located near the source of their ingredients (ex. Oregon agricultural commodities), these capital investments also positively support rural communities.

The exemption also allows for Oregon to be more competitive when recruiting food processors for direct investment. The exemption also encourages opportunities for agricultural producers to invest and create value-added products. These both aid rural and urban economic development.

This exemption is narrowly targeted, and serves its purpose of creating investment, retaining and expanding jobs, and creating additional markets for Oregon growers. There has been interest in expansion of this credit to include other commodities and food products.

## 2.034 FARM MACHINERY AND EQUIPMENT

**Oregon Statute:** 307.394

**Sunset Date:** None

**Year Enacted:** 1973

2021-22 Estimated Reduction in the Taxable Assessed Value: \$4.2 billion

	Loss	Shift
2021-23 Revenue Impact:	\$95,200,000	\$16,900,000
2023-25 Revenue Impact:	\$98,700,000	\$17,500,000

**DESCRIPTION:** Machinery and equipment classified as personal property and used in farm operations involving crops, livestock, poultry, fur bearing animals, bees, dairying, animal husbandry, or other agricultural or horticultural products are exempt from property tax.

Added by HB 2904 (2009), machinery and equipment used primarily to implement a plan certified by an agent of the Oregon State University Extension Service to remediate or mitigate severe adverse conditions on farmland is exempt while the plan is in process.

The revenue impacts of the following tax expenditures are included here:

- 2.035, Mobile Field Incinerators
- 2.042, Center Pivot Irrigation Equipment
- 2.043, Other Farm/Aquaculture/Egg Equipment
- 2.044, Field Burning Smoke Management Equipment.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purposes are to improve the financial viability of farming and ease tax administration.

**WHO BENEFITS:** All farmers who own machinery and equipment receive benefits from this provision.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

This expenditure assists agriculture producers in modernizing machinery and equipment classified as personal property. Agricultural machinery and equipment are extremely expensive, and farmers spend more on machinery per worker than any other industry. Agricultural producers do not set prices and as commodity prices fluctuate dramatically tax planning and cost recovery is limited. This tax exemption assists small and beginning producers by reducing the compounding operational costs on critical machinery and equipment. Reducing tax liability allows agricultural producers who benefit to adopt new technologies and increase efficiencies.

The current tax exemption appears a more appropriate treatment of this particular situation than direct spending.

## 2.035 MOBILE FIELD INCINERATORS

**Oregon Statute:** 307.390

**Sunset Date:** None

**Year Enacted:** 1971

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.034, Farm Machinery and Equipment

	Loss	Shift
2019-21 Revenue Impact:	Included in 2.034	Included in 2.034
2021-23 Revenue Impact:	Included in 2.034	Included in 2.034

**DESCRIPTION:** Mobile field incinerators owned by farmers and used exclusively for sanitizing grass seed fields by means other than open field burning are exempt from property tax. Incinerators must be purchased within five years after they are certified by the Department of Environmental Quality. If these incinerators are used at the field site in preparing the soil for farm purposes, these would be exempted under tax expenditure 2.034, Farm Machinery and Equipment.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage pollution control by the use of mobile field incinerators in place of open field burning of grass straw.

**WHO BENEFITS:** Farmers with mobile field incinerators would receive the benefit. However, these incinerators are not commonly used.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

This expenditure is not achieving the purpose for which it was intended. The current technology of mobile field incinerators is too expensive to be viable and farmers have adopted other means to sanitize grass seed fields. Barring a major technological advance that reduces its cost, the use of mobile field incinerators is not likely to become a viable technology for farmers.

## 2.036 CROPS, PLANTS, AND FRUIT TREES

**Oregon Statute:** 307.320

**Sunset Date:** None

**Year Enacted:** 1957

2021-22 Estimated Reduction in the Taxable Assessed Value: \$789 million

	Loss	Shift
2021-23 Revenue Impact:	\$18,500,000	\$3,300,000
2023-25 Revenue Impact:	\$19,600,000	\$3,500,000

**DESCRIPTION:** Deciduous trees, shrubs, plants, crops, cultured Christmas trees, and cultivated hardwood trees growing on agricultural land are exempt from local property taxation. When crops and plants are harvested and unsold as of the assessment date, they are treated as inventory subject to the exemption described in tax expenditure 2.026, Inventory. Agricultural products held for use in farming operations are exempt as described in tax expenditure 2.037, Agricultural Products Held by the Farmer.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purposes are to improve the financial viability of agriculture by reducing the property tax burden and to ease administration by eliminating the filing of personal property tax returns for farmers.

**WHO BENEFITS:** Owners of deciduous trees, shrubs, plants, crops, cultured Christmas trees, and cultivated hardwood trees growing on agricultural land. Oregon has about three and half million acres of harvested agricultural land.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

This exemption is accomplishing its purpose. Commodities of this nature represent standing crop inventory or perennial stock, and may be, at any given time, unmarketable by industry standards. Given the vagaries of weather, etc., they may never reach marketability.

It is our view that this expenditure is the most fiscally effective means of achieving its purpose, also placing this inventory on par with the exemption of inventory tax on all businesses in Oregon.

## 2.037 AGRICULTURAL PRODUCTS HELD BY THE FARMER

**Oregon Statute:** 307.325

**Sunset Date:** None

**Year Enacted:** 1965

2021-22 Estimated Reduction in the Taxable Assessed Value: \$3.0 million

	Loss	Shift
2021-22 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Agricultural products in the possession of the farmer who produced them or acquired them for consumption or use in the farm operation are exempt from property tax. These products are grain, seed, hay, fruit, vegetables, nuts, hops, wool, fish, livestock, fur bearing animals, bees, poultry, butter, cheese, milk (evaporated,



condensed or concentrated), mint, bivalve mollusks, and vermiculture supplies and products.

Most products held by farmers are considered inventories because they are being held for ultimate sale and are exempt under tax expenditure 2.026, Inventory. This provision exempts those products not covered by the inventory exemption if they are held for use on the farm rather than for ultimate sale.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the burden of enumerating livestock and crop inventories and to improve the financial viability of farming.

**WHO BENEFITS:** Most of the exempt value for this expenditure is for cattle and calves used in farm operations. It also benefits other farmers who hold products for their own use, such as those who raise hay and other feed for their own animals.

**EVALUATION:** Not evaluated.

## 2.038 NURSERY STOCK

**Oregon Statute:** 307.315

**Sunset Date:** None

**Year Enacted:** 1971

2021-22 Estimated Reduction in the Taxable Assessed Value: \$241 million

	Loss	Shift
2021-23 Revenue Impact:	\$5,600,000	\$1,000,000
2023-25 Revenue Impact:	\$6,200,000	\$1,100,000

**DESCRIPTION:** Nursery stock in the hands of growers or wholesalers is exempt from local property taxation. The stock can be bare root, balled, in containers, or in or upon the ground. Nursery stock includes ornamental plants, trees, and shrubs grown or kept for propagation or sale.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of the nursery industry by reducing the property tax burden.

**WHO BENEFITS:** Most nursery stock is grown in Western Oregon, concentrated in the Willamette Valley.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

This tax expenditure is accomplishing its purpose. The exemption of nursery stock is consistent with the exemption provided for other farm commodities described in tax expenditure 2.036, Crops, Plants, and Fruit Trees, and with the exemption of inventories in nonagricultural industries described in tax expenditure 2.026, Inventory. Any change, such as the elimination of this exemption, resulting in an increase in market price would reduce the competitiveness of Oregon-grown nursery stock in the national and international marketplaces. The current tax expenditure is the most effective means of achieving this purpose and places this inventory on par with all other business inventory in Oregon as tax exempt.

## 2.039 LEASED STATE AND LOCAL FARMING AND GRAZING LAND

**Oregon Statute:** 307.110(3)(b)

**Sunset Date:** None

**Year Enacted:** 1971

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.079, State and Local Property

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.079	Included in 2.079
2023-25 Revenue Impact:	Included in 2.079	Included in 2.079

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, land owned by the state or a local government that is leased or rented for agricultural or grazing use by persons who do not pay rent in cash or as a share of the crop is exempt from property taxes. In some cases, the lessee performs a service in return for farming or grazing rights. For example, a farmer might use public land for agricultural purposes, and in return, agree to keep other state or locally owned land mowed.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide property tax relief to farmers and livestock owners, and to avoid the administrative difficulty of valuing these state and local government properties that have restrictions on land use.

**WHO BENEFITS:** Farmers and ranchers who lease state and local land. The expenditure also benefits state and local governments, who in exchange receive land maintenance, which may be more valuable than the potential rent due to management costs associated with small, isolated parcels.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

This expenditure effectively achieves its purpose. It produces benefits to local communities through the increased economic activities associated with the livestock industry. The increased economic activities provide additional tax resources for Eastern Oregon counties, and the state or local government is provided a service of land management, weed control, reduced fire danger or other value in exchange for pasture feed.

Without this expenditure, it is likely that costs to governments would exceed benefits due to the substantial expenses needed to administer the lands in comparison to the returns to the state.

## 2.040 LEASED FEDERAL GRAZING LAND

**Oregon Statute:** 307.060

**Sunset Date:** None

**Year Enacted:** 1961

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.093, Federal Property

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.093	Included in 2.093
2023-25 Revenue Impact:	Included in 2.093	Included in 2.093

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, federal land leased primarily for agricultural purposes from a federal wildlife conservation agency or used primarily for livestock grazing is exempt from local property taxation.

The Bureau of Land Management and the Forest Service establish grazing fees based on animal unit months (AUM) rather than acres. An animal unit month is defined as the amount of forage needed to sustain one cow for one month. Part of the fee income paid to the federal government is shared with local governments.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purposes are to improve the financial viability of agriculture by reducing the property tax burden and to avoid the administrative difficulty of valuing federal property that has restrictions on land use.

**WHO BENEFITS:** Farmers and ranchers who lease federal land for grazing.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

The treatment of federal land under this exemption is consistent with the treatment of state and local land (2.039). Further, federal lands are not subject to property taxation by local jurisdiction regardless of use.

## 2.041 SHELLFISH GROWING ON STATE LAND

**Oregon Statute:** 622.290

**Sunset Date:** None

**Year Enacted:** 1969

2021-22 Estimated Reduction in the Taxable Assessed Value: \$2.0 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, state land being used for the private cultivation of oysters, clams, and mussels under permit from the Department of Agriculture is exempt from local property taxation. Annual cultivation fees and use taxes are paid in lieu of property taxes and lease fees.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage shellfish production and to avoid the administrative difficulty of valuing state property that has restrictions on land use.

**WHO BENEFITS:** Shellfish growers using state owned land. State land is leased for growing in Coos, Douglas, Lincoln, and Tillamook counties. Commercial lease holders range from individuals with only a few acres under lease to large companies with several thousand acres.

**IN LIEU:** The Department of Agriculture collected \$54, 904 in fees in 2021. The in-lieu fees were for leasing 3,847 acres and producing 45,851 total gallons of shellfish in 2021 accounting for approximately \$2.7 million in value. The fees support the department’s oversight of the shellfish leasing program.

**EVALUATION:** Not evaluated.

**2.042 CENTER PIVOT IRRIGATION EQUIPMENT**

**Oregon Statute:** 307.398  
**Sunset Date:** None  
**Year Enacted:** 1973

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.034, Farm Machinery and Equipment

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.034	Included in 2.034
2023-25 Revenue Impact:	Included in 2.034	Included in 2.034

**DESCRIPTION:** Center pivot irrigation equipment used in farm operations is exempt from property taxation. The revenue impact for this tax expenditure is contained in 2.034, Farm Machinery and Equipment.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of farming and ease tax administration.

**WHO BENEFITS:** Farmers who own center pivot irrigation equipment receive benefits from this provision.

**EVALUATION:** *provided by the Oregon Department of Agriculture*  
See evaluation for 2.034, Farm Machinery and Equipment.

## 2.043 OTHER FARM / AQUACULTURE / EGG EQUIPMENT

**Oregon Statute:** 307.397

**Sunset Date:** None

**Year Enacted:** 1973

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.034, Farm Machinery and Equipment

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.034	Included in 2.034
2023-25 Revenue Impact:	Included in 2.034	Included in 2.034

**DESCRIPTION:** Certain machinery and equipment used in farm operations is exempt from property taxation. Under this section of statute, the following are exempt:

- Frost control systems
- Trellises for hops and other agricultural purposes
- Hop harvesting equipment
- In-water racks and other equipment for raising bivalve mollusks
- Equipment used in production and preparation of eggs for market
- Greenhouses that do not have a permanent heat source other than radiant heating provided by direct sunlight.

The revenue impact for this provision is included under 2.034, Farm Machinery and Equipment.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of farming and ease tax administration.

**WHO BENEFITS:** Farmers who own the specified equipment receive benefits from this provision.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

See evaluation for 2.034, Farm Machinery and Equipment.

## 2.044 FIELD BURNING SMOKE MANAGEMENT EQUIPMENT

**Oregon Statute:** 307.391

**Sunset Date:** None

**Year Enacted:** 1973

2021-22 Estimated Reduction in the Taxable Assessed Value: Included with 2.034, Farm Machinery and Equipment

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.034	Included in 2.034
2023-25 Revenue Impact:	Included in 2.034	Included in 2.034

**DESCRIPTION:** Radio communications equipment, meteorological equipment, or other tangible personal property used in connection with the operation of the field burning smoke

management program (administered by the Oregon Department of Agriculture) is exempt from property taxation.

The goal of the smoke management program is to offer maximum opportunities for open field burning, propane flaming, and stack burning with minimal smoke impacts on the public. At a minimum, farmers are required to have a radio to receive information regarding field burning. The field burning equipment itself would be exempt under tax expenditure 2.034, Farm Machinery and Equipment, as long as the burning was conducted for the purpose of soil maintenance for farming use.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the cost of ownership of equipment used in conjunction with the field burning smoke management program.

**WHO BENEFITS:** All farmers who own the specified equipment receive benefits from this provision. Roughly 36 growers burned fields in 2021, and 34 growers in 2022.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

With the restrictions on field burning put in place by the 2009 Legislature, the number of farmers using field burning has decreased. In some parts of the state, based on the type of grass seed produced, field burning is the only available management technique, subsequently the practice is still used.

## 2.045 CRAB POTS

**Oregon Statute:** 508.270

**Sunset Date:** None

**Year Enacted:** 1969

2021-22 Estimated Reduction in the Taxable Assessed Value: \$19 million

	Loss	Shift
2021-23 Revenue Impact:	\$400,000	Less than \$100,000
2023-25 Revenue Impact:	\$400,000	Less than \$100,000

**DESCRIPTION:** Crab pots used by an owner with a commercial fishing license used with a commercially licensed boat are exempt from property tax if proof of required licensing is furnished to the assessor by August 1 of the assessment year.

Crab pots are considered personal property and would be fully taxable without this exemption. Because crab pots can be stored on land and then moved to the sea, they are not considered part of the vessel. This is unlike other types of fishing, where fishing gear (nets, hooks, lines, etc.) is considered part of the ship and its value is included when the vessel is assessed (see 2.137, Watercraft Locally Assessed).

Approximately 149,200 crab pots were expected to be used for the 2021 crab fishing season, which is at the maximum limit set by the Oregon Fish and Wildlife Commission. Depending on the vessel, the limit of crab pots per vessel can be 200, 300 or 500. These limits have been in effect since the 2006–07 crab season. Each crab pot requires a buoy tag, costing \$1 each, for each fishing season. Buoy tag receipts are used exclusively to purchase the buoy tags for the following year.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is make the treatment of crab fishing operations more consistent with those of other types of fishing.

**WHO BENEFITS:** Owners or operators of commercial crab fishing vessels. For the 2021 crab fishing season, owners/operators of over 420 vessels had crab permits.

**IN LIEU:** In 2021 the fees for a crab permit per vessel were \$202 resident, and \$252 non-resident. In 2021 the Oregon Department of Fish and Wildlife collected over \$58,580 from resident and over \$30,240 from non-resident crab fishers in crab permits. Those funds are used by ODFW for commercial fishery management. In addition, owners of vessels used for crab fishing are required to obtain the proper commercial boat and crew member licenses.

**EVALUATION:** *provided by the Oregon Department of Fish and Wildlife*  
This expenditure has effectively achieved its purpose. It provides tax relief to crab fishing operations, and it makes the property tax treatment of crabbing operations consistent with that of other types of fishing.

## 2.046 LAND LEASED FROM STATE LAND BOARD

**Oregon Statute:** 307.168  
**Sunset Date:** None  
**Year Enacted:** 1982

2021-22 Estimated Reduction in the Taxable Assessed Value: \$122 million

	Loss	Shift
2021-23 Revenue Impact:	\$2,800,000	\$500,000
2023-25 Revenue Impact:	\$3,000,000	\$500,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, the following land leased from the State Land Board or Department of State Lands is exempt from property taxation: submerged, submersible, and grazing land. The exemption does not apply to any buildings, improvements, mines, minerals, or quarries on the land.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide property tax relief to livestock owners and to avoid administrative difficulty of valuing state property with its restrictions on land use.

**WHO BENEFITS:** Lessees benefit through reduced costs.

**EVALUATION:** *provided by the Department of State Lands*  
This exemption is effective in achieving its purpose. As trustee of the Common School Fund, the state manages lands owned by the Fund in order to maximize revenue, consistent with long term resource stewardship. Exempting leased Common School lands from taxation can help increase lease income, and therefore furthers the primary trust obligation.

## 2.047 NATURAL GAS PIPELINE EXTENSION

**Oregon Statute:** 307.107

**Sunset Date:** None

**Year Enacted:** 2007

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.4 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, all property (real, personal, tangible, and intangible) used for a natural gas pipeline extension project is exempt from property taxation if:

- Project is partially financed by Oregon Unified International Trade Fund
- Length of pipeline does not exceed 115 miles
- Owner of the property is a local government.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to clarify that under certain conditions government-owned pipeline is exempt if leased.

**WHO BENEFITS:** The only known natural gas pipeline that qualifies is approximately 76 miles of pipeline owned by Coos County and leased to NW Natural.

**EVALUATION:** Not evaluated.

## 2.048 SOLAR PROJECTS

**Oregon Statute:** Ore. Laws 2015 c.571, 2019 c.628, and 2021 c.571

**Sunset Date:** 01-01-2028 (for new agreements)

**Year Enacted:** 2015

2021-22 Estimated Reduction in the Taxable Assessed Value: \$350 million

	Loss	Shift
2021-23 Revenue Impact:	\$8,000,000	\$1,400,000
2023-25 Revenue Impact:	\$9,100,000	\$1,600,000

**DESCRIPTION:** Property constituting a solar project located in an unincorporated county area is exempt from property taxes when an agreement has been made between the governing body of the county and the owner of the solar project. A portion of the solar project may be located within the boundaries of an incorporated city, however in that case, the governing body of the city must also be a party to the agreement. A fee in lieu of property taxes is required as part of the agreement.

The agreement is limited to 20 consecutive years. The last day an agreement can be made is January 1, 2028.

If the owner of the solar project fails to pay the fee in lieu of property taxes by the prescribed date, the property does not receive an exemption the following property



tax year. If the owner pays the delinquent fee plus interest within a year, the property can resume the exemption for the subsequent property tax year. However, if the owner fails to pay the fee in lieu of property taxes for more than one year, the property is disqualified from receiving this exemption from property taxes.

Legislation in 2021 (SB 154) changed the terms of the fee and extended the sunset from January 1, 2022, to January 1, 2028.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3492 (2015), “The policy purpose of this measure is to provide tax relief and tax stability to utility scale solar production property owners and developers, which subsequently encourages the development of utility scale solar production.”

**WHO BENEFITS:** Owners of solar projects who have made an agreement with a county to receive a property tax exemption for that property. For property tax year 2021-22, a total of 31 solar projects had an agreement to receive this property tax exemption. These projects are presently located in the counties of Deschutes, Harney, Jackson, Klamath, Lake, Polk, and Sherman. For 2022-23, the number of projects with an agreement for this property tax exemption are projected to increase to 32.

**IN LIEU:** The fee in lieu of property taxes amount is computed at a rate not less than \$5,500, and not more than \$7,000, per megawatt of nameplate capacity of the solar project for each property tax year. Based on their capacity, participating projects have total fees in lieu of property taxes in the amount of about \$1,900,000 for 2021-22.

**EVALUATION:** *provided by the Oregon Business Development Department*

This tax expenditure should contribute to the development of utility scale solar energy projects in Oregon by offering rural jurisdictions and the developers another way to reduce property tax payments. The main existing option is the three to five year exemption in a Rural Renewable Energy Development Zone (RRED Zone – see expenditure 2.019). To stimulate solar energy development in Oregon, the Legislature has also provided special utility policies and funds, including the Solar Development Incentive grant program.

The department lacks data or direct experience with this expenditure, but there have been projects previously proposed in a RRED Zone, for which the county government and project owners later agreed to use this expenditure instead. In other cases, the decision was made for solar projects to stay with or opt for the RRED Zone exemption.

The net tax effect of using this expenditure versus a RRED Zone is difficult to generalize about and depends on situational factors and project characteristics. The predictable long term cash flows with this tax expenditure are evidently much better suited to the business models of solar project developers. There might also be an advantage for local governments, compared to the short term property taxes forgone in a RRED Zone followed by longer term but harder to predict tax receipts.

## 2.049 COOPERATIVE PROVIDING HEAT BY COMBUSTION OF BIOMASS

**Oregon Statute:** 308.521

**Sunset Date:** 06-30-2025

**Year Enacted:** 2019

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available\*

	Loss	Shift
2021-23 Revenue Impact:	Not Available*	Not Available*
2023-25 Revenue Impact:	Not Available*	Not Available*

\* *In certain cases, to conform with taxpayer privacy disclosure laws, revenue impact numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer but could at a later date.*

**DESCRIPTION:** Property that is owned or used by a predominately public-owned cooperative for the purpose of providing steam or hot water heat by combustion of biomass is exempt from property tax for property tax years beginning on or after July 1, 2019. The cooperative corporation must meet the Oregon statutory definition of cooperative and be subject to central assessment by the Department of Revenue. At least 50 percent of the interest in the cooperative must be owned by public entities that are themselves exempt from property tax. Biomass is defined in ORS 315.141.

Because the legislation enacting this statute did not expressly provide a period of applicability for this tax expenditure, ORS 315.037(3) establishes that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year is 2024–25.

**PURPOSE:** The statute that allows this exemption does not explicitly state a purpose. The legislative staff revenue impact statement provided for HB 2458 (2019) says “the intent of this measure is to encourage cooperatives to invest in the production of biomass fueled energy that primarily serves public and tax-exempt entities.”

**WHO BENEFITS:** Predominantly publicly-owned cooperatives established for the purpose of providing steam or hot water heat by combustion of biomass.

**EVALUATION:** *provided by the Oregon Department of Energy*

It is difficult to measure the impact the tax exemption has made on the number of cooperatives installing equipment that combusts biomass to generate steam or hot water heat. The ODOE Energy Incentives Program (EIP) issued tax credits to two projects involving the use of biomass under its Energy Conservation Projects income tax credit program and two biogas projects received Renewable Energy Development grants in the EIP Program as well. That tax credit program sunset in 2017. The exemption may encourage cooperatives to invest in biomass systems.

## 2.050 NONPROFIT SEWAGE TREATMENT FACILITIES

**Oregon Statute:** 307.118

**Sunset Date:** None

**Year Enacted:** 1997

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** An exemption from property taxes is allowed for wastewater treatment, sewage treatment, and related property owned by a nonprofit corporation engaged solely in wastewater treatment and sewage treatment facility applications. The nonprofit corporation must have been in existence as of January 1, 1997, and the facilities must have been constructed and in operation on January 1, 1997. The exemption was created for the Mapleton Commercial Area Owners' Association in Lane County, and it is unlikely any other facilities could qualify for the exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to assist nonprofit sewage treatment facilities.

**WHO BENEFITS:** There is one entity in the state that qualifies for this exemption, the Mapleton Commercial Area Owners' Association in Lane County. The beneficiaries of this legislation are the owners of the homes and businesses that are members of the Mapleton Commercial Area Owners' Association.

**EVALUATION:** Not evaluated.

## 2.051 RIPARIAN HABITAT LAND

**Oregon Statute:** 308A.362

**Sunset Date:** None

**Year Enacted:** 1981

2021-22 Estimated Reduction in the Taxable Assessed Value: \$23 million

	Loss	Shift
2021-23 Revenue Impact:	\$500,000	Less than \$100,000
2023-25 Revenue Impact:	\$600,000	Less than \$100,000

**DESCRIPTION:** Land designated as riparian land by the Oregon Department of Fish and Wildlife (ODFW) is exempt from property taxation. Designated riparian land must be privately-owned stream beds and the land under adjacent vegetation influenced by the proximity to water, but which does not extend more than 100 feet from the stream bank.

The following types of designated riparian land qualify for the exemption:

- Lands located outside urban growth boundaries (UGB) and zoned as forest or agricultural (including range land) in compliance with statewide planning goals.
- Lands that were outside a UGB and zoned as forest or agricultural (including range land) as of July 1, 1997, but are no longer outside a UGB or so zoned,

qualify. The landowner must apply for riparian designation within five years of the change.

- Lands within city and urban growth boundaries may qualify if the city and county authorize the exemption (ORS 308A.360).

ODFW can designate land as riparian habitat land if the owner has developed and implemented a plan for continued protection of the land using approved rehabilitation techniques. For lands within city and urban growth boundaries, ODFW can approve up to 50 applications per year.

The exemption continues until withdrawn by the owner or use is incompatible with riparian use. Upon withdrawal or disqualification, an additional tax equal to the sum of the tax benefit for each year exempt (up to five years) is due.

If the land is specially assessed as farm, forest, or open space before riparian designation, any additional tax for a change in designation to riparian is abated.

**PURPOSE:**

To “maintain, preserve, conserve and rehabilitate riparian lands to assure the protection of the soil, water, fish and wildlife resources of the state for the economic and social well-being of the state and its citizens...to prevent the forced conversion of riparian environments to more intensive uses as a result of economic pressures caused by the assessment of those lands...at values incompatible with their protection as riparian lands and that tax exemption must be granted to permit the continued availability of riparian environments...” (ORS 308A.353).

**WHO BENEFITS:**

Owners of land that has been designated by the Department of Fish and Wildlife as riparian land.

As of June 2022, the Department of Fish and Wildlife had enrolled 1,844 acres (194 tax lots) in the program along roughly 218 miles of streams.

**EVALUATION:**

*provided by the Oregon Department of Fish and Wildlife*

This expenditure, as amended in Oregon Laws 1997, Chapter 811, Section 2, may be more effective than it was previously. However, the usage and related expenditure data are not conclusive.

With the 1997 statute changes and increased efforts to save Oregon salmon runs, it was thought that the Riparian Habitat Land Exemption would become more widely used, but a number of features of the provision limit its effectiveness. First, the land that qualifies for the exemption is already taxed at relatively low levels as farm or forest land, so the exemption provides a relatively small reduction in taxes. Second, the program limits the amount of new riparian land that can be certified annually before July 1, 2004, to no more than 200 miles of stream bank per county. Removing the latter restriction and modifying the provisions to allow for larger tax reductions could make the program more effective but at a higher cost. The 2001 legislative change to allow participation by cities could significantly increase participation in the program. This has not occurred however, as none of the cities and counties have adopted enabling ordinances.

## 2.052 ENVIRONMENTALLY SENSITIVE LOGGING EQUIPMENT

**Oregon Statute:** 307.827

**Sunset Date:** None

**Year Enacted:** 1999

2021-22 Estimated Reduction in the Taxable Assessed Value: \$310 million

	Loss	Shift
2021-23 Revenue Impact:	\$6,400,000	\$900,000
2023-25 Revenue Impact:	\$7,200,000	\$1,000,000

<b>DESCRIPTION:</b>	<p>Environmentally sensitive logging equipment, defined as logging equipment manufactured after 1992, is exempt from property taxes. Machinery and equipment exempt under this provision is:</p> <ul style="list-style-type: none"> <li>• Used or held for use in logging or forest management operations; and</li> <li>• Specifically designed for activities related to water quality or fish and wildlife habitat protection in the forest; or</li> <li>• An excavator used or held for use in logging road construction, maintenance, reconstruction, or improvements, including the closing or obliterating of existing forest roads.</li> </ul>
<b>PURPOSE:</b>	<p>“...to facilitate the transition of older logging equipment to newer equipment designed and manufactured to be as environmentally sensitive as current technology can provide, consistent with the need to match the equipment to the specifics of the site being harvested” (ORS 307.824).</p>
<b>WHO BENEFITS:</b>	<p>Owners of logging equipment manufactured after 1992 benefit from this exemption. In 2021-22, there were over 850 exempt accounts located in 20 counties.</p>
<b>EVALUATION:</b>	<p><i>provided by the Oregon Department of Fish and Wildlife</i></p> <p>The effectiveness of this exemption has not been evaluated because its potential benefits to fish habitat are indirect. Yet log suspension in riparian zones, less ground and soil compaction and less sedimentation provide immediate improvements to aquatic habitat that fish depend on. The level of habitat improvement is expected to increase in proportion to the extent that the use of environmentally sensitive equipment replaces the use of less sensitive methods.</p>

### 2.053 SKYLINE AND SWING YARDERS

**Oregon Statute:** 307.831

**Sunset Date:** None

**Year Enacted:** 1999

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.052, Environmentally Sensitive Logging Equipment

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.052	Included in 2.052
2023-25 Revenue Impact:	Included in 2.052	Included in 2.052

**DESCRIPTION:** Skyline and swing yarders capable of full log suspension are exempt from property taxation. Such logging equipment is used to lift logs by use of cables from the forest to a central location, usually near a logging road, especially when the terrain is steep and the use of traditional wheeled equipment is not feasible.

**PURPOSE:** "...to facilitate the transition of older logging equipment to newer equipment designed and manufactured to be as environmentally sensitive as current technology can provide, consistent with the need to match the equipment to the specifics of the site being harvested" (ORS 307.824).

**WHO BENEFITS:** See 2.052, Environmentally Sensitive Logging Equipment.

**EVALUATION:** *provided by the Oregon Department of Fish and Wildlife*

See 2.052, Environmentally Sensitive Logging Equipment.

### 2.054 FOREST FIRE PROTECTION ASSOCIATION

**Oregon Statute:** 307.125

**Sunset Date:** None

**Year Enacted:** 1957

2021-22 Estimated Reduction in the Taxable Assessed Value: \$11 million

	Loss	Shift
2021-23 Revenue Impact:	\$300,000	Less than \$100,000
2023-25 Revenue Impact:	\$300,000	Less than \$100,000

**DESCRIPTION:** All personal and real property of forest protection districts, organizations, associations, and agencies is exempt from property taxation if the property is used exclusively for forest protection and fire suppression under ORS Chapter 477. A forest protective association is defined as an association, group, or agency composed of owners of forestlands, organized for the purpose of protecting such forestlands from fire. Associations may employ both permanent and seasonal staff. Examples of property held by associations may include trucks, radios, fire engines, trailers, and utility vehicles.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help keep the cost of protecting timber assets low.

**WHO BENEFITS:** Forest protection organizations. Most of the property of forest protection entities has been handed over to the Department of Forestry, and the associations work under

contract or cooperative agreement with the department. Currently, there are fourteen forest protection districts in the state, with eleven of them managed by one agency, the Department of Forestry, and the other three managed by three separate forest protective associations. The three largest associations operate in Douglas County, Coos and Curry counties, and northern Klamath County.

EVALUATION: *provided by the Oregon Department of Forestry*

This provision is effective in achieving its purpose. The costs of providing forest fire prevention and suppression varies among districts due to the fuel and weather conditions that prevail on the lands protected and the risks and hazards that exist. It appears that this tax treatment provides the equity desired, as the purely administrative costs do not appear to be different among the various districts, whether association or state operated. Because the expenses of these associations are largely borne by the forest landowner, the associations would likely raise the assessments to landowners if this property were not exempt.

## 2.055 FEDERAL STANDING TIMBER UNDER CONTRACT

**Oregon Statute:** 307.050  
**Sunset Date:** None  
**Year Enacted:** 1965

2021-22 Estimated Reduction in the Taxable Assessed Value: \$119 million

	Loss	Shift
2021-23 Revenue Impact:	\$2,800,000	\$500,000
2023-25 Revenue Impact:	\$2,900,000	\$500,000

DESCRIPTION: In general, when public property is held under contract of sale to a private individual or business, it is considered taxable. However, federal standing timber is exempt from property tax even if held under a contract of sale. Many timber contracts allow three years from the time of sale to the time of harvest. Federal standing timber not under contract of sale is included in 2.093, Federal Property.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of the timber industry by reducing the property tax burden on timber sold by the federal government to the industry.

WHO BENEFITS: Companies buying federal standing timber for harvest. This includes both large and small companies that either do not have private timber supplies or who supplement their own supplies with federal timber. The volume of federal timber under contract was approximately 830 million board feet in 2021 and sold on average at about \$223 per thousand board feet.

EVALUATION: *provided by the Oregon Department of Forestry*

This expenditure is effective in achieving its purpose. It makes the treatment of federal timber under contract consistent with that of other standing timber.

## 2.056 STATE AND LOCAL STANDING TIMBER UNDER CONTRACT

**Oregon Statute:** 307.100

**Sunset Date:** None

**Year Enacted:** 1965

2021-22 Estimated Reduction in the Taxable Assessed Value: \$81 million

	Loss	Shift
2021-23 Revenue Impact:	\$1,900,000	\$300,000
2023-25 Revenue Impact:	\$1,900,000	\$300,000

**DESCRIPTION:** In general, when public property is held under contract of sale to a private individual or business, it is considered taxable. However, state or local government standing timber is exempt from property taxation even if held under a contract of sale. The volume of state timber under contract was about 250 million board feet in fiscal year 2021 and sold on average at about \$496 per thousand board feet. The volume of local timber under contract is unknown but is thought to be small.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to treat timber under contract like other private standing timber in Oregon, which under current law is treated as a crop, not as real property.

**WHO BENEFITS:** Companies buying state or local standing timber for harvest. This includes both large and small companies that either do not have private timber supplies or who supplement their own supplies.

**EVALUATION:** *provided by the Oregon Department of Forestry*

This expenditure is effective in achieving its purpose. It makes the treatment of state and local timber under contract consistent with that of other standing timber.

## 2.057 WESTERN PRIVATE STANDING TIMBER

**Oregon Statute:** 321.272

**Sunset Date:** None

**Year Enacted:** 1977

2021-22 Estimated Reduction in the Taxable Assessed Value: \$20.5 billion

	Loss	Shift
2021-23 Revenue Impact:	\$480,000,000	\$85,000,000
2023-25 Revenue Impact:	\$520,000,000	\$92,000,000

**DESCRIPTION:** Privately owned standing timber in western Oregon is exempt from local property taxes. Western Oregon includes Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill counties.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of timber production by eliminating the property tax burden and to lessen the incentive to prematurely liquidate immature timber by decreasing the holding costs of keeping the timber on the stump and growing.



**WHO BENEFITS:** Private timber owners in western Oregon. In fiscal year 2021–22 there were about 6 million acres of private land classified as forestland for property taxation purposes located in western Oregon.

**EVALUATION:** *provided by the Oregon Department of Forestry*

Before 1977, both land and timber were taxed as property. In some cases this led to premature harvesting to lower property tax burden. To encourage holding timber to longer rotation ages, the property tax on the value of the timber was eliminated, but a yield tax on timber harvest was retained. In 1993, in recognition of the agricultural crop nature of growing timber and the substantial investment it requires, the tax on the crop (privilege tax) was eliminated.

There are indications that timber harvests average approximately 50 years, and that the total private timber harvest, while declining since the late 1950s, has been essentially at sustainable levels through the past decade.

Information is lacking on the effectiveness of other methods of discouraging premature timber harvests. Regulatory methods would likely be exceedingly expensive to administer, and variable tax rates would require nearly confiscatory levels for young timber in order to be effective.

## 2.058 EASTERN PRIVATE STANDING TIMBER

**Oregon Statute:** 321.829

**Sunset Date:** None

**Year Enacted:** 1961

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.6 billion

	Loss	Shift
2021-23 Revenue Impact:	\$37,500,000	\$6,600,000
2023-25 Revenue Impact:	\$30,700,000	\$7,200,000

**DESCRIPTION:** Privately owned standing timber in eastern Oregon is exempt from local property taxation. Eastern Oregon includes Baker, Crook, Deschutes, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, Wasco, and Wheeler counties.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of timber production by eliminating the property tax burden and to lessen the incentive to prematurely liquidate immature timber by decreasing the holding costs of keeping the timber on the stump and growing.

**WHO BENEFITS:** Private timber owners in eastern Oregon. In fiscal year 2021-22 there were about 2 million acres of private land classified as forestland for property taxation purposes located in eastern Oregon.

**EVALUATION:** *provided by the Oregon Department of Forestry*

Before 1977 in Western Oregon and 1961 in Eastern Oregon, both land and timber were taxed as property. In some cases this led to premature harvesting to lower property tax burden. To encourage holding timber to longer rotation ages, the property tax on the value of the timber was eliminated, but a yield tax on timber

harvests was retained. In 1993, in recognition of the agricultural crop nature of growing timber and the substantial investment it requires, the tax on the crop (privilege tax) was eliminated.

## 2.059 PRIVATE FARM AND LOGGING ROADS

**Oregon Statute:** 308.236  
**Sunset Date:** None  
**Year Enacted:** 1963

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1. 6 billion

	Loss	Shift
2021-23 Revenue Impact:	\$36,000,000	\$6,000,000
2023-25 Revenue Impact:	\$40,000,000	\$7,000,000

**DESCRIPTION:** Farm, grazing, and logging roads on private land are exempt from local property taxation. Exempt property also includes the culverts, drains, fill, surfacing, and bridges associated with these roads. The land under the roads is taxable. The exemption does not apply to principal exterior timber access roads, which are two-lane improved roads that are continuously maintained and connect a timber conversion center or public highway to a principal forest area. Many logging roads are built specifically to allow timber to be harvested. Once the harvest is finished, the roads have little or no value. Some logging roads, however, are used for forest management and fire suppression on an ongoing basis, so they maintain value long after they are built.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the administrative difficulty of valuing these roads, most of which are logging roads.

**WHO BENEFITS:** Owners of farm and timberland where roads have been built. Most of the value exempt under this provision is logging roads. Logging roads are expensive to build because they must accommodate heavy logging equipment and are usually built in hilly or mountainous terrain. Farm roads are generally on flat land and involve little cost to build. Oregon Department of Forestry estimates that there are approximately 85,000 miles of logging roads on private lands.

**EVALUATION:** Not evaluated.

## 2.060 NONPROFIT PUBLIC PARK USE LAND

**Oregon Statute:** 307.115

**Sunset Date:** None

**Year Enacted:** 1971

2021-22 Estimated Reduction in the Taxable Assessed Value: \$11 million

	Loss	Shift
2021-23 Revenue Impact:	\$300,000	Less than \$100,000
2023-25 Revenue Impact:	\$300,000	Less than \$100,000

**DESCRIPTION:** Nonprofit corporation property used for public park or recreation purposes is exempt from property taxation if the following conditions are met:

- The purpose of the corporation is to acquire park or recreation property or maintain and operate a public park and recreation facility.
- The property is used for public park or public recreation purposes and cannot be used to produce income.
- Any net earnings of the corporation must not benefit any private individual.
- Upon dissolution, any remaining assets must revert to the state or a local government.
- The granting authority (either a city or a county governing body depending on which has jurisdiction) approves the application for exemption.

The nonprofit corporation must file an application with the county assessor to claim the exemption. The city or county governing body having jurisdiction will act on the application. This exemption is for 10 years and is renewable by reapplication.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development of parks by private nonprofit corporations.

**WHO BENEFITS:** Nonprofit corporations with property used for public park or recreation purposes. Counties report 26 property tax accounts received this exemption in tax year 2021-22.

**EVALUATION:** *provided by the Oregon Parks and Recreation Department*

This exemption appears to be effective in achieving its implied purpose by encouraging the preservation of open space and park land. Little information or resources exist to allow an in-depth evaluation of this program, but as a matter of public policy, it contributes to Oregon’s quality of life and helps meet the needs of Oregon’s growing population for parks, open spaces, greenways, natural settings, and recreational facilities. The program supplements what the government can provide by encouraging land protection and management decisions by nongovernment entities that also contribute to the public good. Studies show that parks and recreational facilities do contribute to local economies.

## 2.061 INACTIVE MINERAL INTERESTS

**Oregon Statute:** 308.115

**Sunset Date:** None

**Year Enacted:** 1997

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

- DESCRIPTION:** Mineral interests owned separately from surface interests are exempt from local property tax if the property is not being mined.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the administrative expense of assessing this property.
- WHO BENEFITS:** Owners of mineral interests who are not actively mining those interests.
- EVALUATION:** Not evaluated.

## 2.062 MINING CLAIMS ON FEDERAL LAND

**Oregon Statute:** 307.080

**Sunset Date:** None

**Year Enacted:** 1889

2021-22 Estimated Reduction in the Taxable Assessed Value: \$29 million

	Loss	Shift
2021-23 Revenue Impact:	\$700,000	\$100,000
2023-25 Revenue Impact:	\$800,000	\$100,000

- DESCRIPTION:** Unpatented mining claims on federal property are exempt from local property taxation. Any improvements or equipment on the claim are taxable. Unpatented mining claims are private claims to public land without the federal government having conveyed title.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the administrative expense associated with assigning value to mining claims which are intangible in nature.
- WHO BENEFITS:** As of October 2021, there were about 10,360 active mining claims in Oregon. Claims are usually between 20 and 160 acres.
- EVALUATION:** Not evaluated.

## 2.063 SMALL WATERCRAFT

**Oregon Statute:** 830.790(3)

**Sunset Date:** None

**Year Enacted:** 1959

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.15 billion

	Loss	Shift
2021-23 Revenue Impact:	\$32,700,000	\$7,300,000
2023-25 Revenue Impact:	\$33,400,000	\$7,400,000

**DESCRIPTION:** Sailboats over twelve feet, all motorboats, and amphibious vehicles requiring an original or renewal certificate of number or registration from the State Marine Board or Oregon Department of Transportation are exempt from property tax. Centrally assessed boats are not eligible for the exemption.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid administrative difficulties associated with valuing mobile property.

**WHO BENEFITS:** In 2021, there were approximately 155,000 boats registered in Oregon.

**IN LIEU:** Fees for registration and title were \$9.2 million in 2021. Registration fees are paid every two years and are based on a flat fee of \$5.95 per foot of watercraft length. In addition, regardless of length, a \$5.00 Aquatic Invasive Species Surcharge is due with each registration.

No fee is required for boats owned by eleemosynary organizations which are operated primarily as a part of organized activities for the purpose of teaching youths scout craft, camping, seamanship, self-reliance, patriotism, courage, and kindred virtues. Boating programs are funded entirely by user fees.

**EVALUATION:** *provided by the Oregon State Marine Board*

The exemption achieves its purpose. Fees for registration and title fund key programs that benefit small watercraft owners, such as Law Enforcement, Facilities and Aquatic Invasive Species Prevention. This exemption is an extension of the personal property for personal use exemption, which is analogous to personal use motor vehicles, recreational vehicles, all-terrain vehicles, and personal aircraft (all of them are exempt). The exemption eases the administrative problems that are inherent in assessing property taxes on mobile personal property that tends to decrease in value over time.

## 2.064 MOTOR VEHICLES AND TRAILERS

**Oregon Statute:** 803.585

**Sunset Date:** None

**Year Enacted:** 1919

2021-22 Estimated Reduction in the Taxable Assessed Value: \$40 billion

	Loss	Shift
2021-23 Revenue Impact:	\$1,130,000,000	\$252,000,000
2023-25 Revenue Impact:	\$1,180,000,000	\$262,000,000

**DESCRIPTION:** Most vehicles are exempt from property taxation. The exemption covers virtually all vehicles that transport people or goods over public roads including cars, trucks, buses, most travel trailers, campers, and motorcycles.

Travel trailers include park trailers less than 8½ feet wide. Although travel trailers are normally exempt from property taxation, an owner may have one assessed for property taxation if the trailer is used as a permanent home or for purposes other than recreation (ORS 308.880). No registration as a vehicle is needed in this case.

Fixed-load vehicles that are not used primarily to transport people or property over public roads are generally taxable. ORS 801.285 lists several fixed-load vehicles that are exempt, including self-propelled mobile cranes and bucket trucks.

Owners of exempt vehicles are required to pay registration fees in lieu of property taxes.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing property that is subject to registration fees.

**WHO BENEFITS:** In 2021, there were about 4.3 million registered passenger vehicles and about 886,000 other registered vehicles and trailers in Oregon.

**IN LIEU:** The two-year registration fee for passenger vehicles is based on fuel economy. For vehicles with miles-per-gallon (MPG) of 0-19 the fee is \$126. The fee is \$136 for vehicles with MPG of 20-39. The fee is \$156 for vehicles with MPG of 40 or higher. The fee for electric vehicles is \$316 unless the vehicle is enrolled in the OReGO program. Fees for motorcycles and mopeds are \$88. The four-year new car registration fees are higher. The fee for large trucks and buses varies by registered weight. Other on- and off-road vehicles have different fees for various time periods. The registration fees are forecasted to be \$649 million in 2021–23 and \$658 million in 2023–25.

**EVALUATION:** *provided by the Oregon Department of Transportation*

The vehicle registration fees support the costs to administer the Driver and Motor Vehicle Division. Revenue net of these costs is shared between ODOT and Oregon's counties and cities. In addition, registration fees have been raised through legislation to support the debt service on bonds for large transportation improvement programs.

Removal of this exemption would allow for the imposition of ad valorem taxes on vehicles, increasing both highway dedicated revenue and administrative costs.

## 2.065 ODOT LAND UNDER USE PERMIT

**Oregon Statute:** 307.110(3)(c)

**Sunset Date:** None

**Year Enacted:** 1981

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, Oregon Department of Transportation (ODOT) real property used by a person under a land use permit is exempt from property taxation. The exemption applies to real property with use restrictions such that only an administrative processing fee can be charged. These are generally small parcels abutting highways used for pasture or landscaping. Other real property leased for more than an administrative fee, such as for parking or commercial displays, is taxable.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to lower the cost for taxpayers using ODOT property under a use permit, and to avoid the administrative difficulty of valuing this property.

**WHO BENEFITS:** People using property with use restrictions under permit.

**IN LIEU:** As of 2022, ODOT has 170 active permits that provide approximately \$9,000 in annual administrative fees. By permitting this use, ODOT saves maintenance and weed control costs.

**EVALUATION:** Not evaluated.

## 2.066 TOLLWAYS AND RELATED FACILITIES

**Oregon Statutes:** 383.017(1)

**Sunset Date:** None

**Year Enacted:** 1995

2021-22 Estimated Reduction in the Taxable Assessed Value: \$0

	Loss	Shift
2021-23 Revenue Impact:	\$0	\$0
2023-25 Revenue Impact:	\$0	\$0

**DESCRIPTION:** Tollways—and any related facilities that would normally be purchased, constructed, or installed by the Oregon Department of Transportation (ODOT) if the tollway were a conventional highway that was constructed and operated by ODOT—are exempt from property taxation. Without this exemption, private property used for tollways or public property that is transferred to private use for tollways might otherwise be taxable.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. However, a statute related to tollways (ORS 383.001) states “because public funding sources are not providing the state with sufficient funds to meet all of its transportation needs,

private funding should be encouraged as an additional source of funding for transportation projects and facilities.” This exemption presumably encourages the construction of transportation infrastructure by treating privately-owned tollways the same as publicly-owned tollways from a property taxation perspective. Privately-owned tollways would presumably serve the same public purpose as public tollways.

WHO BENEFITS: No taxpayer is using this provision. Potential beneficiaries include private investors in tollways, presumably as part of public-private partnerships.

EVALUATION: Not evaluated.

## 2.067 FOREIGN-OWNED AIRCRAFT AND AIRCRAFT NOT OWNED BY AIR TRANSPORTATION COMPANIES

**Oregon Statutes:** 308.558(4) and (5)

**Sunset Date:** None

**Year Enacted:** 1987

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.1 billion

	Loss	Shift
2021-23 Revenue Impact:	\$31,100,000	\$6,900,000
2023-25 Revenue Impact:	\$31,800,000	\$7,100,000

DESCRIPTION: Generally, aircraft not owned by air transportation companies are exempt from property taxation but pay registration fees to the Department of Aviation. Aircraft owned or used by a foreign (international) carrier are exempt from property taxation.

Aircraft owned by air transportation companies are described in 2.118, Aircraft Under 75,000 Pounds Owned by Air Transportation Companies.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to avoid taxing property that is generally subject to registration fees.

WHO BENEFITS: The Department of Aviation annually registers approximately 3,400 aircraft that are exempt from property tax.

IN LIEU: The annual registration fee for aircraft not owned by a foreign carrier varies from \$700 for a turbojet to \$25 for a UAS (drone) under 55 pounds. The Department of Aviation received approximately \$343,000 in registration fees for aircraft registered in 2022.

EVALUATION: *provided by the Department of Aviation*

The direct recipients of the tax expenditure are the aircraft owners of aircraft that are not owned by air transportation companies as well as foreign owned aircraft. These aircraft range from large turbojets to small Unmanned Aircraft Systems (UAS). The large turbojets are generally owned by large private companies and the UAS are often owned by individuals. The benefits also flow through to aircraft dealers in Oregon, businesses in Oregon that own aircraft as well as aviation businesses in Oregon that may have more business due to this tax expenditure.

The measurable benefits to the aircraft owner would be a substantial tax savings. The immeasurable benefits may be more aircraft that are based in Oregon as opposed to neighboring states that charge aircraft property tax. For example, California charges a



1-1.2% property tax annually on aircraft based on the assessed value. Yet many aircraft owners would base their aircraft in Oregon even if there were aircraft property taxes.

If this tax expenditure were eliminated, aircraft owners of aircraft not owned by air transportation companies would pay property tax for these aircraft. There could be approximately \$10 million per year available for aviation programs in Oregon. While the statute does not explicitly state a purpose for this tax expenditure, if the purpose were to benefit aviation in Oregon then this tax expenditure could be restructured to limit those that are exempt from paying the property tax and allow the tax revenues to be used for aviation programs in Oregon.

## 2.068 NONPROFIT WATER ASSOCIATIONS

**Oregon Statute:** 307.210

**Sunset Date:** None

**Year Enacted:** 1937

2021-22 Estimated Reduction in the Taxable Assessed Value: \$16 million

	Loss	Shift
2021-23 Revenue Impact:	\$300,000	Less than \$100,000
2023-25 Revenue Impact:	\$400,000	Less than \$100,000

**DESCRIPTION:**

Property of mutual or cooperative water associations is exempt from taxation if:

- The association is nonprofit
- The primary purpose of the association is to store, convey, and distribute water to its members for domestic use or irrigation
- No more than 15 percent of the members are commercial establishments using water for commercial purposes
- No more than 25 percent of the total annual volume of water furnished by the association is used by commercial establishments for commercial purposes.

Property exempt under this provision includes land, improvements, fixtures, equipment, supplies, dams, and dikes.

An association seeking to claim this exemption must file an application with the county assessor. Associations do not need to reapply each year as long as the ownership and use of the property remain unchanged from the previous tax year.

**PURPOSE:**

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the distribution of water in areas not supplied by publicly owned water systems.

**WHO BENEFITS:**

In tax year 2021–22, counties reported that more than 200 property tax accounts were exempt under this provision.

**EVALUATION:**

*provided by the Public Utility Commission*

The Public Utility Commission of Oregon (Commission) currently regulates ten nonprofit water associations that meet the definition stated above. Based on ORS 757.063, this number could potentially increase if members of nonprofit water

associations petition the Commission for regulation. Commission policy has been to not assign a rate of return on rate base. As such, the associations do not earn net income (profit) maintaining their nonprofit status. As a result, the tax exemption theoretically encourages the distribution of water in areas not supplied by publicly owned water systems by allowing rates to be lower than if a profit and tax expense (income and property) were included in rates.

## 2.069 NONPROFIT ELECTRICAL DISTRIBUTION ASSOCIATIONS

**Oregon Statute:** 308.805

**Sunset Date:** None

**Year Enacted:** 1943

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.1 billion

	Loss	Shift
2021-23 Revenue Impact:	\$31,300,000	\$7,000,000
2023-25 Revenue Impact:	\$33,200,000	\$7,400,000

**DESCRIPTION:** The transmission and distribution lines of a mutual or cooperative electrical association are exempt from local property taxation if:

- The association is nonprofit
- The principal purpose of the association is to distribute electricity to its members.

The exemption for transmission and distribution lines includes all property that is energized or energizable and all property supporting or integrated with energized or energizable property. This includes but is not limited to substations, poles, conductors, transformers, services, meters, streetlights, easements, generators, communication equipment, lines leased to government agencies, tools, supplies, and office furniture and equipment.

Exempt associations must pay the lesser of a tax in lieu of the property tax, at four percent on gross revenue minus power costs, or property tax at the Measure 5 limits plus a bond rate, if applicable. Gross revenue includes all revenue from the operation of electric distribution systems except line lease payments from government agencies.

Proceeds from these payments are distributed to the counties in proportion to the system’s wire miles in each county. Within each county, 66.7 percent goes to the county and 33.3 percent to the county school fund.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the difficulty of assessing electrical lines and to encourage the distribution of electricity in areas not supplied by for-profit companies because of the distribution cost.

**WHO BENEFITS:** Nineteen cooperatives are exempt under this provision.

**IN LIEU:** In tax year 2021–22, the four percent in lieu tax on gross revenue was less than property taxes for 16 of the 19 cooperatives. The total gross revenue tax paid by these cooperatives in 2021-22 was \$9.7 million. See Chapter 10 for more information.

**EVALUATION:** *provided by the Public Utility Commission*

This provision appears to be effective in achieving its purpose, but an in-depth evaluation of the program is not possible because these cooperatives are not regulated.

All 19 electric cooperatives in the state qualify for the exemption. Sixteen of these were charged the in lieu tax in 2019-20. As a result, their distribution lines need not be assessed for property tax purposes, resulting in savings for both the utilities' ratepayers and taxpayers.

## 2.070 PROPERTY USED FOR DISASTER OR EMERGENCY RELATED WORK

**Oregon Statute:** 401.690(1)(d)

**Sunset Date:** None

**Year Enacted:** 2015

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available

	Loss	Shift
2021-23 Revenue Impact:	Not Available	Not Available
2023-25 Revenue Impact:	Not Available	Not Available

**DESCRIPTION:** Property brought into Oregon solely for use during a disaster response period to repair critical infrastructure and subsequently removed is not subject to taxation.

See 1.505, Nonresident Income from Disaster or Emergency Related Work for a similar expenditure for corporate and personal income taxes.

Legislation in 2019 (HB 2127) explicitly excluded this exemption from the automatic six-year sunset under ORS 315.037.

**PURPOSE:** “To ensure that businesses may focus on quick response to the needs of this state and its residents during a declared disaster or emergency, it is appropriate for the Legislative Assembly to deem that this activity for a reasonable period of time before, during and after the disaster or emergency for repairing and restoration of the often devastating damage to critical infrastructure in this state as defined in section 3 of this 2015 Act does not establish presence, residency, doing business in this state or any other criteria for purposes of state and local taxes or licensing and regulatory requirements.” (ORS 401.680(5))

**WHO BENEFITS:** Out-of-state companies providing disaster or emergency related services in Oregon.

**EVALUATION:** *provided by the Oregon Department of Emergency Management*

To date Oregon has not suffered from a catastrophic disaster which would require a massive influx of individuals or companies to come in and assist the State in recovery operations. The end goal of the legislation is to ease the barriers of entry for private industry in order to encourage support and investment to help expedite Oregon's recovery from catastrophic disasters.

## 2.071 BEVERAGE CONTAINERS REQUIRING DEPOSIT

**Oregon Statute:** 307.402

**Sunset Date:** None

**Year Enacted:** 1983

2021-22 Estimated Reduction in the Taxable Assessed Value: \$2 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** All beverage containers that have a refund value (requiring a deposit), as specified in the Bottle Bill (ORS 459A.700–459A.740), are exempt from property tax. These containers are not considered inventory if owned by the distributor. The containers are not “sold” with the contents but are intended to be returned for a refund. Distributors must pay redemption centers the refund value for each container returned for recycling. Distributors keep the deposits on the containers that are not returned for the refund. Deposit containers for carbonated soft drinks, soda water, mineral waters, and beer or other malt beverages may be glass, metal, or plastic.

The 2007 Legislature expanded the Bottle Bill to include a refundable deposit for all bottled water and flavored water containers under three liters effective January 1, 2009. The 2011 Legislature expanded the Bottle Bill to include additional beverage containers under specified circumstances and authorized an increase of the redemption value if beverage container return rates fell below 80 percent. In August 2016, the Oregon Liquor and Cannabis Commission determined that redemption rates for containers were below 80 percent, so the deposit amount increased from 5 cents per container to 10 cents starting in April 2017. The additional beverage container types are now included in the deposit and refund process as of January 1, 2018. The 2019 Legislature added kombucha and hard seltzer beverage containers to the Bottle Bill. SB 1520 (2022) added canned wine to the list of containers that require a deposit starting July 1, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the tax compliance burden of enumerating the containers returned.

**WHO BENEFITS:** The beneficiaries of this exemption are bottlers, distributors, and retail stores that temporarily hold beverage containers requiring a deposit.

**EVALUATION:** Not evaluated.

## 2.072 MANUFACTURED STRUCTURE IN HIGH-POPULATION COUNTY

**Oregon Statute:** 308.250(2)(b) and (3)

**Sunset Date:** None

**Year Enacted:** 2010

2021-22 Estimated Reduction in the Taxable Assessed Value: \$170 million

	Loss	Shift
2021-23 Revenue Impact:	\$8,000,000	\$2,000,000
2023-25 Revenue Impact:	\$8,900,000	\$2,300,000

**DESCRIPTION:** Personal property manufactured structures in some counties are exempt from property taxes if the value of the property is below certain amounts. A manufactured structure is personal property if the structure is owned separately from the land it is situated on.

In counties with a population between 340,000 and 570,000, if the total assessed value of all personal property manufactured structures owned by a taxpayer is less than \$20,000, these manufactured structures are exempt from taxation. Currently, Clackamas, Lane, and Marion Counties have a population between 340,000 and 570,000. The \$20,000 threshold applies for tax year 2021-22 and is adjusted annually.

In counties with a population of more than 570,000, there are three possible exemptions allowed:

- A full exemption of \$40,000 (for tax year 2021-22, adjusted annually for inflation)
- A full exemption of greater than \$40,000 if adopted by the county
- A partial exemption of any dollar amount if adopted by the county

For all counties with a population of more than 340,000 that opt to use one of the first two full exemptions listed above, if the total assessed value of all personal property manufactured structures owned by a taxpayer are a single dollar above the limit, the entire property is taxable. For counties with population above 570,000 that opt to use the partial exemption, all taxpayers with personal property manufactured structures will have their properties' taxable value reduced by the dollar amount adopted by the county.

Legislation in 2019 created the second and third options in the list above. At the time of publication, only Multnomah and Washington Counties have populations above 570,000. Washington County uses the full exemption of \$40,000 at the time of publication. Multnomah County adopted a resolution creating a partial exemption of \$50,000 starting in tax year 2022-23.

This exemption does not apply to any properties in counties with fewer than 340,000 people. The maximum property value amounts listed here are for tax year 2021-22 and are adjusted annually for inflation.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2676 (2013), the purpose of this provision "...is to reduce administrative costs associated with processing personal property accounts with low value. It is also to provide tax relief to low-income homeowners living in inexpensive structures."

Chapter 2 – Property Tax  
Full Exemption

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WHO BENEFITS: For the 2021-22 property tax year, more than 14,000 properties benefited from this exemption in five counties.

EVALUATION: Not evaluated.

### 2.073 PERSONAL PROPERTY FOR PERSONAL USE

**Oregon Statute:** 307.190  
**Sunset Date:** None  
**Year Enacted:** 1854

2021-22 Estimated Reduction in the Taxable Assessed Value: \$60.7 billion

	Loss	Shift
2021-23 Revenue Impact:	\$1,736,000,000	\$386,000,000
2023-25 Revenue Impact:	\$1,830,000,000	\$407,000,000

DESCRIPTION: Tangible personal property held by the owner for personal use is exempt from property tax. Examples of personal property for personal use are household goods, furniture, appliances, personal effects, clothing, recreational goods, and entertainment equipment.

The exemption does not apply to any property that is:

- Wholly or partially used in the ordinary course of a trade or business
- Used for the production of income or solely for investment
- Required to be licensed or registered
- A floating home, boathouse, or manufactured structure.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the administrative expense associated with assigning value to various personal property items that were not intended to be taxed as property.

WHO BENEFITS: The exemption benefits all households.

EVALUATION: Not evaluated.

### 2.074 HEAVY EQUIPMENT RENTAL

**Oregon Statute:** 307.872  
**Sunset Date:** None  
**Year Enacted:** 2018

2021-22 Estimated Reduction in the Taxable Assessed Value: \$350 million

	Loss	Shift
2021-23 Revenue Impact:	\$11,300,000	\$2,700,000
2023-25 Revenue Impact:	\$12,600,000	\$3,000,000

DESCRIPTION: Qualified heavy equipment held primarily for rental is exempt from property taxation. Qualified heavy equipment means any construction, mining, earthmoving or

industrial equipment, together with attachments and other equipment and tools, including, but not limited to, towable trailers and fixed load vehicles that are mobile and held primarily for rental. Equipment must be owned by a qualified heavy equipment provider engaged in the business of renting heavy equipment without an operator.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to ease the burden on taxpayers in determining equipment values and locations for highly mobile rental equipment.

**WHO BENEFITS:** Qualified rental facilities primarily engaged in the business of renting heavy equipment without an operator. Around 130 properties in 28 counties received this exemption in tax year 2021-22.

**IN LIEU:** Taxpayers that are exempt from property taxation on their rental equipment instead pay a 2 percent tax based on the rental price of qualified heavy equipment that is collected from the renter of the equipment.

The heavy equipment rental tax (HERT) rate was designed to raise the same amount of revenue as property taxes on the affected properties. In order to achieve this outcome, for the first two tax years of the program, 2019-20 and 2020-21, the Department of Revenue estimated the amount of property taxes that would have been paid on this equipment in the absence of an exemption. The difference between what is paid for the HERT and what would have been paid under the property tax system was then billed or refunded to the taxpayer.

In July 2022, DOR submitted a report to the Legislature comparing revenues from the 2 percent tax on the rental price of heavy rental equipment to revenues that would have been raised under the property tax system, and discussion of issues administering this program.

**EVALUATION:** Not evaluated.

## 2.075 BEACH LANDS

**Oregon Statute:** 307.450

**Sunset Date:** None

**Year Enacted:** 1969

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available

	Loss	Shift
2021-23 Revenue Impact:	Not Available	Not Available
2023-25 Revenue Impact:	Not Available	Not Available

**DESCRIPTION:** Beach lands are exempt from property taxation. However, improvements are not exempt. Generally, beach lands are those along the Pacific Ocean between the extreme low tide and the vegetation line. While much of this land is publicly owned, some is privately owned, but in most cases, it has severe restrictions on development (ORS 390.605 to 390.729). While this tax expenditure covers all beach land, regardless of ownership, the publicly owned portion of beach land would be exempt under tax expenditure 2.079, State and Local Property, if this provision did not exist.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to preserve public access to ocean beaches and to clarify that ocean beaches, even if privately owned, are exempt from property taxation.

WHO BENEFITS: Owners of beach front property and others who use Oregon beaches.  
EVALUATION: Not evaluated.

## 2.076 PROPERTY OF INDIANS AND ON TRIBAL TRUST LAND

**Oregon Statutes:** 307.180, 307.181(1), and 307.181(2)  
**Sunset Date:** None  
**Year Enacted:** 1854

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available

	Loss	Shift
2021-23 Revenue Impact:	Not Available	Not Available
2023-25 Revenue Impact:	Not Available	Not Available

**DESCRIPTION:** Real property owned by an Indian tribe or tribal member and located on an Indian reservation or tribal trust land is generally exempt from property tax. Exempt property must be real property of Indians residing upon reservations who have not severed their tribal relations or taken land in severalty. Land acquired by an Indian tribe is exempt from property taxation if the land is within ancient tribal boundaries and is held in or in the process of being placed in a U.S. trust for the tribe.

Legislation in 2015 (HB 2148) exempted from state and local property taxes and fees those permanent improvements (regardless of ownership) located on land that is held in trust for a federally recognized tribe or individual member, unless the property is centrally assessed.

**PURPOSE:** The statutes that allow this exemption do not explicitly state a purpose. Presumably, the purpose is to replicate the status of Indians under federal law before statehood.

**WHO BENEFITS:** Nine federally recognized tribal governments exist in Oregon. Reservation and land in trust acreage totals approximately 900,000 acres in Oregon. Other beneficiaries include people who own permanent improvements located on land that is held in trust for a tribe or tribal member.

**EVALUATION:** Not evaluated.

## 2.077 EQUIPMENT FOR MARITIME EMERGENCY RESPONSE

**Oregon Statute:** 307.197  
**Sunset Date:** None  
**Year Enacted:** 2010

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Communications equipment, emergency response equipment and other tangible personal property is exempt from ad valorem property taxation if the equipment or property meets all three of these criteria:



- It is acquired or used primarily for the purposes of responding to and maintaining the capability to respond to shipboard fires or oil spills in navigable waters
- It is owned by a nonprofit corporation under ORS chapter 65 that operates as a maritime fire and safety association
- And it is made available by the nonprofit corporation for use by a federal, state, or local emergency response agency pursuant to a mutual aid compact.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage nonprofit maritime fire and safety associations to own communications equipment used for maritime emergency response and to provide access for public agencies to use this specialized equipment in emergency situations.

**WHO BENEFITS:** Maritime fire and safety associations which own communications and emergency response equipment used primarily for the purposes of responding to shipboard fires or oil spills. Federal, state and/or local emergency response agencies may also benefit by having the ability to use the equipment.

**EVALUATION:** Not evaluated.

## 2.078 INTERSTATE BRIDGES OF LOCAL GOVERNMENTS

**Oregon Statute:** 381.310(10)(a)

**Sunset Date:** None

**Year Enacted:** 2017

2021-22 Estimated Reduction in the Taxable Assessed Value: \$0

	Loss	Shift
2021-23 Revenue Impact:	\$0	\$0
2023-25 Revenue Impact:	\$0	\$0

**DESCRIPTION:** A bridge project to cross the Columbia River under agreement with the Port of Hood River and meeting the provisions of ORS 381.205 through ORS 381.314 is exempt from property taxes. Public property generally becomes taxable when held under contract of sale or leased to a private individual or business. This provision extends the exemption provided by 2.079, State and Local Property, to include bridge projects commissioned by local jurisdictions, even if the property is transferred to private ownership.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development of a bridge across the Columbia River in the vicinity of Hood River.

**WHO BENEFITS:** The owners of bridges that are constructed under the terms of this legislation. As of publication of this report in 2022, no bridges yet qualify for this exemption.

**EVALUATION:** Not evaluated.

## 2.079 STATE AND LOCAL PROPERTY

**Oregon Statute:** 307.090

**Sunset Date:** None

**Year Enacted:** 1854

2021-22 Estimated Reduction in the Taxable Assessed Value: \$97 billion

	Loss	Shift
2021-23 Revenue Impact:	\$2,770,000,000	\$615,000,000
2023-25 Revenue Impact:	\$2,920,000,000	\$648,000,000

**DESCRIPTION:** State and local government property is exempt from property taxation. This includes property related to administration of state and local government, such as a city hall or state-owned building, and land owned by the state and local governments, such as public parks and forests.

Generally, if property owned by state or local government property is held under contract of sale or lease by a private party, then it becomes taxable. For example, office buildings owned by the State of Oregon and used for public purposes are exempt, but space in those same buildings, if leased to a private company, is taxable. Certain nonprofit entities created by the Oregon Health and Science University are considered public corporations and thus their property can be exempt from property taxation under this provision.

The Oregon Legislature specifically exempted some types of leasehold interests that otherwise would be taxable state and local property. Refer to the following tax expenditures in this report for more information:

- 2.003, Leased Student Housing Publicly Owned
- 2.004, Higher Education Parking Space
- 2.006, Leased Rural Health Care Property
- 2.010, Fairground Leased Storage Space
- 2.029, Leased Docks and Airports
- 2.030, Ship Repair Facility Materials
- 2.039, Leased State and Local Farming and Grazing Land
- 2.041, Shellfish Growing on State Land
- 2.046, Land Leased From State Land Board
- 2.047, Natural Gas Pipeline Extension
- 2.056, State and Local Standing Timber Under Contract
- 2.065, ODOT Land Under Use Permit.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid reciprocal taxation among public entities; to avoid taxing public services that are funded through the tax.

**WHO BENEFITS:** State and local governments in Oregon. County assessors reported approximately 55,000 state and local government properties throughout Oregon in tax year 2021-22.

**IN LIEU:** The following types of property make in lieu payments to local taxing districts:

- City Property Used to Produce Energy (ORS 307.090(2))
- Fish and Wildlife Commission Lands (ORS 496.340)
- State Timber Land (Board of Forestry) (ORS 530.110–530.115)
- Common School Fund Lands (ORS 327.410–327.420).

EVALUATION: Not evaluated.

## 2.080 CORPORATIONS FOR IRRIGATION, DRAINAGE, WATER SUPPLY OR FLOOD CONTROL

**Oregon Statute:** 554.320

**Sunset Date:** None

**Year Enacted:** 1963

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.079, State and Local Property

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.079	Included in 2.079
2023-25 Revenue Impact:	Included in 2.079	Included in 2.079

**DESCRIPTION:** Nonprofit corporations organized for use or control of water are exempt from property taxation. The corporation must be organized as a nonprofit and all revenues and incomes of the corporation must be exclusively used for improvements or maintenance of lands subject to the corporation’s rates, tolls, charges, fees, fines, or assessments.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to treat nonprofit corporations organized for use or control of water similar to local taxing districts which are exempt from property taxation under 2.079, State and Local Property.

**WHO BENEFITS:** Nonprofit corporations organized for use or control of water and members of the nonprofit corporations receiving services at presumably lower costs.

EVALUATION: Not evaluated.

## 2.081 LOCAL GOVERNMENT PUBLIC WAYS

**Oregon Statute:** 307.200

**Sunset Date:** None

**Year Enacted:** 1895

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available

	Loss	Shift
2021-23 Revenue Impact:	Not Available	Not Available
2023-25 Revenue Impact:	Not Available	Not Available

**DESCRIPTION:** Privately held land that is subject to a designated public right-of-way is exempt from taxation. Affected land is land “within the boundary of any county road, and all dedicated streets and alleys in any incorporated or unincorporated city or town...”

The property owners do not have exclusive private use of the land. The land is not assessed and is not tracked on the assessment or tax roll.

Land subject to this exemption has economic value, but it is unclear if it carries direct value in the context of how property is valued in the property tax system. The value of the right-of-way may be captured in the increased value of adjoining lands and properties.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to compensate owners for the loss of private use of the land and to recognize the difficulty associated with placing a value on the land.

**WHO BENEFITS:** Owners of designated public right-of-way land.

**EVALUATION:** Not evaluated.

## 2.082 INTERSTATE BRIDGES OF OTHER STATES OR SUBDIVISIONS

**Oregon Statute:** 381.824

**Sunset Date:** None

**Year Enacted:** 2014

2021-22 Estimated Reduction in the Taxable Assessed Value: \$0

	Loss	Shift
2021-22 Revenue Impact:	\$0	\$0
2023-25 Revenue Impact:	\$0	\$0

**DESCRIPTION:** Bridges that pass over a river or body of water forming a boundary between Oregon and another state, and that are operated by another state or by a subdivision of that state are exempt from property taxation for the portion of the bridge in Oregon. This exemption is conditional on the other state similarly exempting bridges in the other state that are owned by the state of Oregon or its subdivisions from property taxation.

This property tax exemption was removed by legislation in 2007 (SB 1022); legislation in 2014 (SB 1534) reinstated this exemption and made it retroactive to January 1, 2008. In 2017 (HB 2750) the exemption was specifically expanded to include bridges owned by ports.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the exemption serves several purposes: to receive reciprocal treatment for Oregon bridges that cross into other states, to avoid the administrative difficulty of separating the value of a bridge from the likely already exempt highway, and to avoid taxing property that might be jointly owned by already exempt entities.

**WHO BENEFITS:** The owners of bridges that cross into Oregon that are operated by another state or any subdivision of that state. Currently no bridges qualify for this exemption, however the existence of this exemption enables two bridges owned by subdivisions of Oregon that cross into the State of Washington to be exempt from tax in that state under the agreement for reciprocal treatment.

**EVALUATION:** Not evaluated.

## 2.083 INDIAN PROPERTY USED EXCLUSIVELY FOR GOVERNMENT SERVICES

**Oregon Statute:** 307.181(3)

**Sunset Date:** None

**Year Enacted:** 2012

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available

	Loss	Shift
2021-23 Revenue Impact:	Not Available	Not Available
2023-25 Revenue Impact:	Not Available	Not Available

**DESCRIPTION:** Property owned exclusively by an eligible Indian tribe, or by an entity wholly owned by an eligible tribe and used exclusively for certain government services is exempt from property taxation. This exemption is applicable to Indian tribe government service properties that otherwise would be taxable, usually because the property is not located on land held in trust for a tribe by the federal government. Tribe-owned properties that provide tribal government services located on Indian Reservations and that are exempt under federal law are also exempt from taxation under 2.076, Property of Indians and on Tribal Trust Land.

Eligible government services are specified and include tribal administration, elementary, secondary, or higher education, utility, low-income rental housing, and health, fire, or police services.

Properties leased or rented to low-income persons by an eligible tribe or a partnership, nonprofit corporation, or limited liability company of which an eligible Indian tribe is a general partner, limited partner, director, member, manager, or general manager, are also exempt. All agreements necessary for the construction and operation of low-income rental housing must have been executed on or before June 30, 2017. All properties where agreements were executed on or before the June 30, 2017 deadline remain exempt, however, properties that did not meet the deadline will not receive the exemption. A report to the Commission on Indian Services is required annually from tribes receiving an exemption related to low-income housing property.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 4041 (2012), “The purpose of this tax expenditure is to extend property tax benefits to Indian tribal governments for providing government services equivalent to those provided by other governmental entities. Additionally, the expenditure encourages the provision of housing to low-income individuals while achieving consistency in the administration of property tax exemptions.”

**WHO BENEFITS:** Indian tribes holding property used for government services.

**EVALUATION:** Not evaluated.

## 2.084 FEDERALLY LEASED HIGH-VOLTAGE ELECTRICITY TRANSMISSION PROPERTY

**Oregon Statute:** 307.040(3)

**Sunset Date:** None

**Year Enacted:** 2013

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** In general, property that is owned by a non-governmental entity is taxable, even if it leased to the United States. This provision ensures that property that is leased to the United States under a lease or lease-purchase agreement from non-government entity is exempt from property tax if:

- The property is operated or used in furtherance of a statutory responsibility of the United States with respect to a high-voltage electricity transmission system that the United States owns and operates within the Pacific Northwest.
- The property is constructed on or affixed to real property interests of the United States and,
- Upon expiration of the lease or lease-purchase agreement, the United States has an option to purchase the property for a nominal price, if the debt incurred by the entity to acquire the property has been paid.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 261 (2013), “The purpose of this tax expenditure is to treat leased property as property of the United States government if it is used for electricity transmission by a federal agency. The purpose is also to expand energy transmission in Oregon.”

**WHO BENEFITS:** Third-parties that finance equipment and facilities for the Bonneville Power Administration (BPA), as they would not be required to pay property tax on the equipment and facilities they own. This would ultimately reduce the cost for the BPA, as their lease payments would be reduced.

**EVALUATION:** *provided by the Public Utility Commission*  
This provision could be effective in achieving its purpose, but an in-depth evaluation of the program is not possible because the third-parties that finance equipment and facilities for Bonneville Power Administration are not necessarily regulated by the Public Utility Commission. The Public Utility Commission does not have any financial or other information about these companies.

However, in general tax costs incurred by a utility are allowed into rates within limits. Therefore, an increase in taxes that the utility is obligated to pay could result in a rate increase for its customers. Conversely, a tax cost that is avoided by the utility could represent a savings for customers.

## 2.085 CHARITABLE, LITERARY, AND SCIENTIFIC ORGANIZATIONS

**Oregon Statute:** 307.130

**Sunset Date:** None (The low-income housing exemption sunsets 06-30-2028.)

**Year Enacted:** 1854

2021-22 Estimated Reduction in the Taxable Assessed Value: \$8.5 billion

	Loss	Shift
2021-23 Revenue Impact:	\$256,000,000	\$60,000,000
2023-25 Revenue Impact:	\$293,000,000	\$67,700,000

**DESCRIPTION:** Property owned or being purchased by literary, benevolent, and charitable organizations or scientific institutions is exempt from property taxation. To qualify, the organization or institution must:

- Be a nonprofit corporation
- Provide a charitable service to the public without expectation of payment
- Occupy and use the property in a manner that furthers the organization’s charitable purpose.

The organization or institution must file an application with the county assessor to claim the exemption (ORS 307.162).

Shelter workshops and retail stores selling donated or consigned goods to support a welfare program or not-for-profit housing program are exempt from property taxation. Parking lots are also covered by the exemption as long as there is no charge for at least 355 days each year.

Real and personal property of retail stores owned by nonprofit entities is exempt from property taxation if the retail stores deal exclusively in donated inventory and the proceeds from the stores’ sales are used to financially support a not-for-profit housing program.

Real and personal property of a retail store owned by a nonprofit corporation is exempt from property taxation if the store deals exclusively in donated inventory, operates with substantial support from volunteers, and all net proceeds of the retail store sales are donated to one or more of the following:

- A nonprofit corporation that provides animal rescue services
- A manufacturer or provider of goods or services in return for an equivalent value of goods or services from the manufacturer or provider
- To an entity that provides spaying and neutering services for pets of individuals residing in households with an annual household income at or below 80 percent of the area median income
- For the purpose of aiding domesticated animals, regardless of whether the animals are in the custody of the county shelter, in furtherance of the purpose for which the nonprofit corporation was organized.

Real or personal property of a nonprofit corporation that was offered, occupied, or used as low-income housing and granted exemption by the county as of the property tax year beginning July 1, 2012 is exempt from property taxation. Legislation in 2021 (HB 2446) extended the sunset of the low-income housing part of the exemption to June 30, 2028.

Over the years, legislation expanded and clarified the exemption, addressing retail stores (HB 3537, 2007; HB 3459, 2017), and low-income housing (HB 4039, 2014).

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of some nonprofit organizations.

**WHO BENEFITS:** This exemption applies to many nonprofit organizations. Examples are some hospitals, social service organizations, museums, youth and athletic groups, summer camps, and conservation groups. In tax year 2021-22, approximately 7,100 property tax accounts in 28 counties were exempt, but the number of organizations is unknown because the same organization may have property in more than one county.

**EVALUATION:** Not evaluated.

## 2.086 FRATERNAL ORGANIZATIONS

**Oregon Statute:** 307.136

**Sunset Date:** None

**Year Enacted:** 1961

2021-22 Estimated Reduction in the Taxable Assessed Value: \$720 million

	Loss	Shift
2021-23 Revenue Impact:	\$20,000,000	\$3,300,000
2023-25 Revenue Impact:	\$25,500,000	\$4,100,000

**DESCRIPTION:** Property used for fraternal or lodge work, entertainment, or recreational purposes by a fraternal organization (as defined in ORS 307.134) is exempt from property taxation. Fraternal organization property remains exempt even while being rented or leased to other persons so long as the rent does not exceed expenses for heat, lights, water, janitorial services, and supplies. Parking lots are exempt as long as there is no charge for at least 355 days each year. The fraternal organization must file an application with the county assessor to claim the exemption.

To qualify, a fraternal organization must:

- Be organized as a nonprofit
- Regularly provide financial support for a charitable activity with the purpose of doing good to others rather than for the convenience of its members
- Be established under the lodge system with ritualistic form of work and representative form of government
- Not distribute any income to its officers, members, or employees except for reasonable compensation for services
- Not be a college fraternity or sorority.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of fraternal organizations.

**WHO BENEFITS:** In tax year 2021-22, approximately 1,200 property tax accounts were exempt. Qualifying organizations may include the State Grange, American Legion, Veterans



of Foreign Wars, Eagles, Elks, Masons, Moose, Odd Fellows, Knights of Pythias, Knights of Columbus, Lions Clubs, Soroptimists, Rotary, and Kiwanis.

EVALUATION: Not evaluated.

## 2.087 RELIGIOUS ORGANIZATIONS

**Oregon Statute:** 307.140

**Sunset Date:** None

**Year Enacted:** 1854

2021-22 Estimated Reduction in the Taxable Assessed Value: \$4.9 billion

	Loss	Shift
2021-23 Revenue Impact:	\$147,000,000	\$34,300,000
2023-25 Revenue Impact:	\$170,000,000	\$39,400,000

**DESCRIPTION:** Houses of public worship and other buildings or property used solely for administration, education, literary, benevolent, charitable, entertainment and recreational purposes by religious organizations, and cemeteries are exempt from property tax. Parking lots are exempt as long as there is no charge for at least 355 days each tax year. The religious organization must file an application with the county assessor to claim the exemption.

Legislation in 2021 (HB 2008) permitted religious organizations to file applications without paying a filing fee.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of religious organizations.

**WHO BENEFITS:** In tax year 2021-22, counties reported that nearly 8,000 property tax accounts were exempt.

EVALUATION: Not evaluated.

## 2.088 CEMETERIES, BURIAL GROUNDS, AND MAUSOLEUMS

**Oregon Statute:** 307.150

**Sunset Date:** None

**Year Enacted:** 1854

2021-22 Estimated Reduction in the Taxable Assessed Value: \$220 million

	Loss	Shift
2021-23 Revenue Impact:	\$6,500,000	\$1,600,000
2023-25 Revenue Impact:	\$6,700,000	\$1,600,000

**DESCRIPTION:** Burial grounds, tombs and rights of burial, and lands and buildings on the land, not exceeding 30 acres, used for the sole purpose of a crematory or alternative disposition facility and for burial of incinerated or reduced remains are exempt from property taxation. Buildings to store maintenance equipment are included in the exemption. To qualify, a claim must be filed with the county assessor.

This statute exempts both nonprofit and for-profit cemetery and crematory associations, as well as family burial grounds. The property tax exemption for

cemeteries and crematory properties is granted regardless of the organizational structure or state in which an association is organized.

Cemeteries owned by cities, counties, or cemetery districts are exempt by tax expenditure 2.079, State and Local Property. Cemeteries owned and maintained by religious organizations are exempt by tax expenditure 2.087, Religious Organizations.

Legislation in 2021 (HB 2574) broadened the exemption, operative beginning on July 1, 2022, to include lands used for the purpose of alternative disposition facilities and for burial of reduced remains.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is implementation of traditional public policy to not tax cemeteries.

**WHO BENEFITS:** For 2021–22 property tax year, 1,130 properties were exempt. About a third of the exempt value is located in Multnomah County.

**EVALUATION:** Not evaluated.

## 2.089 CITY OWNED SPORTS FACILITY

**Oregon Statute:** 307.171

**Sunset Date:** None

**Year Enacted:** 2001

2021-22 Estimated Reduction in the Taxable Assessed Value: \$77 million

	Loss	Shift
2021-23 Revenue Impact:	\$3,600,000	\$600,000
2023-25 Revenue Impact:	\$3,800,000	\$700,000

**DESCRIPTION:** In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, this provision exempts any sports facility owned by a city with a population of at least 500,000 from taxation, even if leased to or operated by a taxable entity.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the use of the specific qualifying facility as a private sports venue.

**WHO BENEFITS:** The only facility affected by this statute is Providence Park in Portland.

**EVALUATION:** Not evaluated.

## 2.090 EXEMPT LEASE FROM TAXABLE OWNER

**Oregon Statute:** 307.112

**Sunset Date:** None

**Year Enacted:** 1977

2021-22 Estimated Reduction in the Taxable Assessed Value: \*

	Loss	Shift
2021-23 Revenue Impact:	*	*
2023-25 Revenue Impact:	*	*

\* Included in property tax exemption expenditures listed below.

**DESCRIPTION:** Property that is held under lease, sublease, or lease-purchase agreement by an entity that qualifies for a property tax exemption (under ORS Chapter 307) is exempt from property taxation. Eligible entities are institutions, organizations, and public bodies (other than the state of Oregon). The property must be used for a qualifying purpose, and the county assessor must be satisfied that the tax savings resulting from the exemption will inure solely to the benefit of the lessee. The lessee must file an application with the county assessor to receive this exemption.

Leased properties that qualify for this exemption are reported under one of the following expenditures:

- 2.001, Academies, Day Care, and Student Housing
- 2.007, Senior Services Centers
- 2.079, State and Local Property
- 2.083, Indian Property Used Exclusively for Government Services.
- 2.085, Charitable, Literary, and Scientific Organizations
- 2.086, Fraternal Organizations
- 2.087, Religious Organizations.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend equal treatment to exempt organizations whether they rent, lease, or sublease property.

**WHO BENEFITS:** Exempt organizations and local governments.

**EVALUATION:** Not evaluated.

## 2.091 EXEMPT LEASE FROM EXEMPT OWNER

**Oregon Statute:** 307.166

**Sunset Date:** None

**Year Enacted:** 1973

2021-22 Estimated Reduction in the Taxable Assessed Value: \*

	Loss	Shift
2021-23 Revenue Impact:	*	*
2023-25 Revenue Impact:	*	*

\* Included in other ORS Chapter 307 property exemption tax expenditures.

**DESCRIPTION:** Property that is leased or rented to an entity that qualifies for a property tax exemption (under ORS Chapter 307) from an owner who also qualifies for an exemption is exempt from property tax. Eligible entities are institutions, organizations, and public bodies. The property must be used for a qualifying purpose, and the rent charged must not exceed the cost of repairs and maintenance. The lessee must file an application with the county assessor to claim the exemption, or a federal, state, or local government leasing property to another governmental entity only needs to provide the assessor with basic information about the nature of the lease and the exempt entities. The county assessor must be satisfied that the tax savings resulting from the exemption will inure solely to the benefit of the lessee.

Leased properties that qualify for this exemption may be reported under one of the following expenditures:

- 2.001, Academies, Day Care, and Student Housing
- 2.007, Senior Services Centers
- 2.079, State and Local Property
- 2.085, Charitable, Literary, and Scientific Organizations
- 2.086, Fraternal Organizations
- 2.087, Religious Organizations.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend equal treatment to exempt organizations whether they rent, lease, or sublease property.

**WHO BENEFITS:** Exempt organizations and local governments.

**EVALUATION:** Not evaluated.

## 2.092 PROPERTY OF LLC OWNED BY NONPROFIT CORPORATION

**Oregon Statute:** 307.022

**Sunset Date:** None

**Year Enacted:** 2005

2021-22 Estimated Reduction in the Taxable Assessed Value: \*

	Loss	Shift
2021-23 Revenue Impact:	*	*
2023-25 Revenue Impact:	*	*

\* Included in other ORS Chapter 307 property exemption tax expenditures.

**DESCRIPTION:** A Limited Liability Company (LLC) that is wholly owned by a nonprofit corporation qualifies for a special assessment or property tax exemption if the nonprofit corporation would qualify. The LLC's property qualifies for special assessment or exemption if it is exclusively using the property consistent with the nonprofit corporation's purposes.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to allow nonprofit owners of property to structure their property ownership in a way that provides the limited liability protection of an LLC while still providing the owner a property tax benefit.

**WHO BENEFITS:** Nonprofit corporations that would qualify for a property tax exemption or special assessment that own property through wholly owned LLCs.

**EVALUATION:** Not evaluated.

## 2.093 FEDERAL PROPERTY

**Oregon Statute:** 307.040

**Sunset Date:** None

**Year Enacted:** 1848

2021-22 Estimated Reduction in the Taxable Assessed Value: \$48.4 billion

	Loss	Shift
2021-23 Revenue Impact:	\$1,380,000,000	\$308,000,000
2023-25 Revenue Impact:	\$1,460,000,000	\$324,000,000

**DESCRIPTION:** Property of the United States and its agencies is exempt from property tax when taxation is prohibited by federal law. Federal property held under contract of sale or lease by a private party is generally taxable.

The Oregon Legislature exempted some leasehold interests of federal land that otherwise would be taxable. Refer to the following exemptions in this report:

- 2.023, Federal Land Under Summer Homes
- 2.024, Federal Land Under Recreation Facility
- 2.040, Leased Federal Grazing Land
- 2.055, Federal Standing Timber Under Contract
- 2.062, Mining Claims on Federal Land.

- PURPOSE:** To comply with federal law.
- WHO BENEFITS:** The United States owns about 32 million acres in Oregon, or 53 percent of the land. The exempt value includes federal structures and equipment, land, and saw timber. Most of the value is standing timber. In fiscal year 2021–22, there were approximately 23,300 exemptions for federal property reported by Oregon counties.
- IN LIEU:** The federal government makes payments in lieu of property taxes to local governments for certain types of federal land, for example:
- Federal forest land
  - Land subject to the Payments in Lieu of Taxes Act of 1976
  - Coos Bay Wagon Road lands
  - Public land resource sales
  - Bureau of Land Management grazing lands
  - U.S. mineral leases.
- EVALUATION:** *provided by the Department of Revenue*
- This expenditure achieves its purpose of compliance with federal law.

## 2.094 AMTRAK PASSENGER RAILROAD

**Oregon Statute:** 308.515(3)(d)  
**Sunset Date:** None  
**Year Enacted:** 1983

2021-22 Estimated Reduction in the Taxable Assessed Value: \$159 million

	Loss	Shift
2021-23 Revenue Impact:	\$4,600,000	\$1,000,000
2023-25 Revenue Impact:	\$4,800,000	\$1,100,000

- DESCRIPTION:** National Railroad Passenger Corporation (Amtrak) property is exempt from property tax. Federal law (49 U.S.C. Section 24301(k)) exempts the company from paying state or local taxes on personal property and most real property. Amtrak does not own land or structures in Oregon but leases or pays fees for use. If taxed, the value would likely be computed using an allocation formula based on share of passenger miles traveled in Oregon.
- PURPOSE:** To comply with federal law.
- WHO BENEFITS:** Amtrak benefits by not paying property taxes.
- EVALUATION:** *provided by the Department of Revenue*
- This expenditure achieves its purpose of compliance with federal law.

**2.095 FRATERNITIES, SORORITIES, AND COOPERATIVES**

**Oregon Statute:** 307.471  
**Sunset Date:** None  
**Year Enacted:** 1973

2021-22 Estimated Reduction in the Taxable Assessed Value: \$47 million

	Loss	Shift
2021-23 Revenue Impact:	\$600,000	\$200,000
2023-25 Revenue Impact:	\$600,000	\$200,000

**DESCRIPTION:** Certain property owned by a qualified nonprofit corporation, such as a fraternity, sorority, or cooperative housing organization, is exempt from property taxes imposed by schools, educational service districts, and community colleges. The property must be rented exclusively to students who attend an accredited educational institution which offers at least a two-year program acceptable for full credit toward a baccalaureate degree, and student occupancy must be nondiscriminatory with regard to race, creed, color, and national origin.

An application to the county assessor is required to claim the exemption. If an exempt property loses qualified status, the owner is required to notify the assessor. If notification is not provided and the property is disqualified, additional taxes equal to the tax benefit of the exemption for all exempted prior years plus interest and a 20 percent penalty on the tax amount shall be assessed. Tax expenditure 2.003, Leased Student Housing Publicly Owned, covers similar property owned by a public college.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help keep college housing costs to a minimum and provide equitable treatment with those students living on campus in publicly-owned residence halls.

**WHO BENEFITS:** In fiscal year 2021–22, approximately 80 accounts were exempt and located primarily in Benton, Lane, and Yamhill counties.

**EVALUATION:** *provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose and contributes to containing the costs of higher education. Housing is typically one of the highest sources of financial burden for postsecondary students, many of whom cannot afford the cost of their education even with expected financial resources. Fraternities, sororities, and cooperatives are not-for-profit organizations that primarily or exclusively serve students. They are also important and traditional components in the housing supply for colleges and universities. These organizations provide the second largest option for campus student housing (residence halls are the first). Consequently, this exemption is valuable in supporting higher education. It is a fiscally effective means of achieving its purpose.

## 2.096 NEW RURAL HEALTH CARE FACILITIES

**Oregon Statutes:** 307.804(2)

**Sunset Date:** None

**Year Enacted:** 2001

2021-22 Estimated Reduction in the Taxable Assessed Value: \$2 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

- DESCRIPTION:** Real and personal property of a rural health care facility may be exempt from property taxation if the property constitutes new construction, new additions, new modifications, or new installations of property as of the first assessment date for which the facility is in service. Land and other existing property are not exempt.
- The exemption lasts three years, but the taxpayer must file its intention to take the exemption each year. The exemption is available only in a county where the county governing body has passed a resolution authorizing the exemption and then only from the taxes of taxing districts that elect to participate by also passing a resolution or ordinance.
- A rural health care facility is one that is located in a rural health service area with an average travel time of more than 30 minutes from a population center of 30,000 or more, as determined by the Office of Rural Health, and is used exclusively to provide medical care.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote health care in rural areas.
- WHO BENEFITS:** In 2021-22, a single property tax account was reported to use this exemption in Douglas County.
- EVALUATION:** Not evaluated.

## 2.097 LONG TERM CARE FACILITIES

**Oregon Statute:** 307.811

**Sunset Date:** None

**Year Enacted:** 1999

2021-22 Estimated Reduction in the Taxable Assessed Value: \$4 million

	Loss	Shift
2021-23 Revenue Impact:	\$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$100,000	Less than \$100,000

- DESCRIPTION:** A property tax exemption is allowed for real and personal property that is used solely in the operation of a long term care facility that has been certified for the tax year as an essential community provider long term care facility. Qualifying long term care facilities are nursing facilities, assisted living facilities, residential care facilities, and adult foster homes. The owner of the facility must file with the county assessor a copy of a certificate issued by the Senior and People with Disabilities Division of the



Oregon Department of Human Services. Adult foster homes must have an average residency rate of at least 60 percent of residents eligible for Medicaid, whereas all other qualifying facilities must have a residency rate of 50 percent (ORS 443.888). The facility will only receive a property tax exemption from those taxing districts granting the exemption.

- PURPOSE:** The statutory policy is to recognize that "...owners of long term care facilities that devote substantial proportions of those facilities to providing long term care to residents eligible for medical services under Medicaid provide an essential community service. The Legislative Assembly declares that a property tax exemption will enable these essential community provider long term care facilities to increase the quality of care provided to facility residents." (ORS 307.808)
- WHO BENEFITS:** In tax year 2021-22, counties reported that six property tax accounts received this exemption.
- EVALUATION:** *provided by the Oregon Department of Human Services*
- This exemption is helpful to the few facilities that have applied. However, utilization is low likely due to the low number of facilities that serve more than 50% Medicaid consumers. It is also likely that smaller programs are unaware that the exemption is available. Additionally, the language excludes facilities serving individuals with intellectual or developmental disabilities licensed by ODHS, Office of Developmental Disabilities Services and facilities serving individuals with behavioral health needs licensed by the Oregon Health Authority.

## 2.098 FACILITIES WITH PREPAYMENT AGREEMENT

**Oregon Statute:** 311.865

**Sunset Date:** None

**Year Enacted:** 1975

2021-22 Estimated Reduction in the Taxable Assessed Value: \$4.6 million

	Loss	Shift
2021-23 Revenue Impact:	\$100,000	Less than \$100,000
2023-25 Revenue Impact:	\$200,000	Less than \$100,000

- DESCRIPTION:** Certain facilities that have pre-paid property taxes while under construction are partially exempt from property tax for a period of years upon completion of the construction of the facility. To qualify for this exemption, a facility must be a thermal power plant, a hydroelectric power project or any building or improvement that is suitable for use for industrial, commercial, or warehousing purposes.
- To qualify there must be an agreement between the taxing unit/local government and the property owner which specifies some restrictions, such as that the exemption should not exceed 10 years from the date of the completion of the construction of the facility.
- PURPOSE:** "...to provide a method for prepaying ad valorem property taxes during the period of planning and construction of the facility, in order that units of local government may provide the services, buildings or other resources necessitated without imposing an undue burden upon other properties subject to taxation within the unit, and to provide for repayment of the amounts prepaid" (ORS 311.850).

**WHO BENEFITS:** Facilities that previously pre-paid property taxes under one of these specified agreements. In tax year 2021-22 only one county reported using this exemption; Clackamas County reported 18 accounts exempt.

**IN LIEU:** Facilities under construction enter an agreement to pre-pay property taxes for the facility that is under planning and construction to local government. The amounts pre-paid are considered a budget source for local governments. The amounts pre-paid are the basis for the amounts that are exempt under this provision.

**EVALUATION:** *provided by the Oregon Business Development Department*

This tax expenditure can serve to facilitate eligible developments, for which obstacles arise in relation to special costs for local public services affected by or required during construction or related activities. The pre-paid amounts would offset these impacts on local governments allowing construction to proceed. Later, when the new facility’s real market value is reduced for up to 10 years, a tax expenditure is in effect. The taxpayer’s savings, however, are not to exceed the amount previously paid to local governments plus interest, so that over time, there is not necessarily a net loss of public revenues. Though certain local taxing districts, which are not much affected by construction and do not receive prepayments, would experience a net loss.

## 2.099 CERTAIN COMMUNICATION RELATED PROPERTY

**Oregon Statute:** 308.671  
**Sunset Date:** None  
**Year Enacted:** 2001

2021-22 Estimated Reduction in the Taxable Assessed Value: \$2.1 billion

	Loss	Shift
2021-23 Revenue Impact:	\$61,000,000	\$13,600,000
2023-25 Revenue Impact:	\$73,800,000	\$16,400,000

**DESCRIPTION:** A communication company may choose one of the following types of property to be exempt from property taxation:

- Licenses granted by the Federal Communication Commission.
- If the company is in the business of communication, franchises.
- Satellites that are used by the company to provide communication services directly to retail customers or that are being constructed for such use and Federal Communications Commission licenses related to the use of the satellites to provide the communication services.

Legislation in 2015 (SB 611) added the exemptions for franchises and satellites.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 611 (2015), which modified this provision, “The policy purpose of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon.”

**WHO BENEFITS:** Communication companies that have FCC licenses, franchises, or satellites. In fiscal year 2021-22, 29 companies received this exemption. Twenty of these companies received the exemption on their FCC licenses, and the remaining nine received the exemption on their franchises or their satellites.

**EVALUATION:** *provided by the Public Utility Commission*

The statute appears to provide tax relief for centrally assessed communications companies and creates a tax environment more friendly towards centrally assessed communication companies in Oregon. However, the PUC does not have information on which companies have received tax relief under this option. Presumably, this option would remove one potential barrier for national, regional, or Oregon-only telecommunications companies looking to invest in Oregon. This may provide benefits to new market entrants who could provide alternatives to legacy telecommunications service and infrastructure. Expanding upon the exemption might incentivize existing or new market entrants making investments to replace aging infrastructure capable of providing modern telecommunications services. Not all of the potential market entrants have FCC licenses or franchises from Oregon public bodies. Such an expansion could be time-limited to encourage faster facility build out.

## 2.100 STRATEGIC INVESTMENT PROGRAM

**Oregon Statute:** 307.123

**Sunset Date:** None

**Year Enacted:** 1993

2021-22 Estimated Reduction in the Taxable Assessed Value: \$18 billion

	Loss	Shift
2021-23 Revenue Impact:	\$562,000,000	\$111,000,000
2023-25 Revenue Impact:	\$630,000,000	\$125,000,000

**DESCRIPTION:** A portion of property from a new project with large capital investment is exempt from property tax for qualified businesses for a 15-year period. The property tax exemption relates to the amount of the eligible project's real market value that exceeds a certain threshold amount. The project's real market value up to the threshold amount is fully taxable. The taxable portion increases 3 percent each year during the 15-year exemption period. This property tax exemption is known as the Strategic Investment Program (SIP).

For SIP projects in urban areas, the initial threshold amount is \$100 million. For a new project with a total investment cost of \$175 million, \$75 million would be exempt from property taxation and \$100 million would be fully taxable in the first year of the exemption. That taxable amount would then increase annually.

For SIP projects in rural areas, if the total investment cost is less than or equal to \$500 million, the threshold amount is initially \$25 million. If the total investment cost is more than \$500 million but not more than \$1 billion, the threshold amount is \$50 million. For projects of more than \$1 billion, the threshold amount is \$100 million. Prior to legislation in 2017 (SB 936), all rural projects had \$25 million thresholds. For this property tax exemption, a rural area is currently defined as an area located outside current urban growth boundaries surrounding any city of 40,000 or more in population.

The new investment must be in a traded-sector industry, which is one that sells goods or services in markets with national or international competition, including but not limited to manufacturing. The business making the investment and operating the project needs to enter into a “first source” hiring agreement with local publicly funded job training providers.

Approval of a SIP project requires a county public hearing, written agreement between the business and the county (and city if applicable), and formal action by the county governing body. The Oregon Business Development Commission (OBDC) makes a final determination of project eligibility in order for it to receive SIP tax treatment.

In contrast to local negotiation of a unique agreement each time with case-by-case approval, a county may request that the OBDC designate a Strategic Investment Zone (SIZ), in which eligible projects are then subject to standardized local requirements and a streamlined approval process. Three SIZs were designated in 2009 and 2010, one of which in rural Clackamas County was used in 2020 for approval of a distribution center as an eligible project.

In applying to the state for this exemption, businesses must pay fees equal to \$10,000 (\$5,000 in rural areas). An additional \$50,000 (\$10,000 in rural areas) is due with the OBDC’s determination of eligibility, from which the Department of Revenue receives 50 percent for administrative purposes. The remaining funds are deposited in the Oregon Business, Innovation and Trade Fund.

A business using this property tax exemption must also pay the county an annual fee in support of community services (see In Lieu below) in addition to other requirements under the agreement with the county, which often prescribes further payments to local governments. In 2017, the Legislature (SB 936, 2017) not only increased the taxable portion of property for larger rural projects (see above), but the yearly cap on community service fees was also raised from \$500,000 and \$2 million in rural and urban areas, respectively, to \$2.5 million for any new project not using a SIZ.

Starting in 2011, the 2007 Legislature provided for local “gain share” of annual personal income tax revenue from state tax collections attributable to new and retained employment at SIP projects first exempt in or after 2008. A percentage of the estimated amount of state revenue is transferred to the county for local distribution under the same formula as the community service fee (see In Lieu below). In 2015, the Legislature (SB 129):

- Extended gain-share provisions through 2024. (2022 Legislature (SB 1524) extended this date an extra year to July 15, 2025).
- Capped the total that any one county could receive at \$16 million per year (currently affecting only Washington County).
- Reduced from 50 percent to 20 percent, the portion of estimated tax revenue from retained jobs subject to transfer (still 50 percent for new-job revenue).

**PURPOSE:**

“...to improve employment in areas where eligible projects are to be located and [the Legislative Assembly] urges business firms that will benefit from an eligible project to hire employees from the region in which the eligible project is to be located whenever practicable” (ORS 285C.603).

- WHO BENEFITS:** By tax year 2021-22, 23 SIP projects were receiving this property tax exemption, and six others had been formerly exempt. The Intel Corporation is the program’s only urban user and has dominated program activity with large investments in high-technology semiconductor commercialization and fabrication in Hillsboro and Aloha since 1994, accounting for more than 70 percent of the program’s total property value at present. Other current projects include paper products, biopharmaceuticals, data centers, and power generation (mostly wind) in rural areas.
- IN LIEU:** Businesses that have exempt property value under SIP pay a community service fee each year equal to 25 percent of the property taxes that would have otherwise been imposed. For future projects, the maximum fee is \$2.5 million per year. In 2021, businesses in the Strategic Investment Program paid \$10.5 million in statutory community services fees in addition to more than \$82 million in other locally negotiated payments primarily made to county governments, as well as \$15.7 in property taxes on the taxable portion of SIP projects. Community service fees are generally divided up among the county, city (if any), and (non-school) taxing districts in the project’s property tax code area under a special local intergovernmental agreement or otherwise by OBDC action. For the *Property Tax Incentives Impact Study*, by Applied Economics (Business Oregon, Salem, February 2022), cumulative fees, payments and taxable portion revenues collected locally over the years for projects with an ongoing exemption in the 2019–21 biennium were calculated to be \$490 million.
- EVALUATION:** *provided by the Oregon Business Development Department*
- The program appears to achieve its purposes by giving local governments an option in pursuing well-structured arrangements for extraordinarily large, highly capital-intensive investments, such that companies are paying more reasonable taxes relative to direct public service impacts in communities that particularly value those companies’ construction spending, employment impacts, negotiated concessions, franchise taxes and other benefits. As such, local officials have thoughtfully approved 36 SIP projects.
- Anecdotal evidence, at least, suggests that these mutually beneficial arrangements have been crucial for attracting and maintaining exceptionally large investments and associated operations in Oregon. OBDD does not have sufficient data to determine that participating businesses do not simply realize lower taxes on property that might have existed any way, or that local/regional economies are sustainably better off than they would otherwise be.
- The 2003 Legislature may not have expected the lower threshold for rural projects to be a panacea for all of Oregon’s struggling rural economies (business investments greatly exceeding even \$25 million are still rather unusual). Nevertheless, that policy change has had an impact with operating projects in Clackamas, Clatsop, Columbia, Gilliam, Morrow, Sherman, Umatilla, and Union counties and recent proposals in Klamath, Lake, Lincoln and Wasco counties. Many rural projects comprise major energy investments, for which parts of Oregon offer distinct advantages, even if some amount of negotiated property tax relief might have still been critical relative to other locations. The number of other of industries involved in the program statewide has been expanding.
- In 2020–21, businesses in the program enjoyed net savings of \$271 million in property taxes, before subtracting \$93 million of nontax fees or other payments under local SIP agreements, so that the net revenue foregone by local governments (after

also adjusting for levy shifts, tax payment discounts and other factors by county) was approximately \$109 million.

The taxable portions of these SIP projects generated as much as \$15.7 million in property taxes, aside from the taxes on former project property, other property of these businesses, and the property of their suppliers, contractors and so forth. Also, worth considering might be how these amounts compare to the taxes levied on commercial or other developments relative to demands on public services.

With respect to outcomes, as reported under the gain-share provisions discussed above, there are 16,029 full-time equivalent jobs created or retained directly with these current projects (overwhelmingly at Intel) with average annual incomes of about \$130,720. These payrolls generated an estimated \$145 million in state personal income taxes in 2021, of which \$17.4 million was paid out by the state in gain-share distributions to the county governments, which consistent with business' community service fees, share gain-share funds with cities and special service districts.

For the Impact Study referenced above (see In Lieu), the consultant to Business Oregon compiled data from the Oregon Employment Department on the change in payrolls related to business projects that were actively using this expenditure during the 2019–21 biennium. The data were modeled to estimate indirect and induced employment effects in Oregon and overall return on investment (ROI). The Study covers various quantitative and qualitative matters, including other local and state costs and benefits and examples associated with Oregon's property tax incentives, but in summary for SIP, it found that over the course of those projects through 2020 at 13 companies:

- They produced 25,039 jobs, giving rise to total labor income of \$2.4 billion and economic output of \$8.6 billion in Oregon.
- After adjusting for local in lieu funds, the resulting net ROI is \$6.24 of total economic output for each dollar of forgone property tax revenue.
- They generated \$1.2 billion in cumulative state personal income tax revenue relative to \$1.7 billion of forgone property taxes—and a net ROI of \$0.03 per property tax dollar.
- Considering the massive amounts of property exempted under SIP, including projects in the study from the early 2010's, such positive ROI results are due in large part to in lieu of funds and exceptional payroll paid by Intel in particular, as well as its modeled supply chain; the Study also highlights other benefits to the community.
- Additional analysis of one-time impacts from \$34.9 billion in construction costs estimated another 245,241 jobs and \$15.7 billion of labor income.

Looking forward, Intel has only partly begun (relatively speaking) to invest the \$100 billion allowed under its 2014 SIP agreement with Washington County and the City of Hillsboro—covering potentially multiple projects. Similarly, the 15-year period for Amazon's data center project in Umatilla County is in the early stages. Wind, solar, energy storage, and other projects are also approved or underway in a few other counties.

## 2.101 CAP ON CENTRAL ASSESSMENT FOR CERTAIN COMPANIES

**Oregon Statute:** 308.674

**Sunset Date:** 06-30-2025

**Year Enacted:** 2015

2021-22 Estimated Reduction in the Taxable Assessed Value: \$563 million

	Loss	Shift
2021-23 Revenue Impact:	\$18,500,000	\$4,100,000
2023-25 Revenue Impact:	\$22,800,000	\$5,100,000

**DESCRIPTION:** A company that is centrally assessed (under ORS 308.515(1)) will receive an exemption on any value above 130 percent of the historical or original cost of the company’s real property and tangible personal property included in the unit subject to central assessment. The exemption is calculated so as to not double count any exemption elected under 2.099, Certain Communication Related Property. In addition, the amount of this exemption may not exceed an amount equal to 95 percent of the real market value of the company’s real property and tangible and intangible personal property included in the unit subject to central assessment.

The property of a company that is granted this exemption for a property tax year is not eligible to receive any other property tax exemption except as provided by 2.099, Certain Communication Related Property. In addition, a company’s status as having been granted this exemption for a property tax year has no effect on the benefits that the property of the company or the company may be granted under Chapter 285C (Enterprise Zone tax expenditures) or 2.100, Strategic Investment Program for the property tax year.

Legislation in 2019 (HB 2130) extended the sunset to June 30, 2025.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 611 (2015), “the policy purpose of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon.”

**WHO BENEFITS:** In fiscal year 2021-22, 61 companies received this exemption. The assessed value of property exempted for these companies was \$563 million.

**EVALUATION:** *provided by the Oregon Business Development Department*

This tax expenditure should improve the competitiveness of telecommunication investments in Oregon in comparison to the alternative of full application of unitary methods that incorporate the intangible assets of nationwide telecommunication companies in assessing taxable value. The relative size of such assets might be extraordinarily high for such businesses, and other states do not appear to commonly employ methods that effectively tax most such intangible value of the telecommunication industry. The department, however, lacks the data or direct experience to address this expenditure further.

## 2.102 VERTICAL HOUSING DEVELOPMENT ZONE

**Oregon Statute:** 307.864

**Sunset Date:** 12-31-2025 (for new certifications)

**Year Enacted:** 2001

2021-22 Estimated Reduction in the Taxable Assessed Value: \$100 million

	Loss	Shift
2021-23 Revenue Impact:	\$3,100,000	\$700,000
2023-25 Revenue Impact:	\$3,400,000	\$800,000

**DESCRIPTION:** A partial property tax exemption is available for qualified residential housing combined with nonresidential uses in a vertical housing development zone. Vertical housing development zones are designated by a city or county, but the city or county must consider the potential impact of displacement on existing residents before designating the zone.

The qualified project must consist of a multiple story building or group of buildings, including at least one multiple story building containing nonresidential and residential space in any proportion. The partial property tax exemption depends on the portion of the property dedicated to residential housing. If any of the residential floors are converted to commercial space, the project may receive a reduced exemption or be disqualified.

A project may be new construction or a rehabilitation of an existing building. The land on which a project is located may be included in the partial exemption if the project restricts participation of at least a portion of the residential units to low-income persons or families, defined as having income 80 percent or less of area median income, adjusted for family size, as determined by the Oregon Housing and Community Services Department.

The vertical housing development project partial exemption does not apply to the taxes of any local taxing district or special district that elects not to participate.

Legislation in 2015 extended the sunset for new certifications through 2025, added a definition for “nonresidential use,” and allowed any local taxing districts to opt out of the exemption and thus tax these properties at their full assessed value. Legislation in 2017 removed Oregon Housing and Community Services Department from the process of designating and certifying a zone and added a requirement that cities and counties consider the potential for displacement on residents before designating a new zone.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage investment in and rehabilitation of properties in targeted areas of a city or community, to augment the availability of appropriate housing, and to revitalize communities.

**WHO BENEFITS:** Property owners of approved projects receive short term partial property tax exemptions. In 2021-22, there were 21 accounts receiving this exemption across four counties.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose. The program is relatively efficient to administer in comparison with other types of housing funding. The exemption offers



an incentive to encourage the construction or rehabilitation of properties in targeted areas of communities in order to augment the availability of appropriate housing and to revitalize such communities.

Although it is assumed that the placement of these projects benefits the communities and an increased tax base, the program is not structured to get feedback from the communities to verify this.

**2.103 CERTAIN SINGLE-UNIT HOUSING**

**Oregon Statute:** 307.664  
**Sunset Date:** 12-31-2024 (last day to approve applications)  
**Year Enacted:** 1989

2021-22 Estimated Reduction in the Taxable Assessed Value: \$120 million

	Loss	Shift
2021-23 Revenue Impact:	\$4,200,000	\$1,500,000
2023-25 Revenue Impact:	\$4,500,000	\$1,600,000

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** A city may grant a property tax exemption for rehabilitated or newly constructed single unit housing. Condominiums as well as single family homes can qualify for this exemption. A manufactured structure is eligible if the jurisdiction adopts placement standards for the approval of manufactured homes located outside mobile home parks as defined in ORS 197.307 (8) (a) to (f). Only the value of the dwelling is exempt; the land remains taxable.

Approved housing can be exempt from property tax for up to 10 successive tax years. Applications for the exemption must be approved prior to January 1, 2025 in order to receive the exemption, but any property approved for the exemption continues to receive the exemption through the period of time for which the exemption was granted.

Property approved for this exemption is only exempt from property taxes imposed by the approving city unless other taxing districts elect to participate in the exemption. The exemption applies to the taxes levied by all districts when the total combined tax rates of the city and agreeing taxing districts equals at least 51 percent of the total tax rate affecting the property. If a city has more than 40 percent of the total rate of taxation of all taxing districts with jurisdiction over the property, a county resolution or ordinance is required for the exemption to apply to all districts with jurisdiction over the property.

To qualify for the exemption, the property must meet the following guidelines:

- Have one or more units used as a dwelling for one person or family
- Have a value that is no more than 120 percent of the median sales price of single-family homes located in the city as determined prior to January 1 each year from annual sales data for the period ending the prior November 30
- If new construction, be constructed after January 1, 1990, and before January 1, 2025.

The property owner must file an application with the city to claim the exemption. A change of use will disqualify the property from the program. Upon disqualification, an additional tax is due; this tax is equal to the tax benefit in the last year exempt, multiplied by the number of years exempt, up to ten years.

Legislation in 2017 (HB 2964) allowed cities to extend the exemption to newly purchased or newly rehabilitated housing, and sunset the authority for cities to approve new applications on or after January 1, 2025.

**PURPOSE:** “(1) The Legislative Assembly finds it to be in the public interest to encourage homeownership among low- and moderate-income families. (2) The Legislative Assembly further finds and declares that the cities of this state should be able to establish and design programs to stimulate the purchase, rehabilitation and construction of single-unit housing for homeownership by low- and moderate-income families by means of a limited property tax exemption, as provided under ORS 307.651 to 307.687.” (ORS 307.654)

**WHO BENEFITS:** Homeowners receiving the reduced taxes. Most of these exempted homes are in the Portland area.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose. The program is relatively efficient to administer in comparison with other types of housing funding. There is no need to channel funding through different layers of government and minimal need to establish larger bureaucratic mechanisms to develop program guidelines or to review for program eligibility. The exemption is intended to provide an incentive for builders to build housing that they would not otherwise build by providing to the purchaser of a qualifying home a full property tax exemption on the building for 10 years. Whether any given home would or would not have been built without the benefit of the exemption is difficult to determine. The popularity of the program with builders suggests that the exemption functions well.

A major advantage of tax exemptions over a direct expenditure is the ability to tie the exemption to the specific project with little risk to the city. If the project is not constructed, the assistance is not tied up pending the fate of the project in the way a direct budgeted funding commitment would be. In other words, there is no lost opportunity of funds committed to a project that is not constructed; nor is there any lost revenue.

Additionally, the program provides an additional incentive that helps to design housing in ways consistent with local policy.

The program is available to both for profit and nonprofit housing developers. Local programs can be designed with a variety of monitoring and evaluative controls.

## 2.104 REHABILITATED HOUSING

**Oregon Statute:** 308.459

**Sunset Date:** 12-31-2016 (last day to complete rehabilitation)

**Year Enacted:** 1975

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

<b>DESCRIPTION:</b>	<p>A city or county could grant an exemption from property tax for any value that is attributed to the rehabilitation of housing or conversion of buildings for housing (single or multi-family) for up to 10 years. If the housing was at least 25 years old at the time of application, it may have qualified if it underwent rehabilitation on or after September 12, 1975, and before January 1, 2017. The rehabilitation must have cost at least 5 percent of the assessed value of the property before rehabilitation. Regardless of the age of the housing, it could have qualified if it underwent rehabilitations that cost at least 50 percent of the assessed value of the property before rehabilitation, and the rehabilitations were done after October 3, 1989, and before January 1, 2017. There was a procedure allowing for a 12-month extension of the deadline for completion of a rehabilitation. Applications for this special assessment must have been filed with the governing body prior to January 1, 2015.</p> <p>To receive the exemption, the property must have met several requirements. Before rehabilitation, it must have failed to comply with one or more standards of applicable building or housing codes. The property must have consisted of residential units, of which at least 50 percent were for nontransient occupants. If the property was owner-occupied, the property must have been in a distressed area as designated by the city or county. Finally, the property must have been approved for exemption by the city or county before rehabilitation.</p> <p>The assessed value of qualifying property was frozen for ten years at its assessed value before rehabilitation. However, if the owners of the property enter a low-income rental assistance contract with a government agency during this time, and if the contract expires after the ten-year period, the property value will remain frozen through the term of the contract.</p> <p>Qualified property was generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property passed resolutions supporting the exemption, then the exemption applied to the taxes of all districts.</p>
<b>PURPOSE:</b>	To “encourage the rehabilitation of existing units in substandard condition and the conversion of transient accommodation to permanent residential units and the conversion of nonresidential structures to permanent residential units in order to make these units sound additions to the housing stock of the state” (ORS 308.453).
<b>WHO BENEFITS:</b>	Single or multi-family housing owners who rehabilitate their property. No taxpayers received this exemption in 2021-22.
<b>EVALUATION:</b>	Not evaluated.

## 2.105 MULTI-UNIT RENTAL HOUSING IN DESIGNATED AREAS

**Oregon Statute:** 307.612

**Sunset Date:** 01-01-2032 (construction completed)

**Year Enacted:** 1975

2021-22 Estimated Reduction in the Taxable Assessed Value: \$510 million

	Loss	Shift
2021-23 Revenue Impact:	\$17,900,000	\$5,400,000
2023-25 Revenue Impact:	\$20,700,000	\$6,400,000

**DESCRIPTION:**

A city or county may grant a property tax exemption for multiple unit rental housing (excluding land) in areas designated as core areas, light rail station areas, and transit-oriented areas for up to 10 successive years. Housing that can qualify for this exemption includes newly constructed housing and property converted to housing use.

Core, light rail station, and transit-oriented areas are locations designated by the city or county acting to grant the property tax exemption. Cities may designate any of these types of areas, while counties may designate light rail station areas or transit-oriented areas, but not core areas.

Approved property is generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts.

The exemption does not include the land or any improvements not part of the multiple unit housing but may include parking constructed as part of the multiple unit housing construction, addition, or conversion. In the case of a structure to which improvements are added or the structure is converted, only the addition or conversion value is exempt. Construction is to be completed by January 1, 2032, but an extension is possible.

Any county over 300,000 in population, and any city, may include urban renewal land and land near the central business district within its eligible core area.

Legislation in 2011 (SB 322) included commercial property as eligible for this exemption if the commercial property is a required design or public benefit element of a multiple-unit housing construction, addition or conversion approved by an authorizing city or county. Legislation in 2019 (SB 262) extended the last date for completion of construction to January 1, 2032.

For additional provisions associated with this exemption see 2.106, Low Income Multi-Unit Rental Housing.

**PURPOSE:**

To “stimulate the construction of rental housing in the core areas of Oregon’s urban centers to improve the balance between the residential and commercial nature of those areas...” and to have city programs emphasizing the “development of vacant or underused sites in the core areas...” with “rental rates accessible to a broad range of the general public” (ORS 307.600).

**WHO BENEFITS:** For tax year 2021–22, four counties reported 89 property tax accounts which benefited from this exemption or 2.106, Low-Income Multi-Unit Rental Housing. Most are in Lane and Multnomah counties.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose. This is a relatively older tax exemption program that offers a long track record to judge its success. The exemption offers an incentive for developers to construct or convert to rental housing developments they would not otherwise construct or convert in city downtown core areas. The burden of proof falls on the developers as to whether any given development would have been built without the benefit of the exemption. This point must be demonstrated through a series of public hearings. The exemption is popular, but the process for either seeking or receiving qualification for the exemption is expensive and time consuming.

The Portland Bureau of Housing ensures the exempted property provides such public benefits as: reduction of rents, a limited rate of return on investment to the developer and the subsequent owner of only 10–12 percent per year, and public art, landscaping, child care, or set-asides of land for public parks. Although developments need only 10 units or more to qualify for the exemption, the complexity of the process makes it impractical for all but large developments. Therefore, the exemption tends to exclude smaller projects and less sophisticated housing developers.

The exemption seems to perform a solid public purpose, but is subject to a locally designed approval process.

**2.106 LOW INCOME MULTI-UNIT RENTAL HOUSING**

**Oregon Statute:** 307.612  
**Sunset Date:** 01-01-2032  
**Year Enacted:** 1999

2021-22 Estimated Reduction in the Taxable Assessed Value: Included in 2.105, Multi-Unit Rental Housing in Designated Areas

	Loss	Shift
2021-23 Revenue Impact:	Included in 2.105	Included in 2.105
2023-25 Revenue Impact:	Included in 2.105	Included in 2.105

**DESCRIPTION:** This tax expenditure is related to the tax expenditure 2.105, Multi-Unit Rental Housing in Designated Areas. A city or county may exempt from property tax any building operated as low-income rental housing under a low-income assistance contract with the state or federal government. The duration of exemption may run no more than 10 years unless extended by the city or county to run through the tax year in which the contract terminates. The property is not required to be in a core, light rail station, or transit-oriented area.

Qualified property is generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts.

An exemption is allowed only when the city or county has designated an area in which exemptions may be granted and has approved the exemption application. This

exemption does not include the land associated with the multi-unit housing. To qualify for this exemption, applications must be received before January 1, 2032. Legislation in 2019 (SB 262) extended the date for applications.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide an incentive to maintain or expand the supply of affordable rental housing.

**WHO BENEFITS:** Owners of low income rental housing complexes; the properties exempt under this provision are included in the properties described in 2.105, Multi-Unit Rental Housing in Designated Areas.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose. The tenants of subsidized housing are of very low income and would have very limited opportunities in finding replacement housing at the same subsidized rents without this program.

## 2.107 PROPERTY FOR LOW-INCOME RENTAL

**Oregon Statutes:** 307.517 and 307.518

**Sunset Date:** 06-30-2030 (application deadline)

**Year Enacted:** 1989

2021-22 Estimated Reduction in the Taxable Assessed Value: \$96 million

	Loss	Shift
2021-23 Revenue Impact:	\$3,100,000	\$500,000
2023-25 Revenue Impact:	\$3,400,000	\$500,000

**DESCRIPTION:** Newly constructed rental housing occupied by low-income persons or property held for a reasonably short period of time for future development as low-income rental housing is exempt from property taxes for 20 years if the property is:

- Located in a city or county that adopts standards and guidelines to be used in administering applications for exemption
- Built after the city or county adopts the state statutes
- Approved by the city or county upon application
- For projects requesting an exemption after October 5, 2015, any additional criteria established by the city or county prior to the application
- Rented only to persons with income in the initial year of their occupancy is at or below 60 percent of area median income based on U.S. Department of Housing and Urban Development criteria as defined by the governing body at the time of adoptions. In subsequent consecutive years, the renter’s income is limited to 80 percent of the area median income.
- Rented at rates that reflect the full property tax reduction

Applications must be filed before July 1, 2030, for a property to receive the exemption. The owner of the exempted property may be either a for-profit business or nonprofit entity. A nonprofit corporation that has only a leasehold interest in the property is considered a purchaser of the property if the lease requires payment of

property tax or the rent reflects the exemption tax savings. In addition, low-income rental residences owned by a nonprofit public benefit or religious corporation under state law (rather than as a federal 501(c)(3) nonprofit) are exempt provided the corporation uses 90 percent of its rental income from residential rentals for repair, purchase, or acquisition of low-income residential property, or for onsite daycare services for the residents.

Qualified property is generally exempt only from city or county property taxes. However, if districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the property tax levies of all districts.

Legislation in 2015 (HB 2130) amended the law to allow cities or counties to establish reasonable maximum holding times for land designated for low-income housing development. The legislation also permitted cities or counties to elect additional qualifying criteria before granting the exemption.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2130 (2019), “the policy purpose of this measure is to assist in providing housing equity throughout the state and reduce homelessness.”

**WHO BENEFITS:** For tax year 2021–22, four counties reported nearly 100 property tax accounts were exempt, most located within Lane County.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure is critical to the viability of many low-income housing developments; it achieves its stated purpose. The exemption reduces the operating expenses for the provider of low-income housing, thereby resulting in lower rents. Without this assistance in lowering rents, some Oregonians could not afford decent housing; in some cases, this housing would not be built.

Where a taxing jurisdiction has adopted the authorizing provisions, the process by which it grants the exemption is quite straightforward; if a development meets the criteria, it receives the benefit of the exemption. It is relatively easy to administer once in place.

The taxing entity typically requires an annual report of tenant income levels and the rental rates being charged in exempted developments. This helps ensure fulfillment of the requirement that the project rental rates reflect the full property tax reduction and prevents possible abuse of the exemption by developers or development owners.

After the 20-year exemption, the entire property comes onto the tax rolls at its full assessed value. Tenants, property owners, and local governments benefit in the long term.

Since Measure 50 took effect in 1997, property tax exemptions have caused actual revenue losses to local governments. Before Measure 50, exemptions did not decrease local tax revenues because other property tax payers paid at a higher tax rate to compensate. Despite the loss to local governments caused by Measure 50, local governments have elected to increase the exempted value significantly since Measure 50.

This exemption enables local governments to contribute to providing affordable housing in their communities without raising additional revenue and spending it on affordable housing. The administrative costs of this exemption are likely less than

would be incurred through a direct program developed to achieve this objective. This exemption fits well with other direct and indirect spending programs for affordable housing assistance. The exemption is both fiscally effective and an efficient means of achieving its public goal.

## 2.108 NONPROFIT LOW-INCOME RENTAL HOUSING

**Oregon Statute:** 307.541

**Sunset Date:** 06-30-2027

**Year Enacted:** 1985

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.0 billion

	Loss	Shift
2021-23 Revenue Impact:	\$36,200,000	\$12,200,000
2023 Revenue Impact:	\$42,200,000	\$14,300,000

**DESCRIPTION:**

A city or county may exempt from property tax certain property owned or being purchased by a nonprofit corporation if the property is intended for the purpose of low-income housing. The property must currently be in use as housing or may be land being held for that purpose. Qualifying nonprofit corporations must be exempt from federal income tax and upon liquidation distribute remaining assets to other tax-exempt charitable organizations or the state of Oregon.

Approved property is generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts.

When applying for the exemption, the nonprofit corporation must certify that the income level of each renter is at or below 60 percent of area median income which is determined by the State Housing Stability Council based on information from the U.S. Department of Housing and Urban Development. In addition, the nonprofit corporation must describe how the exemption will benefit project residents, and, for projects after October 5, 2015, must meet any additional criteria established by the city or county prior to the application.

Each year the nonprofit corporation must file an application with the appropriate city or county to claim the exemption. The exemption is only allowed for tax years beginning on or after January 1, 1985, and before July 1, 2027.

This expenditure is similar to 2.107, Property for Low-Income Rental. The qualifications are not identical, but for a nonprofit organization, it could be possible that it would qualify under either requirement.

Legislation in 2015 (HB 2130) amended the law to allow cities or counties to establish reasonable maximum holding times for land designated for low-income housing development and permits cities or counties to elect additional qualifying criteria before granting the exemption. HB 3082 in 2015 amended the law to allow alternative definitions of low-income, up to 80 percent of area median income, for the purpose of renewing an existing application.



**WHO BENEFITS:** Nonprofit organizations benefit directly. The tenants of the housing benefit to the extent that below-market rate rental housing is available. For tax year 2021-22, counties reported approximately 800 property tax accounts. Most are located in Multnomah County.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose. The exemption is intended to enable community development corporations and other qualifying local nonprofit organizations to provide affordable rental housing for low income households they would otherwise be unable to provide. To qualify for this popular program, the nonprofit submits an application each year for a one-year exemption, renewable indefinitely before the exemption’s sunset date as long as the organization, tenants, and property continue to meet the qualifying criteria. The exemption is simple to administer because the criteria are clear: the benefiting organization must be a qualified nonprofit, the benefiting tenants must have qualifying income levels, and the property must consist of qualifying rental housing. Having met these requirements, a nonprofit will receive its exemption.

The tax expenditure appears to be both a fiscally effective and efficient means of achieving its goal. These exemptions can be counted as matching funds by the state and other local participating jurisdictions to enable the expenditure of HUD Home Investment Partnerships funds.

## 2.109 NEW OR REHABILITATED MULTI-UNIT RENTAL HOUSING

**Oregon Statute:** Ore. Laws 2017 c.624

**Sunset Date:** 01-01-2027

**Year Enacted:** 2017

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** This provision allows a governing body of a city or county to adopt an ordinance or resolution granting a newly rehabilitated or constructed multi-unit rental housing an exemption from property taxes, subject to some restrictions. The ordinance must publish a schedule indicating the number of years that the exemption will be granted, which has a maximum of 10 years. The number of years the exemption will be granted for must increase directly with the percentage of units that are rented at affordable rates to households with income at or below 120 percent of the area median income (AMI) increases. The ordinance or resolution must also include definitions for AMI and affordable for purposes of qualifying for the exemption.

For the ordinance or resolution to take effect, districts representing at least 51 percent of the taxes on the property must pass resolutions supporting the exemption. The exemption applies to the property tax levies of all taxing districts in which the property is located.

A property must file an application to receive this exemption for each year in which the property remains eligible to receive the exemption.

The laws authorizing this exemption are repealed on January 2, 2027. However, any properties granted exemption under an ordinance or resolution authorized by this program continue to receive the exemption through the remainder of the terms of that ordinance or resolution.

**PURPOSE:** The statutes that allow this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2377 (2017), “The policy purpose of this measure is to provide county and city governing bodies the ability to implement a targeted property tax exemption that encourages development of multiunit rental property that is rented to households with annual income at or below 120 percent of the area median thereby increasing the development, rehabilitation and, ultimately, the supply of workforce and low income housing units.”

**WHO BENEFITS:** Owners of multifamily housing projects benefit directly from reduction in taxes. The tenants of the housing benefit to the extent that below-market rate rental housing is available as a result.

**EVALUATION:** *provided by the Housing and Community Services Department*

The ability for local jurisdictions to provide incentives to develop housing affordable to income below 120% AMI is critical as the demand far outstrips supply in that income range. OHCS does not administer this program and therefore cannot speak to the utilization rate or ultimate success.

## 2.110 HOME SHARE PROGRAM LOW-INCOME HOUSING

**Oregon Statute:** Ore. Laws 2019 c.566

**Sunset Date:** 06-30-2028 (new properties)

**Year Enacted:** 2019

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** A city or county may adopt an ordinance granting a property tax exemption to qualified properties renting rooms to tenants in home share programs. If qualified, the assessed value of the property is reduced by up to \$319,000 in fiscal year 2022-23. The amount is adjusted annually for inflation. No more than 500 properties statewide may be granted the exemption in any property tax year. The available exemptions are divided among jurisdictions that have adopted a related ordinance proportionate to population.

In order to qualify an individual homeowner must rent space in their home to at least one tenant through a home share program. Qualifying tenants must have income that is no more than 60 percent of the area median income, or a lesser percentage determined by the city or county implementing the program. Home share programs are operated by cities, counties, nonprofits, and housing authorities.

Qualified properties continue to receive the exemption for the period established when the exemption is granted regardless of prospective changes to city or county ordinances.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1045 (2019): “This program is intended as a tool in assisting individuals to stay in their homes, and provide homes for the underhoused.”

**WHO BENEFITS:** Owners of individual residences renting a portion of their residence to low income individuals.

**EVALUATION:** *provided by the Housing and Community Services Department*

If there is a lack of interest on the part of homeowners to taking on roommates through home share programs, then this seems like it could be an effective inducement to encourage participation. The overall impact to taxing jurisdictions that rely on property taxes to supply their budgets seems relatively limited and, spread out over the entire state as it is, no one county or city would be disproportionately affected.

## 2.111 DISABLED VETERANS OR SURVIVING SPOUSES OF VETERANS

**Oregon Statute:** 307.250  
**Sunset Date:** None  
**Year Enacted:** 1921

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.1 billion

	Loss	Shift
2021-23 Revenue Impact:	\$30,700,000	\$5,600,000
2023-25 Revenue Impact:	\$34,500,000	\$6,200,000

**DESCRIPTION:** Eligible veterans or surviving spouses may file a claim to have a portion of their homestead or personal property’s assessed value exempt from property taxes. Claims must be filed by April 1 or within 30 days of acquiring property between March 1 and June 30.

To qualify as a disabled veteran, one must have disabilities of 40 percent or more as certified by the United States Department of Veterans Affairs or any branch of the United States Armed Forces. Alternatively, a veteran can be certified as having disabilities of 40 percent or more by a private licensed physician, however the veteran must have total gross income of not more than 185 percent of federal poverty guidelines.

A veteran’s surviving spouse who has not remarried also qualifies for this exemption, even if the veteran had not been disabled.

For tax year 2022-23, the exemption amount is \$24,071. For disabled veterans who have service-connected disabilities, the exemption amount increases to \$28,886. These amounts increase by 3 percent each year.

The surviving spouse of a veteran who died due to service-connected injury or illness or qualified for the higher exemption amount for at least one year also qualifies for the higher exemption amount.

Qualified nonprofit homes for the elderly as defined in a related expenditure, 2.112, Veterans in Nonprofit Elderly Housing, can claim this exemption for their eligible

residents if they pass the tax benefit through to these residents in terms of lower rents. The revenue impacts reported here include those real property exemptions for eligible veterans or surviving spouses who live in these qualified nonprofit homes for the elderly.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the service and sacrifices made by veterans for the country and to compensate veterans and their spouses for reductions in civilian earning capacity due to disabilities.

**WHO BENEFITS:** For tax year 2021-22, counties reported that approximately 40,000 property tax accounts associated with eligible veterans or surviving spouses claimed this exemption.

**EVALUATION:** *provided by the Oregon Department of Veterans' Affairs*

This tax expenditure achieves its purpose by providing an additional income benefit to disabled veterans and surviving spouses of veterans. In many cases, if it were not for this benefit, the veteran or spouse may lose their home or become dependent on social assistance programs. This additional spendable income also helps the local economy.

The expenditure is fiscally effective. It allows disabled veterans and surviving spouses to remain independent and reduces their use of other social programs.

## 2.112 VETERANS IN NONPROFIT ELDERLY HOUSING

**Oregon Statute:** 307.370

**Sunset Date:** None

**Year Enacted:** 1969

2021-22 Estimated Reduction in the Taxable Assessed Value: \$10 million

	Loss	Shift
2021-23 Revenue Impact:	\$300,000	Less than \$100,000
2023-25 Revenue Impact:	\$300,000	Less than \$100,000

**DESCRIPTION:** Personal property used in the operation of nonprofit homes for the elderly and attributable to veterans or their surviving spouses is exempt from property taxation. A claim for this exemption must be filed with the county assessor.

To qualify for this exemption:

- The home must be exclusively occupied and used in the operation of a nonprofit home for elderly persons.
- The home must receive at least 95 percent of its operating revenue (excluding investment income) from residents for living, medical, recreational, and social service costs.
- The home cannot allow any of its net earnings to benefit any private individual.
- The nonprofit corporation provides in its articles that, if the corporation is dissolved, any remaining assets revert to the state or to an exempt, religious, charitable, scientific, literary, or educational organization.

There are two related tax expenditures. An exemption for real property is included in expenditure 2.111, Disabled Veterans or Surviving Spouses of Veterans. Expenditure 2.126, Nonprofit Housing for the Elderly, allows these nonprofit homes the option of using a special assessment that generally results in lower assessed values and taxes on these properties.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend veteran property tax exemption benefits to those not owning a home, but who are living in a nonprofit home for elderly persons. In addition, the personal property exemption is to encourage housing for the elderly.

**WHO BENEFITS:** In tax year 2021-22, six counties reported 16 property tax accounts associated with nonprofit homes for the elderly claimed this exemption for their personal property.

**EVALUATION:** *provided by the Oregon Department of Veterans' Affairs*

This tax expenditure achieves its purpose by allowing disabled veterans and spouses who are living in nonprofit homes for the elderly to receive a rent reduction equivalent to the tax reduction for those who own their homes, as described in 2.111, Disabled Veterans or Surviving Spouses of Veterans. This benefit may allow disabled veterans and surviving spouses to remain independent and reduce their use of other social programs.

According to statute, each nonprofit corporation must provide information to the county assessor to show that the appropriate rent credit was given to each applicable resident.

## 2.113 WORKFORCE HOUSING

**Oregon Statute:** Ore. Laws 2021 c.527

**Sunset Date:** 06-30-2032 (new exemptions)

**Year Enacted:** 2021

2021-22 Estimated Reduction in the Taxable Assessed Value: \$0

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** A county with a population less than 15,000 may exempt from property tax a limited number of newly constructed single-family homes if the owner has an annual adjusted gross income below limits that are adjusted for inflation. For tax year 2022, the limits are \$75,000 if the owner files a separate federal income tax return, or \$150,000 if the owner files a joint federal return.

A county must pass a workforce housing exemption law that sets the percentage of real market value to be exempt and determines for how long exemptions will be approved. The exemption can apply for between three and five years. Each year, the county may approve up to five new eligible properties to receive this exemption. Properties that were approved in a previous year do not count against this limit.

For a property to receive the exemption, the owner must file an application and local taxing districts representing at least 51 percent of the taxes on the property must agree to the exemption, after which the exemption applies to the taxes of all districts.

To continue receiving the exemption each year after receiving initial approval, the owner must file a new application.

**PURPOSE:** The law that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2438 (2021), the purpose of this provision is “...to encourage skilled labor migration to rural Oregon.”

**WHO BENEFITS:** Property owners who have new single family homes constructed in counties with a population less than 15,000. There are currently eight counties that could pass a workforce housing exemption law and use this exemption: Gilliam, Grant, Harney, Lake, Morrow, Sherman, Wallowa, and Wheeler.

**EVALUATION:** *provided by the Housing and Community Services Department*

The property tax exemption on single-family homes as established in the bill provides incentives for qualified builders and owners to invest and create housing opportunities for people that need to work in these counties. The availability of homes or lack of, can attract and keep teachers, health professionals, and other workers in these communities.

## 2.114 AFFORDABLE HOUSING COVENANT

**Oregon Statute:** 307.555

**Sunset Date:** None

**Year Enacted:** 2021 (HB 3275)

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available

	Loss	Shift
2021-23 Revenue Impact:	Not Available	Not Available
2023-25 Revenue Impact:	Not Available	Not Available

**DESCRIPTION:** Land burdened by an affordable housing covenant requiring permanent affordability and owned by an eligible covenant holder is exempt from taxation if the improvements on the land are owner-occupied housing, or if owner-occupied housing is going to be built on the land in the next 10 years.

For owner-occupied condominium units burdened with an affordable housing covenant, 27 percent of the assessed value is exempt from taxation.

An eligible covenant holder is an agency of the United States Government, a public benefit corporation or religious corporation, a consumer housing cooperative, a manufactured dwelling park nonprofit cooperative, or a federally recognized Indian tribe. An affordable housing covenant requires the land to be occupied by low- or moderate-income households. Permanent is defined as a term of no less than 99 years.

The legislation that enacted this tax expenditure specified that any sunset under ORS 315.037 does not apply.

**PURPOSE:** The law that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3275 (2021), the purpose of this provision is “...to increase the supply of affordable housing in Oregon.”

**WHO BENEFITS:** Eligible covenant holders and the low- and moderate- income households who live on properties burdened with affordable housing covenants.

**EVALUATION:** *provided by the Housing and Community Services Department*

The partial exemption of tax liability ensures that the land is held for a long time to provide affordable housing opportunities for people. The long-term affordability ensures that the land is not converted to a different use such as commercial or industrial.

## 2.115 ALTERNATIVE ENERGY SYSTEMS

**Oregon Statute:** 307.175

**Sunset Date:** 07-01-2029

**Year Enacted:** 1975

2021-22 Estimated Reduction in the Taxable Assessed Value: \$240 million

	Loss	Shift
2021-23 Revenue Impact:	\$6,800,000	\$1,500,000
2023-25 Revenue Impact:	\$7,500,000	\$1,700,000

**DESCRIPTION:** Solar, geothermal, wind, water, fuel cell, or methane gas energy systems used for heating, cooling, or generating electricity are exempt from property tax. To qualify, the system must be a net metering facility or a system primarily designed to offset onsite electricity use. The proportion of a community solar project that is owned by residential customers or leased by residential subscribers is also exempt from property tax. Additional value added to the underlying property because of the existence of the alternative energy system is exempt. No application is required.

Legislation in 2022 (SB 1519) broadened the exemption to include a proportion of community solar projects and extended the sunset to July 1, 2029.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the use of alternative sources of energy. The revenue impact statement prepared for SB 1519 in 2022 stated that the policy purpose of the additional exemption on community solar projects was “to encourage the development of renewable energy for residential customers that do not have access to individual rooftop solar.”

**WHO BENEFITS:** For property tax year 2021-22, counties reported that approximately 7,300 properties received this exemption.

**EVALUATION:** *provided by the Oregon Department of Energy*

It is difficult to measure the impact the tax exemption has made on the number of households and businesses installing equipment that uses solar, wind, hydro, or geothermal energy. In prior years the predominant incentives that have encouraged such installations have been the tax credits for 1.434, Alternative Energy Devices (Residential) available under the income tax, which sunset after tax year 2017, and 1.436, Renewable Energy Development Contributions within the Energy Incentive Program, which was a grant program funded by tax credit auctions that ended in 2017; these credits were also applicable to income taxes. The remaining incentives with outstanding income tax credits are 1.436, Energy Conservation Projects, sunset 2017, and 1.433, Transportation Projects, sunset 2017. The property tax exemption

may work in tandem with the Rooftop Solar & Storage Rebate Program authorized by the legislature in HB 2618 in the 2019 session and expanded in 2021 by HB 5006 and in 2022 by HB 5202. Without the exemption, homeowners and businesses might hesitate to invest in a system that would increase their assessed valuation.

## 2.116 POLLUTION CONTROL FACILITIES

**Oregon Statute:** 307.405

**Sunset Date:** 12-31-2007 (for new certifications)

**Year Enacted:** 1967

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** A pollution control facility owned or leased by a cooperative or nonprofit corporation and used in connection with its trade or business was eligible for a property tax exemption. The Environmental Quality Commission certified the facility cost and the exemption percentage, and the exemption lasts up to 20 years from the date of certification.

A pollution control facility was any land, structure, machinery, equipment, or device that prevented, controlled, or reduced air, water, noise, or nonpoint source pollution, solid or hazardous waste, or recycled or disposed of used oil. In most cases, the percentage allocable to pollution control depended on whether the owner earned any income from the facility. Thus, if a pollution control facility, in addition to reducing pollution, had some useful end product, then only a portion of the construction of the facility might be allocated to pollution control.

The program provided an incentive to cooperatives and nonprofits for installing pollution control facilities not required under current law, defined as “sole purpose facilities.” The program also compensated cooperatives and nonprofits for installing facilities required by the Department of Environmental Quality or by the U.S. Environmental Protection Agency, defined as “principal purpose facilities.”

This exemption was a companion to the income tax credit described in tax expenditure 1.441, Pollution Control. For-profit companies were eligible for the income tax credit, while nonprofits and cooperatives were eligible for the property tax exemption.

**PURPOSE:** To “assist in the prevention, control and reduction of air, water and noise pollution and solid waste, hazardous wastes and used oil in this state by providing tax relief...” (ORS 468.160).

**WHO BENEFITS:** In 2021-22, Tillamook County reported a single property tax account using this exemption.

**EVALUATION:** Not evaluated.



**2.117 WATERCRAFT CENTRALLY ASSESSED**

**Oregon Statute:** 308.515  
**Sunset Date:** None  
**Year Enacted:** 1925

2021-22 Estimated Reduction in the Taxable Assessed Value: Not Available\*

	Loss	Shift
2021-23 Revenue Impact:	Not Available*	Not Available*
2023-25 Revenue Impact:	Not Available*	Not Available*

*\* In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

**DESCRIPTION:** Certain types of watercraft that would otherwise be centrally assessed are excluded from such assessment and are therefore exempt from taxation. The Department of Revenue is responsible for making a central assessment of designated types of companies and utilities for property tax purposes. Watercraft (such as barges, tugboats, and excursion boats) of water transportation companies involved in transportation of people or goods on inland waters, including border rivers and coastal bays, are centrally assessed for property taxation by the Department of Revenue. Also, the department assesses watercraft of centrally assessed utilities.

Watercraft of water transportation companies used on the high seas or outside Oregon are exempt from property taxation. Trips between inland ports and high seas are treated as high seas use. Property used by or for water transportation companies exclusively for hire by other persons for boating and rafting, dredging, log or marine salvage, ship berthing, maintenance, sludge removal, cleaning or repair, marine or water-based construction, or guide service is also tax exempt. Interstate ferries used by or for water transportation companies are exempt as well.

A related provision, 2.137, Watercraft Locally Assessed, allows for special assessment of some other types of commercial watercraft.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to apportion to Oregon the taxable value of watercraft based on their use in Oregon.

**WHO BENEFITS:** Few water transportation companies have property that qualifies for the exemption.

**EVALUATION:** Not evaluated.

## 2.118 AIRCRAFT UNDER 75,000 POUNDS OWNED BY AIR TRANSPORTATION COMPANIES

**Oregon Statutes:** 308.558(2) and (3), and 308.565(5)

**Sunset Date:** None

**Year Enacted:** 1987

2021-22 Estimated Reduction in the Taxable Assessed Value: \$27 million

	Loss	Shift
2021-23 Revenue Impact:	\$700,000	\$200,000
2023-25 Revenue Impact:	\$700,000	\$200,000

**DESCRIPTION:** Aircraft that weigh less than 75,000 pounds and are owned by air transportation companies are taxed on only 60 percent of the value which would have otherwise been assigned for property taxation. Transportation company aircraft weighing 75,000 pounds or more are fully taxable and are centrally assessed by the Department of Revenue in proportion to the company’s business in Oregon.

Aircraft not owned by air transportation companies are described in 2.067, Foreign-Owned Aircraft and Aircraft Not Owned by Air Transportation Companies.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide a favorable business climate for air transportation companies that own relatively light-weight aircraft.

**WHO BENEFITS:** For the 2021–22 property tax year, seven air transportation companies owned aircraft under 75,000 pounds and benefited from this exemption.

**EVALUATION:** Not evaluated.

## 2.119 HOMESTEAD EXEMPTION FOR ACTIVE DUTY MILITARY

**Oregon Statute:** 307.286

**Sunset Date:** None

**Year Enacted:** 2005

2021-22 Estimated Reduction in the Taxable Assessed Value: \$5 million

	Loss	Shift
2021-23 Revenue Impact:	\$200,000	Less than \$100,000
2023-25 Revenue Impact:	\$200,000	Less than \$100,000

**DESCRIPTION:** Oregon residents who are serving in the Oregon National Guard, military reserve forces, or organized militia of any other state may apply for an Oregon property tax exemption on their homestead up to a specified amount of assessed value if:

- The resident serves on active duty under Title 10 of the United States Code or is deployed under the Emergency Management Assistance Compact for at least one day of the tax year (July 1 through June 30) claimed.
- The resident serves at least 178 consecutive days on active duty, regardless of the location of service.

- Application is made to the county assessor by August 1 following the end of the tax year for which the exemption is claimed.

In tax year 2022-23, the maximum exemption is \$102,146. The allowable amount of exemption increases by three percent per year.

If the qualified service member dies while performing the service, the person occupying the service member’s home may file for the exemption, even if the service member died before completing the minimum number of service days.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to assist Oregon households where a member has been called away from home to active military service during the year.

**WHO BENEFITS:** Members of the Oregon National Guard, Armed Forces Reserves, or organized militia who are homeowners and who spend extended periods on federal active duty service during the tax year. Members of their households may also benefit from this expenditure. In 2021-22, 12 counties reported 72 property tax accounts receiving the exemption.

**EVALUATION:** *provided by the Oregon Military Department*

This tax expenditure alleviates property tax burdens for members of the Oregon National Guard and Reserve members of the United States Armed Forces who are deployed on federal active duty for 178 days or more. The direct recipients are the service members and their families, who often are impacted financially and emotionally during long deployments. It serves as valuable acknowledgement of the sacrifices service members and their families make in honored service to the nation.

## 2.120 SURVIVING SPOUSE OF PUBLIC SAFETY OFFICER

**Oregon Statute:** 307.295  
**Sunset Date:** 06-30-2024  
**Year Enacted:** 2016

2021-22 Estimated Reduction in the Taxable Assessed Value: \$2 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** Oregon counties may, by ordinance or resolution, allow an exemption of up to \$250,000 of assessed value of the homestead of a surviving spouse of a fire service professional, police officer, or reserve officer killed in the line of duty. A homestead is defined as the owner-occupied principal dwelling, either real or personal property, owned by a surviving spouse and the tax lot upon which the dwelling is located. A surviving spouse seeking the exemption must file an application with the county assessor on or before April 1 preceding the property tax year for which the exemption is sought. To qualify for the exemption, the surviving spouse must not remarry.

Legislation in 2019 extended the scheduled sunset of the provision from June 30, 2021 to June 30, 2024.

Chapter 2 – Property Tax  
 Partial Exemption

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**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1513 (2016), "... the purpose of this measure is to allow counties to extend tax exemption for police, firefighters, and their families and to extend similar support to first responders."

**WHO BENEFITS:** The surviving spouses of fire service professionals, police officers, or reserve officers killed in the line of duty. Roughly ten people benefit from this exemption.

**EVALUATION:** *provided by the Oregon Military Department*

This tax expenditure may impact wildland firefighting personnel employed by the Oregon Military Department. The Oregon Military Department employs multiple full time and seasonal Wildland Fire Fighters to support fire suppression missions at our training sites across the state, and who provide support to the Department of Forestry in their wildland firefighting mission. On an as needed basis we also activate several hundred members of the Oregon National Guard into a State Active Duty Status, making them temporary state employees, to support the Department of Forestry in their wildland firefighting mission. These personnel act as Type 2 Wildland Firefighters and are trained by the Department of Public Safety Standards and Training. This expenditure serves as valuable acknowledgement of the sacrifices firefighters and their families make in service to the state.

## 2.121 SEISMIC UPGRADES

**Oregon Statute:** Ore. Laws 2017 c.537  
**Sunset Date:** 12-31-2027 (for new certifications)  
**Year Enacted:** 2017

2021-22 Estimated Reduction in the Taxable Assessed Value: \$0

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** A city or county may adopt an ordinance or resolution providing full or partial exemption from property tax for eligible property that will be seismically retrofitted. The ordinance or resolution adopted must specify the period, not to exceed 15 years, for which the exemption may be granted. The local ordinance does not become effective unless the districts representing at least 75 percent of the property taxes within the territory of the city or county agree to the property tax incentive program.

Eligible property is improvements built before January 1, 1993 that constitute a commercial, industrial, or multifamily building. Eligible costs include but are not limited to all costs directly related to structural seismic retrofitting, including the necessary costs of demolition and restoration of similar architectural finishes, electrical systems, plumbing and mechanical systems. Also eligible are costs for architectural and engineering fees and fees for testing, insurance and project management related to the seismic retrofitting. Eligible costs are reduced by amounts of local, state, and federal financial incentives received for the seismic retrofitting, exclusive of this property tax exemption.

Property subject to central assessment under ORS 308.505 to 308.674 and state-appraised industrial property under 306.126 are not eligible for the exemption. Costs

that are not eligible include, but are not limited to, costs associated with refurbishing or remodeling that are intended to enhance the aesthetics, functionality or marketability of the improvements but do not extend the seismic life safety of the improvements. Also not eligible are costs for abatement of hazardous materials, including but not limited to asbestos, or for relocation or loss of rent during the seismic retrofitting.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to legislative staff revenue impact statement for SB 311 (2017), the purpose of this provision “is to provide authority to cities and counties to design and implement property tax exemption programs intended to partially or fully offset the costs related to seismically retrofitting commercial, industrial, or multifamily buildings, thereby mitigating potential losses to life and property resulting from a Great Cascadia Subduction Zone earthquake.”

**WHO BENEFITS:** Owners of properties that are seismically upgraded. Counties have reported that no properties have received this exemption since its inception.

**EVALUATION:** *provided by the Oregon Department of Emergency Management*  
Due to the high likelihood that a Cascadia Subduction Zone earthquake would result in building structural failures on a massive scale along the western side of the state, the Department of Emergency Management is supportive of implementation and continuation of a property tax incentive that enables businesses and property owners to seismically retrofit commercial, industrial or multifamily buildings.

## 2.122 RAILROAD RIGHT OF WAY IN WATER DISTRICT

**Oregon Statute:** 264.110

**Sunset Date:** None

**Year Enacted:** 1943

2021-22 Estimated Reduction in the Taxable Assessed Value: \$23 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Railroad rights of way, improvements, and rolling stock are exempt from property tax imposed by any water supply district that was formed after June 9, 1943.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a property that would not significantly benefit from a water district’s services.

**WHO BENEFITS:** Railroad companies that might otherwise be considered to have property located within the boundaries of water supply districts.

**EVALUATION:** Not evaluated.

## 2.123 RAILROAD RIGHT OF WAY IN HIGHWAY LIGHTING DISTRICT

**Oregon Statute:** 372.190

**Sunset Date:** None

**Year Enacted:** 1947

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** Railroad rights of way are exempt from property tax imposed by a highway lighting district unless the right of way is at a grade crossing. A highway is defined as any road or way open to public travel.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a property that would not significantly benefit from a lighting district's services.

**WHO BENEFITS:** Railroad companies that have property in highway lighting districts. Highway lighting districts collect a very small amount of tax.

**EVALUATION:** Not evaluated.

## 2.124 RAILROAD RIGHT OF WAY IN RURAL FIRE DISTRICT

**Oregon Statute:** 478.010(2)(d)

**Sunset Date:** None

**Year Enacted:** 1969

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.0 billion

	Loss	Shift
2021-23 Revenue Impact:	\$3,900,000	\$200,000
2023-25 Revenue Impact:	\$4,100,000	\$200,000

**DESCRIPTION:** Railroad rights of way, improvements, and rolling stock are exempt from property tax imposed by a rural fire protection district unless the railroad consents to be taxed.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a property that would not significantly benefit from a rural fire district.

**WHO BENEFITS:** Railroad companies that might otherwise be considered to have property in fire districts.

**EVALUATION:** Not evaluated.

## 2.125 USE-RESTRICTED MULTI-UNIT RENTAL HOUSING

**Oregon Statutes:** 308.707

**Sunset Date:** None

**Year Enacted:** 2001

2021-22 Estimated Reduction in the Taxable Assessed Value: \$160 million

	Loss	Shift
2021-23 Revenue Impact:	\$4,800,000	\$900,000
2023-25 Revenue Impact:	\$5,300,000	\$1,000,000

**DESCRIPTION:** Owners of multi-unit rental housing property that is limited by government restrictions on use may apply for special assessment of the property. The property must be residential, consist of four or more units, and not be an assisted living facility. The restrictions on use include restricting rents and qualifying tenants based on income which thereby allows the owner to take advantage of government incentive programs such as a federal low-income housing tax credit, a low interest or government guaranteed loan, or rent subsidies.

A property granted this special assessment may have the taxable special assessed value of the property calculated by using either of:

- An annual net operating income approach and a capitalization rate
- An adjustment of market value based on the ratio of the average rent of restricted income rental units to the average rent of similar units that do not have tenant income qualifications and limited rents.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to establish common appraisal methods and tax treatment for multi-unit low-income rental housing complexes in a way that provides tax relief to compensate for the government-imposed restrictions on use of such properties.

**WHO BENEFITS:** For fiscal year 2021–22, almost all counties reported at least one property using this special assessment; statewide there are almost 600 property tax accounts receiving this special assessment.

**EVALUATION:** *provided by the Housing and Community Services Department*

This expenditure achieves its purpose. The community of affordable housing developers, consisting of both for-profit and nonprofit organizations, were experiencing economic hardships with the valuation of properties based on the cost of development. The restricted rental incomes of the affordable housing developments throughout the state did not generate enough cash flow to cover property taxes based on valuations related to cost of development. Owners of some newly created developments were forced to access operating reserves as a short-term gap to meet the additional property tax expenses. Without the relief offered through this special assessment, affordable housing developments were at risk of technical or actual default with their primary lenders. Without the relief, these same lenders would be less willing to underwrite new loans without additional subsidies from government entities thereby reducing the number of new affordable units that could be deployed.

The amount of loss identified assumes that the properties should have been assessed by other methods. Rather, OHCS believes that the more accurate evaluation may be the net income approach.

## 2.126 NONPROFIT HOUSING FOR THE ELDERLY

**Oregon Statute:** 308.490

**Sunset Date:** None

**Year Enacted:** 1969

2021-22 Estimated Reduction in the Taxable Assessed Value: Less than \$1 million

	Loss	Shift
2021-23 Revenue Impact:	Less than \$100,000	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000	Less than \$100,000

**DESCRIPTION:** The assessed value of a home for the elderly operated by a nonprofit corporation may only be calculated using certain appraisal methods. These methods should not take into account considerations of replacement cost, but rather consider:

- The amount of money for which the property may be exchanged in a reasonable period of time under conditions in which both parties to the exchange are able, willing, and reasonably well informed
- The gross income that reasonably could be expected from the property if leased or rented to the public generally, less annual operating expenses, reserves for replacements and insurance, depreciation, and taxes
- The relative supply and demand for similar properties
- The relative value of the location of the property.

Use of these considerations rather than replacement cost generally results in lower assessed values and taxes on these properties.

The nonprofit corporation must be organized and operated to provide permanent residential, recreational, and social facilities primarily for the elderly and receive 95 percent of its gross operating revenue from payments for housing, medical, and recreation services received in its facilities.

**PURPOSE:** The statutory policy is to recognize "... benefits inherent in operation of these homes, especially in the housing and care furnished to elderly persons for whom this state and its political subdivisions otherwise might be responsible" (ORS 308.490(1))

**WHO BENEFITS:** In tax year 2021–22, four counties reported that 10 property tax accounts benefitted from this special assessment.

**EVALUATION:** Not evaluated.



## 2.127 FARMLAND

**Oregon Statutes:** 308A.062, 308A.068, and 308A.128

**Sunset Date:** None

**Year Enacted:** 1967

2021-22 Estimated Reduction in the Taxable Assessed Value: \$17.8 billion

	Loss	Shift
2021-23 Revenue Impact:	\$485,500,000	\$76,500,000
2023-25 Revenue Impact:	\$528,500,000	\$83,300,000

**DESCRIPTION:** Land used exclusively for farming may be specially assessed at its value for farm use instead of its highest and best use value.

Farm use value is determined using the income approach. Under this approach, farmland value is based on the farmland’s potential ability to generate farm income. Farmland is categorized into one of seven classifications related to soil quality. Farmland value is then established on a per acre basis for each class of land. Similarly classified farmland can be valued differently depending on the value zone (based on such variables as rainfall, expected frost days, and distance to market) the farmland resides within. This value is converted to present value using the local property tax rate plus the five-year average interest rate charged by the Federal Farm Credit Bank on loans for Oregon farm properties.

Farm activity must involve the use of the land for crops, livestock, poultry, fur bearing animals, honeybees, dairies, animal husbandry, aquatic species, or cultured Christmas trees. Farm use land may also include a woodlot of 20 acres or less, wasteland, land under farm buildings, and ponds. In 2009, the Oregon Legislature expanded the definition of farm use and farmland to include land subject to or in the process of implementing a remediation plan. Remediation plans are certified by the Oregon State University Extension Service and are plans to remediate or mitigate severe adverse conditions on farmland. The farmer must intend to make a profit, with an exception for donations to food banks or schools, using accepted farming practices.

There are two farm use special assessment categories: farmland inside an exclusive farm use (EFU) zone and farmland in a nonexclusive (non-EFU) zone. The farm use value of EFU and non-EFU farmland is determined the same way. However, the eligibility and disqualification procedures are different.

Special assessment of EFU farmland does not require an application if the land is in a qualifying farm use. EFU farmland is disqualified if it is not being farmed in a qualifying farm use, the land is approved for nonfarm dwelling under ORS Chapter 215, or the land is rezoned to a non-EFU zone.

An application must be filed for special assessment of non-EFU zoned farmland. There are two tests for qualification in a non-EFU zone, farm use and gross income. Farm use must have occurred in the current year and the two years prior. Gross income from farm use is required in three of the last five non-flood, non-drought, or non-farmer illness calendar years. For farms of 6.5 acres or less, the minimum gross income is \$650; for farms of more than 6.5 acres, but less than 30 acres, the minimum income required is at least equal to the product of \$100 times the number of acres; and for farms of 30 acres or more, the income requirement is \$3,000. When land is disqualified, it may be assessed at current market value and an additional tax may be imposed.

Additionally, Oregon statute (ORS 308A.128) exempts land that is qualified for special assessment as EFU farmland from the assessments and property taxes of certain sanitary and water supply districts or authorities.

**PURPOSE:**

“The Legislative Assembly recognizes that agriculture and related land uses contribute significantly to Oregon’s character and economy. The Legislative Assembly finds that providing the means for agriculture to continue and prosper is in the interest of all citizens of this state, who benefit directly or indirectly from agriculture production and stewardship of farmlands and ranchlands. Valuation of farm properties based upon the market data from sales for investment or other purposes not connected with bona fide farm use encourages the conversion of agriculture land to other uses. The identification of agricultural land for farm use, as provided by law, substantially limits alternative use of such land and justifies the valuation of that land based on its agricultural production capability. Therefore, it is the declared intent of the Legislative Assembly that bona fide farm properties be assessed for ad valorem property tax purposes at a value that is exclusive of values attributable to urban influences of speculative purposes” (ORS 308A.050).

**WHO BENEFITS:**

Owners of farmland benefit directly. In tax year 2021–22, approximately 15.4 million acres of land were assessed at farm use value as reported by counties. Fifteen percent of the acreage is in Western Oregon and 85 percent is in Eastern Oregon.

**EVALUATION:**

*provided by the Department of Land Conservation and Development*

Special farm use assessment is a key component of farm financial stability. Special assessment provides an essential incentive that helps preserve the maximum amount of farmland in large blocks in accordance with Oregon's Agricultural Land Use Policy (see ORS 215.243). Zoning limits development opportunities in exclusive farm use zones so the incentives provided by special assessment are critical to preventing conversion of farmland to other uses.

The effective protection of agricultural land requires well-coordinated special assessment and land use programs.

Special assessment shifts the burden of funding public services onto other community residents and businesses that do not have special assessments. However, farm use provides a variety of benefits to the entire state including a supply of locally grown food, employment opportunities, financial opportunities for agricultural processors and other value-added businesses, carbon sequestration, and protection of habitat and scenic values.

The special farm use assessment program can conflict with other aspects of Oregon’s land use programs. Inside urban growth boundaries (UGBs) it can discourage timely development by lowering an owner’s holding costs and tying up land that is otherwise planned for urban development. This can put pressure on cities to expand their UGBs onto rural EFU lands when existing farmland inside the UGB is withheld from development.

## 2.128 FARM HOMESITES

**Oregon Statute:** 308A.253

**Sunset Date:** None

**Year Enacted:** 1987

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.1 billion

	Loss	Shift
2021-23 Revenue Impact:	\$30,300,000	\$5,500,000
2023-25 Revenue Impact:	\$32,800,000	\$5,900,000

**DESCRIPTION:** A farm homesite being used in conjunction with specially assessed farmland has a special assessed property value. “Homesite” means land including all tangible improvements to the land under and adjacent to a dwelling and other structures, customarily provided in conjunction with the dwelling. It does not include the value of dwellings or structures built on the land.

Farm homesites in nonexclusive farm use (non-EFU) zones qualify for special assessment only if the farmland was operated as a part of a farm unit that produced more than one-half of the adjusted gross income of the owner or owners in the year prior to application and each subsequent year the special assessment is desired. Farm homesites in exclusive farm use zones are not subject to the aforementioned income requirements. Because of the non-EFU income requirements, few specially assessed homesites are in these areas.

The homesite specially assessed value is calculated as the average per acre real market value, as defined in ORS 308.205, for the contiguous bare farmland under the same ownership plus up to \$4,000 for land improvements. Land improvements would include a well and septic system necessary for a homesite. If disqualified, no additional tax is imposed unless the homesite is established as a nonfarm dwelling under ORS 215.236.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend the benefit of specially assessed farmland to farm homesites. See purpose for 2.127, Farmland.

**WHO BENEFITS:** For tax year 2021–22, 30 counties reported approximately 43,000 property tax accounts.

**EVALUATION:** *provided by the Department of Land Conservation and Development*

Extending special farm assessments to farm homesites reinforces the effects of special assessment for 2.127, Farmland.

## 2.129 HISTORIC PROPERTY

**Oregon Statute:** 358.505

**Sunset Date:** 06-30-2024 (application deadline)

**Year Enacted:** 1975

2021-22 Estimated Reduction in the Taxable Assessed Value: \$290 million

	Loss	Shift
2021-23 Revenue Impact:	\$8,600,000	\$4,400,000
2023-25 Revenue Impact:	\$5,500,000	\$2,800,000

NOTE: The revenue impact estimate includes the effect of the sunset.

**DESCRIPTION:** Historic properties can be specially assessed for 10 years. For qualifying properties, the assessed value cannot exceed the real market value at the time of application; increased value from improvements is exempt for 10 years. In the first year of the special assessment the assessed value is generally similar to the assessed value at the time of the application. Applications for special assessment must be reviewed by the State Historic Preservation Officer. Applicants must pay a fee and file a plan for proposed rehabilitation and maintenance. Legislation in 2022 (HB 4054) extended the sunset for applications to June 30, 2024.

Prior to the 2022 legislative changes, the assessed value of properties specially assessed under this statute was limited to the assessed value at the time of application, and the assessed value in the initial years of the special assessment was typically significantly lower the assessed value at the time of application.

Property is removed from this special assessment at the end of the 10-year period but can qualify for a second 10-year period if reapplication is approved and the local government (city, or county if not located in a city) does not prohibit it (by resolution). Approval of reapplication requires plans for significant investment in seismic upgrades, energy conservation, or disability access. Following the second 10-year period, the property can no longer qualify.

If, during a special assessment term, the historic property is disqualified, either at the owner's request or from failure to meet the requirements, the tax savings from having a low value must be repaid. The additional tax and interest are equal to the sum of the tax benefit received for each year of special assessment as historic property. In addition, a penalty of 15 percent of the back taxes and interest owed is levied upon the disqualified property owner. However, if the property is destroyed or substantially altered by acts of nature or other events for which the owner is not responsible, or transferred to a tax-exempt owner, or transferred to a new owner who expressly assents to and continues to implement the preservation plan in effect, no additional tax or penalty is charged.

Senate Bill 192, passed in 2009, made several changes to the historic property tax special assessment program including:

- Special assessment period reduced from 15 years to 10.
- As part of a submitted preservation plan, applicants must commit to expending ten percent of the property's real market value (at time of first year's special assessment) within the first five years of special assessment.

- Property owners must now submit progress reports concerning the original preservation plan to the State Historic Preservation Officer in the third, sixth, and ninth years of special assessment.
- The application fee was reduced from one-third of one percent of real market value to one-tenth of one percent of the assessed value of the property at time of application.
- Qualifying properties no longer must be open to public sight-seeing at least one day per year.
- Restricted tax benefits for converting historic property to condominium use.

PURPOSE:

To "...maintain, preserve and rehabilitate properties of Oregon historical significance..." (ORS 358.475).

WHO BENEFITS:

In the tax year beginning July 1, 2022 there were 16 new and 236 total historic properties participating in the program. Of the 16 new participating properties, 4 were located within Multnomah County. Participating properties are in almost every county in the state, but they are concentrated along the Interstate 5 corridor. Properties in Multnomah County represent most of the total assessed value of all participating properties.

EVALUATION:

*provided by the Oregon Parks and Recreation Department*

The substantial reduction in property taxes caused by Measures 5 and 50 in the 1990s reduced the incentive for taxpayers to participate in the program and overall program participation. Despite a mild resurgence of new projects during the 2004–2007 economic upswing, the average number of new projects was still less than half of the 140 participants-per-year average experienced during the program's heyday of the late 1980s and early 1990s.

Despite the reduction in benefits due to Measures 5 and 50, and to changes made in the 2009 Legislative Session, this program continues to provide an attractive incentive for historic building owners for those with sufficient means to meet the required, up-front investment threshold participation and in communities where rapidly rising property values do not negate the tax savings. Though the benefit has diminished over time, it still helps offset the high costs of restoring and maintaining some of Oregon's significant historic architecture as intended when created, particularly in commercial districts. The program's administrative burden, which had increased over its 43-year life, was minimally reduced as a result of some of the 2009 changes.

In terms of other ways to achieve the goals of this program, a direct grant program may be a good option for reaching low-income owners of residential and non-profit historic property who do not have the capacity to meet the initial spending threshold for the Special Assessment program. This kind of program would have a broader reach across geographic and socio-economic boundaries, focusing on basic repairs such as foundations and roofs, and helping prevent the displacement of long-time property owners in historic districts. This benefit would require new money, initially, which may be a challenge to secure.

Another incentive option is a state investment tax credit. A percentage of restoration costs (20–25 percent, in most states with such an incentive) is applied to the owner's state income tax. This benefit would be directly proportional to the owner's investment (which is not true with the current property tax deferment program), and the program would be easier to administer because it would not entail monitoring for

10 years. In addition, a state tax credit could be tailored to meet the state’s policy goals; e.g. percentages could be adjusted for work that creates affordable second-story housing, discourages displacement in gentrifying neighborhoods, encourages economic development in depressed neighborhoods, promotes clean energy, and so forth.

Oregon's program is the nation's oldest tax incentive for the preservation of historic property. The incentive attracts both commercial and residential participants. The benefit, originally enacted as an anti-demolition incentive for commercial buildings in urban areas, has been used to save hundreds of significant abandoned or economically underutilized historic properties and to revitalize whole areas in communities. Direct investment in rehabilitation, stabilization, or expansion of the work force in historic urban commercial areas, re-use of existing infrastructure, and stabilization or expansion of the existing tax base are all measurable benefits of the expenditure. Other benefits include the preservation of the tangible remnants of Oregon's history, the enhancement of Oregon's quality of life, and the economic development and tourism benefits.

The economic benefits of the program more than offset the costs to local government. Rehabilitation activity might have occurred without the incentive, but certainly not at the pace or extent that has been exhibited in the past. In Multnomah County, for example, the amount of property taxes saved by a specially assessed commercial building during its entire term is only about fifteen percent of the amount of rehabilitation expenditures (\$1.3 million on average), which has a substantial ripple effect in the local economy. The tax incentive is especially important for commercial projects, where the incentive is often critical to making projects feasible for business owners and developers.

## 2.130 WILDLIFE HABITAT

**Oregon Statute:** 308A.415

**Sunset Date:** None

**Year Enacted:** 2003

2021-22 Estimated Reduction in the Taxable Assessed Value: \$92 million

	Loss	Shift
2021-23 Revenue Impact:	\$2,000,000	\$300,000
2023-25 Revenue Impact:	\$2,400,000	\$400,000

**DESCRIPTION:** Owners of property that is clearly identifiable as containing significant wildlife habitat property or zoned as exclusive farm use, mixed farm and forest use, or forest use may apply to participate in a wildlife habitat conservation management plan. Application is made to the Department of Fish and Wildlife. By entering such a plan, the property owner receives the benefit of having the property valued as the farm or forest land special assessment without being required to meet all the farm or forest land special assessment qualifications. See 2.127, Farmland; 2.134, Western Private Forestland; or 2.135, Eastern Private Forestland, for information about these programs.

Wildlife habitat special assessment is only available in counties or cities that have requested to be in the program. Management plans must be developed in conjunction

with a cooperating agency such as the Department of Fish and Wildlife or the Oregon State University Extension Service. The plans must be approved by the Department of Fish and Wildlife. Once approved, the land is assessed at either the farm use or forestland value. If land becomes disqualified, an additional tax may be imposed.

Once property is assessed under wildlife habitat special assessment, the property may roll back into the original farm or forest use special assessment without penalty if certain conditions are met. Likewise, farm or forest use specially assessed property may roll into the wildlife habitat special assessment without penalty for leaving the farm or forest use.

**PURPOSE:** To encourage “the protection and preservation of wildlife resources ... by recognizing wildlife habitat conservation and management as a legitimate land use” (ORS 308A.403).

**WHO BENEFITS:** The direct beneficiaries are landowners who voluntarily enter into a Wildlife Habitat Conservation and Management Program (WHCMP) approved by the Department of Fish and Wildlife. Properties in 12 counties benefit from this special assessment.

**EVALUATION:** *provided by the Oregon Department of Fish and Wildlife*

In 2007, the department completed a staff survey evaluation of the program. In general, the department believes the program is protecting wildlife habitat as intended. In districts where the counties are participating, the districts unanimously felt that the Wildlife Habitat Conservation Management Program (WHCMP) is a positive program that helps assure landowner obligation to manage their properties with wildlife habitat protection, restoration, and enhancement as the main priority. The districts liked the coordination between the department and landowners, who believe the program makes significant improvements in their land management practices to benefit wildlife. Other benefits include creating more partnerships with local nonprofits, watershed councils, and soil and water conservation districts (SWCDs). Staff also identified a number of concerns with the program. For districts with counties that had opted out of the program, low participation was the main concern. For districts with participating counties, the lack of dedicated staff was the main issue. It represents an unfunded mandate that requires staff to redirect limited time away from other important priorities. The department may need to conduct a serious program evaluation to determine if future staff participation is appropriate. All of the high participation districts felt that the program was not meeting its potential due to the lack of staff primarily at the field level, but also at headquarters level. Some districts felt that for the program to function fully, it would need a dedicated district staff person. All of the high participation districts responded that they did not have time to adequately monitor the approved plans, recruit new landowners, or work with interested landowners to develop plans. One district identified that many landowners do not have the financial means to achieve optimal WHCMP goals. Therefore, the department approved plans that participants could implement, which was typically far short of what could be accomplished using outside funds. Other comments included inconsistency in enrollment requirements and vague conservation plans, especially older plans. There is currently no mechanism to update these plans. Some districts identified that some plan holders were not continuing promised maintenance.

The provisions for exemption were not fully extended to forestland until adoption of a 2001 legislative act. Before that time, a pilot program was established for agricultural land in Marion and Polk counties by a 1993 legislative act. The scope of the program was expanded to lands zoned for exclusive farm use or mixed farm and

forest use throughout the entire state by a 1997 act, but not made mandatory for the counties. The 2001 act also gave counties the option to affirmatively “opt out” of the program until January 2003. If counties did not opt out by that date, they are in the program. As of January 2003, 22 of the 36 counties had opted out of the program. The 2003 Legislature amended the statute so that cities and counties may request the department designate areas as eligible for wildlife habitat special assessment. In 2005-07, Washington County opted back into the program. Benton County also added some areas as eligible for wildlife habitat special assessment.

## 2.131 CONSERVATION EASEMENTS

**Oregon Statute:** 308A.456

**Sunset Date:** None

**Year Enacted:** 2007

2021-22 Estimated Reduction in the Taxable Assessed Value: \$31 million

	Loss	Shift
2021-23 Revenue Impact:	\$900,000	\$100,000
2023-25 Revenue Impact:	\$1,000,000	\$200,000

- DESCRIPTION:** Qualifying property owners can execute an easement on all or a portion of their property. The owner executes and records an easement on their property that exclusively commits that property for a designated conservation purpose. The easement is placed in the control of a qualifying public entity or other qualifying holder who is responsible for ensuring the property is managed consistent with the easement. Following certification to the county assessor, the property that is the subject of the easement is specially assessed depending on which special assessment it might qualify for, either as forestland (2.134, Western Private Forestland or 2.135, Eastern Private Forestland) or as farmland (2.130, Farmland).
- Failure to manage the land in accordance with the terms of the conservation easement can result in disqualification by the assessor. In the event of disqualification, an additional tax may be imposed.
- PURPOSE:** “...retaining or protecting natural, scenic, or open space values of real property, ensuring its availability for agricultural, forest, recreational, or open space use, protecting natural resources, maintaining or enhancing air or water quality, or preserving the historical, architectural, archaeological, or cultural aspects of real property” (ORS 271.715).
- WHO BENEFITS:** Landowners who set aside land for conservation and those already enrolled in other special assessment programs who wish to transfer land to this program without penalty. Counties reported that nearly 300 property tax accounts in 14 counties received this special assessment in tax year 2021-22.
- EVALUATION:** *provided by the Oregon Department of Fish and Wildlife*
- This program offers another advantage to holding land in conservation easements for landowners as they can get special assessments as farm or forest land and the accompanying tax benefits. As such, wildlife and fish benefit from the existence of more habitat on these private lands. The people of Oregon and visitors enjoy the experience of hunting, fishing, and viewing wildlife that is enhanced through the



existence of more lands set aside for conservation. In areas where habitat is degraded, nearby conservation lands can be critical in maintaining species integrity.

## 2.132 OPEN SPACE LAND

**Oregon Statute:** 308A.315

**Sunset Date:** None

**Year Enacted:** 1971

2021-22 Estimated Reduction in the Taxable Assessed Value: \$58 million

	Loss	Shift
2021-23 Revenue Impact:	\$1,500,000	\$300,000
2023-25 Revenue Impact:	\$1,700,000	\$300,000

**DESCRIPTION:**

Open space land is specially assessed for property tax as though its current highest and best use is open space use rather than an alternative use. While the land benefits from the special assessment, improvements on open space land do not receive the special assessment and are valued normally.

Open space land is any land designated as open space in an official comprehensive land use plan or any land that, if preserved in its present use, would accomplish one of the following:

- Conserve and enhance natural or scenic resources
- Protect air, streams, or water supply
- Promote conservation of soils, wetlands, beaches, or tidal marshes
- Conserve landscaped areas, such as golf courses
- Enhance the value of neighboring parks, forests, wildlife preserves, or other open space
- Enhance recreation opportunities
- Preserve historic sites
- Promote orderly urban or suburban development
- Retain land in its natural state under conditions required by the legislative body granting the open space classification.

Open space land may be changed from one open space use to another without paying the additional tax. However, if land is withdrawn from open space classification, any tax benefits received from open space classification in previous years must be paid back plus 8 percent annual interest. The amount of the payback is based on the difference between the assessed value in an alternative use and open space value in the year of withdrawal and each year the land was specially assessed.

**PURPOSE:**

“The Legislative Assembly declares that it is in the best interest of this state to maintain, preserve, conserve and otherwise continue in existence adequate open space lands and their vegetation to assure continued public health by counteracting pollutants and to assure the use and enjoyment of natural resources and scenic beauty for the economic and social well-being of this state and its people. The Legislative Assembly further declares that it is in the public interest to prevent the forced

conversion of open space lands to more intensive uses as the result of economic pressures caused by the assessment of those lands for purposes of property taxation at values incompatible with their preservation as open space lands, that assessment practices must be designed to permit the continued availability of open space lands for these purposes and that it is the intent of ORS 308A.300 to 308A.330 to so provide.” (ORS 308A.303).

**WHO BENEFITS:** County assessors reported approximately 400 properties in 18 counties benefitted from this tax expenditure in tax year 2021-22.

**EVALUATION:** *provided by the Oregon Parks and Recreation Department*

This exemption appears to achieve its stated purpose by encouraging the preservation of open space and park land. Little information or resources exist to allow an in-depth quantitative evaluation of this program, but as a matter of public policy, it contributes to Oregon’s quality of life and helps meet the needs of Oregon’s growing population for open spaces, greenways, natural settings, and recreational facilities. In addition, the ecosystem services provided by open space in terms of flood protection, water filtration, groundwater recharge, carbon sequestration, protection of biodiversity, air quality enhancement, recreation opportunities and other services essential to the health and well-being of society represent a significant economic and social benefit to Oregonians. Many of these services are particularly important as Oregonians adapt to impacts of climate change. Similarly, the social and recreation benefits during the global COVID-19 pandemic, which allow Oregonians a diversity of opportunities to safely experience nature and outdoor activities unavailable in more developed urban and suburban areas, is significant. Finally, the program leverages public investment by encouraging land protection and management in partnership with nongovernment entities that also contribute to the public good.

### 2.133 FOREST HOMESITES

**Oregon Statute:** 308A.253

**Sunset Date:** None

**Year Enacted:** 1989

2021-22 Estimated Reduction in the Taxable Assessed Value: \$410 million

	Loss	Shift
2021-23 Revenue Impact:	\$9,500,000	\$1,500,000
2023-25 Revenue Impact:	\$10,200,000	\$1,600,000

**DESCRIPTION:** A forest homesite used in conjunction with specially assessed forestland or highest and best use forestland may have a specially assessed property value. The homesites are adjacent to forestland under the same ownership, most of which is participating in one of the following special assessments: 2.134, Western Private Forestland, 2.135 Eastern Private Forestland, or 2.136 Small Tract Forestland Option. “Homesite” means land including all tangible improvements to the land under and adjacent to a dwelling and other structures, customarily provided in conjunction with the dwelling. It does not include the value of the home built on the land which is assessed the same as any other house.

A forest homesite used in conjunction with growing and harvesting trees must be on a parcel of more than 10 acres of highest and best use or designated forestland. The

homesite specially assessed value is the value of one acre, calculated as the average real market value for all contiguous bare forestland (on a per acre basis) under the same ownership, plus up to \$4,000 for land improvements. Land improvements include a well and septic system necessary for a homesite.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage growing and harvesting trees on forestland.
- WHO BENEFITS:** For 2021–22, counties reported approximately 11,850 forest homesites.
- EVALUATION:** *provided by the Oregon Department of Forestry*  
Extending special forest assessments to forest homesites reinforces the effects of special assessments for forestland.

## 2.134 WESTERN PRIVATE FORESTLAND

**Oregon Statute:** 321.354

**Sunset Date:** None

**Year Enacted:** 1977

2021-22 Estimated Reduction in the Taxable Assessed Value: \$5.2 billion

	Loss	Shift
2021-23 Revenue Impact:	\$119,000,000	\$21,300,000
2023-25 Revenue Impact:	\$130,000,000	\$23,300,000

**DESCRIPTION:** Forestland is considered either: 1) highest and best use forestland or 2) designated forestland which is specially assessed. Value is determined for these specially assessed properties by the potential of the land to grow timber. Each acre of land is assigned one of eight productivity classes based on the rate of growth of standing timber or the potential to grow timber. Western Oregon includes Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill counties.

Counties identify the highest and best use forestland within their county. Highest and best use forestland is defined as land whose best, most economically productive use is to grow timber and other forest products. For these lands, the special assessment value equals the real market value. Therefore, there is no tax expenditure associated with them.

Designated forestland properties have a highest and best use as something other than forest use but are valued as if the land’s highest and best use was forestland. The owners of these properties have applied to the county for special designation as forestland. The application contains a signed statement that the owner intends to use this property for the primary purpose of growing and harvesting trees. Lands that do not continue to meet the requirements of this program will be disqualified and be required to repay up to five years’ worth of tax based on the difference between the tax calculated at the property’s specially assessed value and what would have been calculated using the property’s highest and best use value.

Small forestland owners (those who own 10 to 4,999 acres of forestland) have the option of participating in the program described in 2.136, Small Tract Forestland Option.

- PURPOSE:** According to ORS 321.262, the stated purposes of this expenditure are encouraging the growing and harvesting of timber, promoting the continuous production of forest products from private forestlands, and encouraging forestry and the restocking of forestlands to provide present and future benefits by enhancing the water supply, preventing erosion, providing habitat for wildlife, providing scenic and recreational opportunities, and providing for needed products.
- WHO BENEFITS:** Owners of designated forestland property. There are approximately 2.6 million acres of designated private forestland (specially assessed) in Western Oregon.
- EVALUATION:** *provided by the Oregon Department of Forestry*
- The program encourages retention of forestland for forest use. Owners must meet stocking standards of the Forest Practices Act or have a management plan to meet requirements. Owners pay assessment based on 100 percent of the value of land as forestland, so no severance tax is due at harvest.
- Forestland owners delay timber harvests for an indeterminate period. During this period, noncommercial values that accrue to the public are maintained and increased, notably wildlife habitat, clean air, clean water, carbon sequestration, visual quality, etc.

## 2.135 EASTERN PRIVATE FORESTLAND

**Oregon Statute:** 321.833

**Sunset Date:** None

**Year Enacted:** 1971

2021-22 Estimated Reduction in the Taxable Assessed Value: \$710 million

	Loss	Shift
2021-23 Revenue Impact:	\$16,500,000	\$1,500,000
2023-25 Revenue Impact:	\$17,700,000	\$1,600,000

- DESCRIPTION:** Forestland is considered either: 1) highest and best use forestland or 2) designated forestland which is specially assessed. Value is determined for these specially assessed properties by the potential of the land to grow timber. Each acre of land in the state is assigned one of eight productivity classes based on the rate of growth of standing timber or the potential to grow timber; by statute forestland in eastern Oregon is assigned the lowest productivity class. Eastern Oregon includes: Baker, Crook, Deschutes, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, Wasco, and Wheeler counties.
- Counties identify the highest and best use forestland within their county. Highest and best use forestland is defined as land whose best, most economically productive use is to grow timber and other forest products. For these lands, the special assessment value equals the real market value. Therefore, there is no tax expenditure associated with them.
- Designated forestland properties have a highest and best use as something other than forest use but are valued as if the land’s highest and best use was forestland. The owners of these properties have applied to the county for special designation as forestland. The application contains a signed statement that the owner intends to use this property for the primary purpose of growing and harvesting trees. Lands that do

not continue to meet the requirements of this program will be disqualified and be required to repay up to five years worth of tax based on the difference between the tax calculated at the property’s specially assessed value and what would have been calculated using the property’s highest and best use value.

Small forestland owners (those who own 10 to 4,999 acres of forestland) have the option of participating in the program described in 2.136, Small Tract Forestland Option.

**PURPOSE:** According to ORS 321.262, the stated purposes of this expenditure are encouraging the growing and harvesting of timber, promoting the continuous production of forest products from private forestlands, and encouraging forestry and the restocking of forestlands to provide present and future benefits by enhancing the water supply, preventing erosion, providing habitat for wildlife, providing scenic and recreational opportunities, and providing for needed products.

**WHO BENEFITS:** Owners of designated forestland property. There are approximately 1.2 million acres of designated private forestland (specially assessed) in Eastern Oregon.

**EVALUATION:** *provided by the Oregon Department of Forestry*

The program encourages retention of forestland for forest use. Owners must meet stocking standards of the Forest Practices Act or have a management plan to meet requirements. Owners pay assessments based on 100 percent of the value of land as forestland, so no severance tax is due at harvest.

Forestland owners delay timber harvests for an indeterminate period. During this period, noncommercial values, which accrue to the public, are maintained and increased, notably wildlife habitat, clean air, clean water, carbon sequestration, visual quality, etc.

## 2.136 SMALL TRACT FORESTLAND OPTION

**Oregon Statute:** 321.722

**Sunset Date:** None

**Year Enacted:** 2003

2021-22 Estimated Reduction in the Taxable Assessed Value: \$1.2 billion

	Loss	Shift
2021-23 Revenue Impact:	\$27,300,000	\$4,500,000
2023-25 Revenue Impact:	\$29,500,000	\$4,900,000

**DESCRIPTION:** Owners of 10 to 4,999 acres of Oregon forestland are provided the option of:

- Having their land specially assessed under 2.134, Western Private Forestland, or 2.135, Eastern Private Forestland, or
- Participating in the Small Tract Forestland Program. Under this program, forestland receives a specially assessed value equal to 20 percent of the specially assessed forestland value that designated forestland receives. When the timber is harvested, participants pay a severance tax.

This expenditure relates to the special assessment of the Small Tract Forestland Program.

- PURPOSE:** “The Legislative Assembly declares the purposes of the small tract forestland tax option program established under ORS 321.700 to 321.754 are to:
- (a) Impose property taxes on forestland values that are annually determined and adjusted as described in ORS 321.201 to 321.222 and then specially assessed; and
  - (b) Impose a severance tax on the harvesting of timber from small tract forestland in order to:
    - (A) Recognize the long-term nature of the forest crop and foster the public policy of this state to encourage the growing and harvesting of timber;
    - (B) Protect the public welfare by ensuring that the citizens of this state and future generations will have the benefits to be derived from the continuous production of forest products from privately held small tract forestland;
    - (C) Promote the public policy of this state to encourage forestry and the restocking of forestlands in order to provide present and future benefits, including but not limited to water supply enhancement, erosion prevention, wildlife habitat, scenic and recreational opportunities and needed forest products;
    - (D) Produce revenues for local taxing districts;
    - (E) Match the incidence of taxation with the realization of the economic benefits of harvest; and
    - (F) Encourage the establishment of new forests on denuded, nonstocked or underproducing forestland” (ORS 321.703).
- WHO BENEFITS:** Owners of small tracts of timberland who select this optional tax treatment. In 2021–22 there were approximately 620,000 acres assessed as small tract forestland and roughly 13,000 accounts.
- IN LIEU:** Participants in the Small Tract Forestland Program are subject to a severance tax paid when timber is harvested from the subject forestland. The tax raised approximately \$2 million in the 2019-21 biennium. The severance tax is designed to partially offset the expenditure impact caused by valuing the forestland at 20 percent of specially assessed forestland value. The severance tax rates are indexed annually in proportion to annual changes in small tract forestland assessed value. Revenues from the severance tax are distributed to the State School Fund, county General Funds, and the Community College Support Fund. Revenues are also used to reimburse the state’s General Fund for expenses incurred in the collection of small tract forestland taxes.
- EVALUATION:** *provided by the Oregon Department of Forestry*
- Similar to a predecessor land and privilege tax system, under the current approach, land is assessed at 20 percent of its specially assessed value as forestland, and the remainder of the tax is collected at harvest when the landowner has cash flow. The severance tax differs from the old privilege tax in that it is based on volume harvested not the value of the trees.
- According to the Department of Revenue, the primary purpose of the Small Tract Forestland Program (STF) is to provide a cash flow protection mechanism for small woodland owners who are unable to manage their harvest rotation to match the cash flow between tax payments and harvest receipts on specially assessed forestland. Sixty percent of the STF program participants in Eastern Oregon individually own less than 100 acres. If this majority of program participants were not in this program they would pay approximately \$.38 more per acre per year in property tax and they

would owe no severance tax at the point in which they harvested their timber. Based on the high percentage of small acreage accounts participating, and the subsequent low tax burden, the program appears to be used by a significant number of forestland owners for whom cash flow is not an issue. For the small acreage accounts, this tax expenditure does not meet its stated purpose.

The costs of this program, driven by the program requirements, is high relative to the population served consistent with the program purpose. Data of eligible taxpayers electing to use this program indicate that the program requirements could be greatly reduced and more narrowly targeted to meet just the needs of the target population. There are substantial administrative expenses for this program relative to the revenue generated by the severance tax.

## 2.137 WATERCRAFT LOCALLY ASSESSED

**Oregon Statute:** 308.256

**Sunset Date:** None

**Year Enacted:** 1925

2021-22 Estimated Reduction in the Taxable Assessed Value: \$177 million

	Loss	Shift
2021-23 Revenue Impact:	\$5,000,000	\$1,100,000
2023-25 Revenue Impact:	\$5,000,000	\$1,100,000

**DESCRIPTION:**

Oregon statute provides special property tax treatment to a variety of types of watercraft. This tax expenditure includes multiple types of watercraft and ownership situations.

With a few exceptions, watercraft are fully exempt from property taxation if the watercraft are customarily engaged in the transportation of persons or property entirely outside of Oregon.

Additionally, watercraft under construction or undergoing major remodeling are exempt from property tax. Major remodeling exists if the cost exceeds 10 percent of the value of the watercraft before remodeling.

For Oregon-based private commercial watercraft not involved in transporting people or goods for hire, ships and vessels are specially assessed for property tax by county assessors in the following manner:

- Ships and vessels used on inland waters are specially assessed at 40 percent of assessed value.
- Ships and vessels used on the high seas or between the high seas and inland ports (coastal fishing boats, for example) are specially assessed at 4 percent of assessed value. Offshore self-propelled oil drilling rigs are also specially assessed at 4 percent.

Some types of commercial watercraft are not exempt and are taxed at 100 percent of assessed value. These watercraft include dredges, museum ships, restaurant ships, and any vessel used for deep-sea fish reduction or processing (but not canning). Noncommercial watercraft are included in 2.063, Small Watercraft.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to Oregon’s commercial fishing industry.
- WHO BENEFITS:** In 2021, the Oregon Department of Fish and Wildlife issued 975 resident and 465 non-resident commercial fishing boat licenses.
- EVALUATION:** *provided by the Oregon Department of Fish and Wildlife*  
This expenditure has achieved its purpose, although the exact proportion of fish landed outside Oregon waters is unknown. Many fishing vessels operate in distant water fisheries, but return to Oregon in the off-season.



## 2.138 DESTROYED OR DAMAGED PROPERTY

**Oregon Statutes:** 308.146 and 308.425

**Sunset Date:** None

**Year Enacted:** 1971

2020-21 Estimated Reduction in the Taxable Assessed Value: \$210 million

	Loss	Shift
2021-23 Revenue Impact:	\$3,200,000	\$800,000
2023-25 Revenue Impact:	\$1,600,000	\$400,000

**DESCRIPTION:** Taxable property that is destroyed or damaged is eligible for special tax treatment in the current tax year and a different assessment date for the next tax year. For the current tax year the property tax is prorated based on a reduced value after the assessment date. If the property is damaged or destroyed between the normal assessment date and the beginning of the tax year, then a different assessment date can be used for the following tax year.

If property is destroyed or damaged by fire or an act of God, then under ORS 308.425 the property tax for the current tax year is prorated on a monthly basis. Generally, the property owner must apply to receive the proration and tax relief cannot be granted for a property when the person seeking relief is convicted of arson for the same property. Application for proration under this provision must be made within 60 days after the property is damaged or destroyed, or by the end of the tax year, whichever is later. Legislation in 2021 (HB 2341) allows county tax collectors to provide this relief to any properties affected by any declared disasters without the taxpayer having to apply.

If the property is destroyed or damaged, the tax is 1/12 of the total tax for each month before damage plus a percentage of the monthly tax for each month in the tax year that the property remains destroyed or damaged. The percentage used is the ratio of the value after damage to the value before damage.

Under ORS 308.146, if property is destroyed or damaged between January 1 through June 30 by fire or an act of God, the owner may apply to have the property assessed for the next tax year on the value of the property as of July 1. Normally, property is assessed on the value as of January 1. Taxpayers claiming this must file with the assessor before the later of August 1 of the current year, or 60 days after the property was damaged or destroyed. Taxpayer seeking this special assessment can file late but still within the same assessment year, though a fee is required.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide tax relief to those with a total or partial loss of use of the property due to fire or natural causes.

**WHO BENEFITS:** Property owners whose property is destroyed or damaged by fire or natural causes during the tax year.

**EVALUATION:** Not evaluated.



## CHAPTER 3. GASOLINE, USE, AND JET FUEL TAXES

Fuels used in motor vehicles (gasoline and use fuels) and airplanes (aviation gasoline and jet fuel) are taxed in Oregon. Use fuels are fuels other than gasoline or jet fuel used in motor vehicles, such as diesel, propane, and natural gas. Gasoline, use, and jet fuel taxes are among the transportation taxes in Oregon, in addition to the weight-mile tax (see Chapter 4), vehicle use tax (see Chapter 17) and others. In general, ongoing vehicle operation is subject to either fuel taxes or the weight-mile tax, but not both. Total revenue from the gasoline, use, and jet fuel taxes, accounted for by the Oregon Department of Transportation (ODOT) is forecast to be \$1.32 billion in the 2021–2023 biennium and \$1.38 billion in the 2023–25 biennium.

Most of this tax revenue is dedicated to the construction and maintenance of roads in Oregon. Aviation gasoline and jet fuel tax revenue is used to fund aviation programs.

### Gasoline Tax

In 1919, Oregon became the first state to institute a user tax on gasoline. Effective January 1, 2022, the state of Oregon and the federal government impose taxes of 38 cents and 18.4 cents per gallon respectively, for a total tax rate of 56.4 cents per gallon. During the 2017 Session the Legislature passed HB 2017, increasing the state tax rate to 34 cents per gallon and establishing three additional two cent increases in 2020, 2022, and 2024 if certain conditions are met. The Department met the first and second sets of conditions triggering a two-cent increase in January 2020 and another two-cent increase in 2022. The Department is on track to meet the conditions to trigger the next increase. In addition to the state and federal taxes, two Oregon counties and a number of cities also assess local gasoline taxes, ranging from 1 to 10 cents per gallon. Oregon administers tax collection for 17 cities and two counties, while the gasoline taxes imposed by ten cities are administered by the local government. The state tax is paid to ODOT by the approximately 164 licensed wholesale fuel dealers in the state. The tax is then passed on to the consumer in the price paid at the pump. Depending on the use of the fuel, these taxes may be refunded to the consumer (see refunds section below for more information).

### Use Fuel Tax

In 1943, Oregon imposed a tax on fuels other than gasoline used in motor vehicles. Diesel is the primary fuel, but other fuels used in motor vehicles such as biodiesel, propane, and natural gas are also taxed. At the time of publication, the state of Oregon and the federal government imposes taxes of 38 cents and 24.4 cents per gallon, respectively, on diesel and biodiesel for a total tax rate of 62.4 cents per gallon. As with gasoline, HB 2017 increased the rate to 34 cents per gallon and included the same three two-cent conditional increases. There are approximately 600 licensed retailers in the state who submit payments to ODOT for taxes collected from consumers of use fuels. In addition, there are another 1,000 users operating more than 3,700 vehicles that have obtained ODOT Use Fuel user licenses and pay the tax directly to the state rather than paying at the pump. The use fuel tax does not apply to trucks subject to weight-mile taxes. Some consumers of use fuels are exempted from the use fuel tax and may claim refunds for the tax paid. See refunds discussion below.

### Gasoline and Other Fuel Tax Refunds

The state gasoline and use fuel taxes are intended to assess users of public roadways for a fair share of the related construction and maintenance costs for roads. State law allows an exception from these taxes in cases where the user does not benefit from the facilities or services funded by the imposed tax, or where an alternate method of payment has been established in lieu of the tax. Examples include gasoline used in or for: cleaning or dyeing, power take-off equipment, stationary gasoline engines, uses that do not propel vehicles on public highways, or gasoline or other fuels used on private property. Refunds may be claimed for taxes paid on gasoline or other fuels used in these ways. In some cases, consumers of gasoline or other fuels for highway transportation use may claim refunds when specifically allowed in statute. These highway use refunds are considered tax expenditures and are described in the following pages. Additional information about refunds is available from ODOT at [www.oregon.gov/ODOT/CS/FTG/Pages/ftf.aspx](http://www.oregon.gov/ODOT/CS/FTG/Pages/ftf.aspx).

## **Aviation Fuel Tax**

This tax is assessed in the same manner as the gasoline tax. The current rate is eleven cents per gallon, last increased two cents during the 2015 Legislative Session. A lower rate of three cents per gallon applies to jet fuel. As with the aviation fuel tax, this rate was increased two cents per gallon during the 2015 Legislative Session. When consumers purchase gasoline for use as aircraft fuel, they may be required to pay the full Oregon gasoline tax rate of 38 cents per gallon at the time of purchase. In such cases, statute allows consumers to claim a refund of the extra 27 cents per gallon of tax paid.

**3.001 FOREST PRODUCTS: GASOLINE****Oregon Statute:** 319.320(1)(b) and (d)**Sunset Date:** None**Year Enacted:** 1945

	Total
2021-23 Revenue Impact:	\$0
2023-25 Revenue Impact:	\$0

**DESCRIPTION:** A refund is allowed for tax paid on gasoline when used for the removal of forest products on certain public roads or for construction or maintenance of the roads used for such forest products removal. Only roads that are not state highways or city streets or are county roads approved by the county may be considered when calculating the fuel tax eligible for refund. An agreement with the Oregon Board of Forestry, the State Forester, the county, or an agency of the United States must authorize the use of the road. To qualify for refunds of tax on fuels used for county road use, the user is required to have the same authorization to use the road as above and is required to pay for construction or maintenance of the county road.

In some cases, construction of a specific roadway is necessary for the removal of forest products. This provision allows counties to contract with the users of a roadway for the maintenance and improvement of that specific section of roadway.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose for this expenditure is that, in most cases, the fuel and weight-mile taxes pay for the general use of the transportation system where tracking user damage to identifiable areas is difficult. In this case, however, the section of roadway over which heavy loads are moved is easily identified, and cost to the user can be more directly allocated to a specific section of roadway.

**WHO BENEFITS:** This provision does not appear to have been used in over 10 years. Potential beneficiaries include businesses that transport forest products to the extent that any required road maintenance costs are surpassed by the amount of refunds.

**EVALUATION:** *provided by the Oregon Department of Transportation*

This expenditure is ineffective in achieving its purpose as the costs of construction or maintenance of a typical county road are higher than that of fuels taxes paid. Removal of forest products are typically performed on roads other than state highways, county roads, or city streets, and a tax refund is allowed for fuels used for this purpose under ORS 319.831(c). Two additional points are important for understanding why this exemption is not used. First, over time the equipment used to construct and maintain roads and to remove forest products have shifted to diesel as the motive power. Since the point of taxation of diesel is at the end use, this fuel can be purchased without having to pay the fuels tax. Second, the vehicles used to transport forest products will almost exclusively be subject to the weight-mile tax, which is the in lieu of tax for heavy vehicles.

Furthermore, contacts with the public works department of counties with major timber operations, the Forest Service, and timber industry representatives indicate that this provision is not well known.

### 3.002 FOREST PRODUCTS: OTHER THAN GASOLINE

**Oregon Statute:** 319.831(1)(c) and (g)

**Sunset Date:** None

**Year Enacted:** 1965

	Total
2021-23 Revenue Impact:	\$0
2023-25 Revenue Impact:	\$0

**DESCRIPTION:** A refund is allowed for tax paid on fuels other than gasoline (such as diesel) when used for the removal of forest products on certain public roads or for construction or maintenance of the roads used for such forest products removal. Only roads that are not state highways or city streets or are county roads approved by the county may be considered when calculating the fuel tax eligible for refund. An agreement with the Oregon Board of Forestry, the State Forester, the county, or an agency of the United States must authorize the use of the road. To qualify for refunds of tax on fuels used for county road use, the user is required to have the same authorization to use the road as above and is required to pay for construction or maintenance of the county road.

In some cases, construction of a specific roadway is necessary for the removal of forest products. This provision allows counties to contract with the users of a roadway for the maintenance and improvement of that specific section of roadway.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose for this expenditure is that, in most cases, the fuel and weight-mile taxes pay for the general use of the transportation system where tracking user damage to identifiable areas is difficult. In this case, however, the section of roadway over which heavy loads are moved is easily identified, and cost to the user can be more directly allocated to a specific section of roadway.

**WHO BENEFITS:** This provision does not appear to have been used in over 10 years. Potential beneficiaries include businesses that transport forest products to the extent that any required road maintenance costs are surpassed by the amount of refunds.

**EVALUATION:** *provided by the Oregon Department of Transportation*

This expenditure is ineffective in achieving its purpose as the costs of construction or maintenance of a typical county road are higher than that of fuels taxes paid. Removal of forest products are typically performed on roads other than state highways, county roads, or city streets, and a tax refund is allowed for fuels used for this purpose under ORS 319.831(c). Two additional points are important for understanding why this exemption is not used. First, over time the equipment used to construct and maintain roads and to remove forest products have shifted to diesel as the motive power. Since the point of taxation of diesel is at the end use, this fuel can be purchased without having to pay the fuels tax. Second, the vehicles used to transport forest products will almost exclusively be subject to the weight-mile tax, which is the in lieu of tax for heavy vehicles.

Furthermore, contacts with the public works department of counties with major timber operations, the Forest Service, and timber industry representatives indicate that this provision is not well known.

### 3.003 VEHICLE USED FOR TESTING EMISSIONS (GAS AND USE FUEL TAXES)

**Oregon Statute:** 825.475

**Sunset Date:** 12-31-2025

**Year Enacted:** 2015

	Total
2021-23 Revenue Impact:	\$0
2023-25 Revenue Impact:	\$0

**DESCRIPTION:** A person operating a vehicle for the purpose of emission research and development is exempt from the fuel taxes for that use. To qualify for the exemption the person operating the vehicle must not be operating the vehicle as a for-hire carrier and the US Environmental Protection Agency must have provided an exemption with federal requirements for the same testing being conducted.

Currently the only vehicles performing qualifying emissions testing are heavy trucks. These vehicles would not be subject to the fuel tax and would instead be subject to the weight-mile tax. See 4.003, Vehicle Used for Testing Emissions (Weight-Mile Tax) for the same exemption for vehicles performing emissions testing applying to the weight-mile tax.

Legislation in 2019 (HB 2164) set a sunset date of December 31, 2025 for this provision.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing work being done in order to test for compliance with state and federal laws.

**WHO BENEFITS:** Owners of motor vehicles being used to do emissions research and development.

**EVALUATION:** *provided by the Oregon Department of Transportation*

The exemption from Gas and Use Fuel taxes for vehicles being used to test emissions is currently not being used by any light vehicles normally subject to this tax. The vehicles used for testing emissions are heavy trucks only, which are covered by 4.003, Vehicle Used for Testing Emissions (Weight-Mile Tax).

### 3.004 FUEL FOR AIRCRAFT DEPARTING U.S.

**Oregon Statute:** 319.330(2)

**Sunset Date:** None

**Year Enacted:** 1959

	Total
2021-23 Revenue Impact:	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000

**DESCRIPTION:** A refund is allowed for tax paid on fuel used by international air carriers. Refund requests are presented to the Oregon Department of Transportation for tax collected on aircraft fuel used solely for aircraft operations from a point within the state of Oregon directly to a point not within any state of the United States.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote international airline travel to and from Oregon, and to make it financially attractive for airlines with international flights to operate from Oregon airports.

**WHO BENEFITS:** According to the Oregon Department of Transportation, few taxpayers use this provision.

**EVALUATION:** Not evaluated.

### 3.005 PUBLIC SERVICES

**Oregon Statutes:** 319.831(1)(d-f), (h-k)

**Sunset Date:** None

**Year Enacted:** 1961

Total	
2021-23 Revenue Impact:	\$11,400,000
2023-25 Revenue Impact:	\$11,700,000

**DESCRIPTION:** A refund is allowed for any tax paid on fuels other than gasoline when the fuels are used in the performance of a public service. State agencies, counties, incorporated cities and towns, rural fire protection districts, road assessment districts, and special districts (as defined in ORS 198) are allowed refunds for any use. Agencies of the United States are exempt under federal law. School and education service districts or their contractors may also claim refunds for fuels used in transporting students.

Vehicles exempt under this tax expenditure are not also exempt under the weight-mile tax expenditures 4.004, Elementary and Secondary School Vehicles or 4.006, Government Owned or Operated Vehicles. Vehicles are subject to either the fuels tax or the weight-mile tax, but not both.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to avoid use fuel taxation among public entities and to avoid taxing public services that are funded through the tax.

**WHO BENEFITS:** Beneficiaries include state government, over 240 incorporated cities and towns, 36 counties, almost 200 school districts, 19 educational service districts, approximately 195 rural fire protection districts, and various other local districts and federal agencies.

**EVALUATION:** *provided by the Oregon Department of Transportation*

This expenditure achieves its purpose. Cities, counties, and the State use diesel fuel substantially in conjunction with the construction and maintenance of roads. Revenues generated through the tax on such fuels are dedicated for this purpose and this provision reduces the processing of funds before returning them to public agencies to be used for this purpose. This is an effective continuation of established policies that avoid reciprocal taxation among public entities.



**3.006 PUBLIC TRANSPORTATION****Oregon Statutes:** 267.200 and 267.570(2)**Sunset Date:** None**Year Enacted:** 1969

	Total
2021-23 Revenue Impact:	\$600,000
2023-25 Revenue Impact:	\$600,000

<b>DESCRIPTION:</b>	<p>A refund is allowed for any tax paid on fuels other than gasoline when used in the operation of mass transit and transportation districts. Transit and transportation districts are treated the same as municipalities for purposes of claiming this exemption.</p> <p>Vehicles exempt under this tax expenditure are not also exempt under the weight-mile tax expenditure, 4.007, Public Mass Transit Vehicles. Vehicles are subject to either the fuels tax or the weight-mile tax but not both.</p>
<b>PURPOSE:</b>	The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to lower the cost of providing public transportation services.
<b>WHO BENEFITS:</b>	Three mass transit districts, seven transportation districts, and one county service district in the state provide public transportation service.
<b>EVALUATION:</b>	<p><i>provided by the Oregon Department of Transportation</i></p> <p>This expenditure achieves its purpose. Without this exemption, fares could be higher, which would decrease ridership, particularly by those from lower income groups and/or those with limited mobility.</p>



## CHAPTER 4. WEIGHT-MILE TAX

The weight-mile tax is one of the taxes that provide for the maintenance, operation, construction, and reconstruction of public highways in Oregon. Other taxes for that purpose include fuel taxes (see Chapter 3) and the vehicle use tax (see Chapter 17). In general, ongoing vehicle operation is subject to either fuel taxes or the weight-mile tax, but not both. Heavy vehicles that are generally subject to the weight-mile tax are not subject to the use fuel tax. Revenue from the weight-mile tax is forecast to be \$922.9 million in the 2021–23 biennium and \$975.7 million in the 2023–25 biennium. This tax revenue is dedicated to the construction and maintenance of roads in Oregon.

This tax is imposed on heavy vehicles according to a combination of the number of axles and/or combined weight of the vehicle and the number of miles driven. Studies show that, although fuel consumption increases with vehicle size and weight, it does not increase proportionately with cost responsibility. Above 26,000 pounds registered weight, the overall weight and axle loads become important factors in determining requirements for the strength of pavements, bridges, and other structures. Therefore, a diesel fuel tax would not be an accurate measure of cost responsibility for heavy vehicles.

The tax rate schedule changes as the weight of the vehicle increases from 26,001 pounds to 105,500 pounds, and as the number of axles increases. Within each weight or axle group, a truck pays the stated amount multiplied by the number of miles the truck travels each year on Oregon public roads. The weight-mile tax schedules are based on results of cost responsibility studies that determine the fair share that heavy vehicles should pay for the maintenance, operation, and improvement of the state's highway system.

The tax rates consist of separate schedules for vehicles with declared weights between 26,001 and 80,000 pounds (Tax Table A) and those operated under special permit with registered weights between 80,001 and 105,500 pounds (Tax Table B). The tax tables and additional information are posted at <https://www.oregon.gov/odot/MCT/Pages/FormsandTables.aspx>.

Since 1947, the weight-mile tax schedules have been adjusted as the result of updated cost responsibility studies and revenue measures passed by the Legislature. The Office of Economic Analysis is responsible for producing the Highway Cost Allocation Study each biennium. The most recent edition of this study is available at <https://www.oregon.gov/das/OEA/Pages/hcas.aspx>.

## 4.001 FARMING OPERATIONS

**Oregon Statutes:** 825.017(4) and 825.024

**Sunset Date:** None

**Year Enacted:** 1983

	Total
2021-23 Revenue Impact:	\$23,800,000
2023-25 Revenue Impact:	\$23,800,000

**DESCRIPTION:** Vehicles used in conjunction with farming operations are exempt from the payment of weight-mile taxes if they meet certain conditions. This includes implements of husbandry and farm-related equipment as referenced in the two Oregon statutes cited.

Implements of husbandry are those vehicles and trailers used exclusively in agricultural operations. The definition for farm related equipment is more inclusive and identifies uses incidental to farming operations such as transportation of supplies and equipment, as well as the personal use of vehicles by the farmer and the farmer’s family or employees.

Vehicles registered as farm equipment are used primarily off the road system, and in most cases, the transportation of such vehicles on the road is incidental to their use. Over 60 percent of the vehicles operated in conjunction with farming weigh fewer than 26,000 pounds and are not subject to weight-mile taxation. This provision applies only to those farm vehicles that exceed 26,000 pounds.

It should be noted that farm vehicles are subject to fuel taxes unless they are operated off the road system, in which case a refund is allowed under ORS 319.320(3). Because farm vehicles over 26,000 pounds pay fuel tax, they are not subject to weight-mile tax.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to relieve farmers of the recordkeeping necessary to comply with the weight-mile tax and to recognize the partial or seasonal use of the transportation system by these users.

**WHO BENEFITS:** Per information from the U.S. Department of Agriculture and the ODOT Driver and Motor Vehicle Services Division, there were approximately 37,100 farming operations in the state and about 17,000 registered farm vehicles in 2021.

**EVALUATION:** *provided by the Oregon Department of Transportation*

This expenditure appears to achieve its purpose. However, the benefit per farm is very small and probably does not provide a competitive edge for farming in Oregon. Of course, larger farming operations benefit according to the amount of equipment in operation.

## 4.002 FOREST PRODUCTS ON COUNTY ROADS

**Oregon Statute:** 825.017(8)

**Sunset Date:** None

**Year Enacted:** 1977

Total	
2021-23 Revenue Impact:	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000

**DESCRIPTION:** Vehicles used for the removal of forest products on a public road are exempt from the payment of weight-mile taxes. An agreement with the Oregon Board of Forestry, the State Forester, or an agency of the United States must authorize the use of the road and require the user to pay for or perform the construction or maintenance of the county road. In some cases, construction of a specific roadway is necessary for the removal of forest products. This provision allows counties to contract with the users of a roadway for the maintenance and improvement of the specific section of roadway used.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the rationale for this expenditure is that, in most cases, fuels and weight-mile taxes pay for the general use of the transportation system where tracking user damage to identifiable areas is difficult. In this case, however, the section of roadway over which heavy loads are moved is easily identified, and the cost imposed by the user can be more directly allocated to a specific section of roadway.

**WHO BENEFITS:** Potential beneficiaries include businesses that transport forest products to the extent that any required road maintenance costs are surpassed by the amount exempt.

**EVALUATION:** *provided by the Oregon Department of Transportation*

This expenditure is ineffective in achieving its purpose as the costs of construction or maintenance of a typical county road would be higher than that of the weight-mile taxes paid.

Furthermore, contacts with the public works department of counties with major timber operations, the U.S. Forest Service, and timber industry representatives indicate that this provision is not well known.

## 4.003 VEHICLE USED FOR TESTING EMISSIONS (WEIGHT-MILE TAX)

**Oregon Statute:** 825.475

**Sunset Date:** 12-31-2025

**Year Enacted:** 2015

Total	
2021-23 Revenue Impact:	\$300,000
2023-25 Revenue Impact:	\$400,000

**DESCRIPTION:** A person operating a vehicle for the purpose of emission research and development is exempt from the weight-mile tax for that use. To qualify for the exemption the person must not be operating the vehicle as a for-hire carrier and the US Environmental Protection Agency must have provided an exemption with federal requirements for the same testing.

See 3.003, Vehicle Used for Testing Emissions (Gas and Use Fuel Taxes) for the same exemption applying to the fuel taxes.

Legislation in 2019 (HB 2164) set a sunset date of December 31, 2025 for this provision.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing work being done in order to test for compliance with state and federal laws.

**WHO BENEFITS:** Owners of motor vehicles being used to do emissions research and development.

**EVALUATION:** *provided by the Oregon Department of Transportation*

This tax expenditure provides a continuation of an exemption from fuel tax and weight mile tax that was granted by the Oregon Department of Environmental Quality (DEQ) to test new heavy truck technology. The current exemption granted by DEQ could not be continued and the Department of Justice determined that there was no mechanism that allowed ODOT to provide a similar tax exemption. The provisions in HB 2465 (2015) provide the statutory means to continue testing heavy vehicle emissions in Oregon without paying fuel tax or weight-mile tax. There are approximately 30 trucks in this testing program operating about 2.24 million miles in Oregon per year.

#### 4.004 ELEMENTARY AND SECONDARY SCHOOL VEHICLES

**Oregon Statute:** 825.017(1)

**Sunset Date:** None

**Year Enacted:** Pre-1953

	Total
2021-23 Revenue Impact:	\$6,700,000
2023-25 Revenue Impact:	\$6,700,000

**DESCRIPTION:** Vehicles used by, or under contract with, any elementary or secondary school district are exempt from the payment of weight-mile taxes when engaged exclusively in transporting students to or from school or authorized school activities or those activities sponsored by a public university.

Vehicles exempt under this tax expenditure are not also exempt under the fuels tax expenditure 3.005, Public Services. Vehicles are subject to either the fuels tax or the weight-mile tax but not both.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the rationale is that weight-mile taxation is generally applied to for-hire commercial vehicles. School buses are either owned by a school district or a contractor supplying services to a school district and are therefore not for-hire vehicles. This provision reduces the record keeping and audit cost of the refund application process.

**WHO BENEFITS:** There are about 200 school districts operating more than 1,200 elementary and secondary schools. This provision applies only to school buses that exceed 26,000 pounds, the threshold weight for the weight-mile tax. Approximately 45 percent of the miles traveled by school buses are in weight classes equal to or less than 26,000 pounds.

EVALUATION: *provided by the Oregon Department of Transportation*

This expenditure achieves its purpose. It reduces the cost of public education in Oregon by reducing the cost to school districts that would be necessitated by paying the weight-mile tax as well as complying with the record keeping and other compliance costs of the tax.

#### 4.005 FIRE PROTECTION

**Oregon Statute:** 825.017(16)

**Sunset Date:** None

**Year Enacted:** 1977

Total	
2021-23 Revenue Impact:	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000

DESCRIPTION: Fire trucks and rescue vehicles designated as emergency vehicles by the Department of Transportation are exempt from the weight-mile tax when involved in emergency and related operations. This exemption also applies to the vehicles being moved to or from the work area.

Many fire protection vehicles are owned by units of government and are exempt from weight-mile taxes under 4.006, Government Owned or Operated Vehicles, however this exemption also applies to privately owned fire protection vehicles.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to lower the cost of providing fire protection services normally provided through public services, and to station additional water supply trucks near logging operations when deemed necessary by forestry officials.

WHO BENEFITS: Nongovernment owners of fire protection vehicles. Few are using this exemption.

EVALUATION: *provided by the Oregon Department of Transportation*

This expenditure appears to achieve its purpose. These fire protection vehicles are very few in number and operate primarily off the highway system; they would not be subject to taxation, with the exception of the provision that allows movement to and from the work area. This provision is effective, as the cost associated with record keeping and weight-mile audit would likely exceed any revenue generated. This is a minimal investment in supporting activities to protect Oregon’s forest resources.

## 4.006 GOVERNMENT OWNED OR OPERATED VEHICLES

**Oregon Statute:** 825.017(10)

**Sunset Date:** None

**Year Enacted:** Pre-1953

	Total
2021-23 Revenue Impact:	\$2,400,000
2023-25 Revenue Impact:	\$2,400,000

**DESCRIPTION:** Vehicles being used in the performance of public services are exempt from weight-mile taxes. Exempt vehicles include those:

- Owned or operated by the United States, the state of Oregon, or any county, city, town, or municipality in this state, except when owned or operated as a carrier for-hire
- Involved in transportation of U.S. mail on rural or star routes by contract or employment by the U.S. Postal Service.

Vehicles exempt under this tax expenditure are not also exempt under the fuels tax expenditure 3.005, Public Services. Vehicles are subject to either the fuels tax or the weight-mile tax but not both.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid reciprocal taxation among public entities when the tax revenue would be used largely for the same purpose as the activity being taxed (road construction and maintenance). For federal vehicles, the purpose is to comply with the U.S. Constitution, which prohibits states from taxing the federal government.

**WHO BENEFITS:** Beneficiaries include federal and state government, 241 incorporated cities and towns, 36 counties, and the U.S. Postal Service.

**EVALUATION:** *provided by the Oregon Department of Transportation*

This expenditure achieves its purpose. Cities and counties, the major beneficiaries of this provision, operate equipment subject to this tax largely in conjunction with the construction and maintenance of roads. Revenue generated through this tax is dedicated for this purpose, and this provision reduces the processing of funds before returning them to public agencies to be used for this purpose. This is an effective continuation of established policies that avoid the reciprocal taxation of governing agencies.



## 4.007 PUBLIC MASS TRANSIT VEHICLES

**Oregon Statute:** 825.017(11)

**Sunset Date:** None

**Year Enacted:** 1977

	Total
2021-23 Revenue Impact:	\$3,200,000
2023-25 Revenue Impact:	\$3,200,000

<b>DESCRIPTION:</b>	<p>Vehicles owned or operated by a mass transit district are exempt from weight-mile taxes.</p> <p>Vehicles exempt under this tax expenditure are not also exempt under the fuels tax expenditure 3.006, Public Transportation. Vehicles are subject to either the fuels tax or the weight-mile tax but not both.</p>
<b>PURPOSE:</b>	<p>The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to lower the cost of providing public transportation services.</p>
<b>WHO BENEFITS:</b>	<p>Three mass transit districts, seven transportation districts, and one county service district in the state provide public transportation service.</p>
<b>EVALUATION:</b>	<p><i>provided by the Oregon Department of Transportation</i></p> <p>This expenditure achieves its purpose. Without this exemption, fares could be higher, which would decrease ridership, particularly by those from lower income groups and/or those with limited mobility.</p>

## 4.008 CHARITABLE ORGANIZATIONS

**Oregon Statute:** 825.017(13)

**Sunset Date:** None

**Year Enacted:** 1977

	Total
2021-23 Revenue Impact:	\$600,000
2023-25 Revenue Impact:	\$600,000

<b>DESCRIPTION:</b>	<p>Vehicles owned or under contract with a charitable organization are exempt from payment of weight-mile taxes when engaged exclusively in performing transportation necessary to the operation of the charitable organization.</p>
<b>PURPOSE:</b>	<p>The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help support services provided by charitable organizations.</p>
<b>WHO BENEFITS:</b>	<p>Charitable organizations operating vehicles that are registered by weight. Few are using this exemption.</p>
<b>EVALUATION:</b>	<p><i>provided by the Oregon Department of Transportation</i></p> <p>Although the benefit in this case is relatively small, this provision is believed to be effective in achieving its purpose. There are relatively few vehicles being operated by</p>

charitable organizations that exceed the 26,000 pound lower limit of the weight-mile tax rate schedules.

Charitable organizations are excluded from all provisions of Chapter 825 of the ORS, which include operating authority and regulatory requirements before deregulation. At the time this exemption was passed, the exclusion from the provisions of Chapter 825 would have granted such organizations greater operating freedom and may have been the original incentive to provide this exemption.

## CHAPTER 5. CIGARETTE TAX

Cigarette distributors are required to pay a tax for the distribution of each cigarette in Oregon. The tax is imposed on the initial distribution and no additional tax is imposed for subsequent distributions.

The Oregon cigarette tax began in 1966. Generally, the tax is paid through the use of tax stamps that are purchased by the 35 Oregon licensed cigarette distributors (as of July 2022). Distributors may pay the tax at the time they purchase the stamps or defer the payment until the 20th of the month following the purchase.

In November 2020, Oregon voters passed Ballot Measure 108, increasing the Oregon tax per pack of 20 cigarettes from \$1.33 to \$3.33.

Cigarette tax net revenue for the 2021–23 and 2023–25 biennia are forecast to be \$698 million and \$652 million, respectively.

### **Tax Distribution Percentages**

<b>Program</b>	<b>Percentage</b>
Oregon Health Authority	85.8%
General Fund	6.6%
Mental Health	4.5%
Tobacco Use Reduction Account	1.0%
Cities	0.7%
Counties	0.7%
Transportation	0.7%

**5.001 SMALL QUANTITY BY CONSUMERS**

**Oregon Statute:** 323.060

**Sunset Date:** None

**Year Enacted:** 1965

Total	
2021-23 Revenue Impact:	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000

**DESCRIPTION:** The use or consumption of untaxed cigarettes transported into Oregon as a single lot or shipment of no more than 199 cigarettes is not taxed. This exemption also applies to cigarettes obtained at exempted federal installations when the quantity obtained is no more than 199 cigarettes at one time.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the administrative and compliance costs of taxing these small quantities.

**WHO BENEFITS:** Individuals who transport small quantities of untaxed cigarettes into Oregon or obtain them at federal installations in Oregon.

**EVALUATION:** Not evaluated.

**5.002 FEDERAL AND VETERANS INSTITUTIONS (CIGARETTE)**

**Oregon Statute:** 323.055

**Sunset Date:** None

**Year Enacted:** 1965

Total	
2021-23 Revenue Impact:	\$400,000
2023-25 Revenue Impact:	\$400,000

**DESCRIPTION:** Oregon cigarette taxes are not imposed on the sale of cigarettes at these locations:

- United States Army, Air Force, Navy, Marine Corps, or Coast Guard exchanges and commissaries
- Navy or Coast Guard ships’ stores
- Ships’ stores maintained under federal bond
- The U.S. Department of Veterans Affairs
- Exchanges and commissaries run by the National Oceanic and Atmospheric Administration (NOAA) or the Public Health Service (PHS) of the U.S. Department of Health and Human Services.

Also, the sale or gift of federally tax-free cigarettes delivered directly from the manufacturer to a veterans’ home, hospital, or domiciliary care facility are not taxed.

**PURPOSE:** To comply with federal law.

WHO BENEFITS: People eligible to purchase cigarettes at the above locations, such as members, retirees, and certain veterans of the U.S. Armed Forces, authorized family members, members of NOAA or PHS, and certain civilian employees.

EVALUATION: *provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.



## CHAPTER 6. OTHER TOBACCO PRODUCTS TAX

An “other tobacco products” tax is imposed on the sale, storage, use, consumption, handling, or distribution of tobacco products other than cigarettes. Examples of other tobacco products are cigars, tobacco for chewing or smoking in a pipe, e-cigarettes, and other nicotine inhalant systems. The tax is imposed on the distributor at the time the distributor imports, produces, or ships the tobacco products into Oregon. As of July 2022, there were 358 licensed distributors of other tobacco products.

In November 2020, Oregon voters passed Measure 108, which raised the maximum tax per cigar from 50 cents to one dollar and added e-cigarettes and other nicotine inhalant systems to products taxed under the other tobacco products tax. In 2021, the Legislature passed Senate Bill 587, which prohibits the unlicensed sale of tobacco products and inhalant delivery systems and requires the Department of Revenue to issue licenses to qualified retailers of such items.

<b>Other Tobacco Products Tax Rates</b>		
<b>Product</b>	<b>Rate</b>	<b>Min/Max</b>
Moist Snuff	\$1.80 per ounce	Min: \$2.17 per retail container
All Other Products	65% of wholesale sales price	Max: \$1.00 per cigar

Other tobacco products tax net revenue for the 2021–23 and 2023–25 biennia are forecast to be \$182.7 and \$180.2 million, respectively. Distributions for 2023–25 are forecast to be:

General Fund:	\$63.7 million
Oregon Health Plan:	\$49.1 million
Oregon Health Authority:	\$55.7 million
Tobacco Use Reduction Account:	\$11.7 million

**6.001 FEDERAL AND VETERANS INSTITUTIONS (OTHER TOBACCO PRODUCTS)**

**Oregon Statute:** 323.515

**Sunset Date:** None

**Year Enacted:** 1985

Total	
2021-23 Revenue Impact:	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000

**DESCRIPTION:** The other tobacco products tax does not apply to tobacco products that are sold at United States Army, Air Force, Navy, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration (NOAA), or Public Health Service (PHS) of the United States Department of Health and Human Services exchanges and commissaries; Navy or Coast Guard ships’ stores; U.S. Department of Veterans Affairs; or ships’ stores maintained under federal bond.

**PURPOSE:** To comply with federal law.

**WHO BENEFITS:** Members and veterans of the U.S. Armed Forces, and members of NOAA or PHS who purchase other tobacco products at federal institutions.

**EVALUATION:** *provided by the Department of Revenue*  
 This expenditure achieves its purpose of compliance with federal law.



## CHAPTER 7. BEER AND WINE TAXES

A tax is imposed upon the privilege of engaging in business as a manufacturer or as an importing distributor of malt beverages or wines. The Oregon Liquor and Cannabis Commission (OLCC) collects the tax. The tax rate for manufacturing or importing malt beverages is \$2.60 per barrel of 31 gallons. The tax rate for manufacturing or importing wine is 65 cents per gallon on wines with 16 percent or less alcohol by volume, and an additional 10 cents per gallon on wines with more than 16 percent alcohol by volume. There is an additional two cents per gallon wine tax imposed on manufacturers or importing distributors of wines, which goes to the Oregon Wine Board. Fifty percent of the remaining beer and wine taxes go to Mental Health Alcoholism and Drug Services Account, and the other 50 percent into the Oregon Liquor and Cannabis Commission Account and distributed as described below.

Beverages with more than 21 percent alcohol are exclusively distributed and sold by the state of Oregon. Amounts generated by the imposition of a \$0.50 per bottle surcharge are dedicated directly to the General Fund. The remaining net revenue from the sale of these beverages and from the portion of the wine and malt beverage tax that goes into the OLCC account are distributed as follows:

General Fund:	56%
Cities (by population):	20%
Cities (by formula):	14%
Counties (by population):	10%

Beer and wine tax revenue is forecast to be \$40.6 million for the 2021–23 biennium and \$42.2 million for the 2023–25 biennium.

A separate tax is imposed on the sale or use of all agricultural products used in a winery for making wine. The Oregon Liquor and Cannabis Commission collects the tax. The tax rate for vinifera varieties (true or hybrid) is \$25 per ton. Revenue from the tax on grapes is forecast to be approximately \$3.4 million for the 2021–23 biennium. The tax rate for all other agricultural products used to make wine over 8.5 percent alcohol is \$0.021 per gallon.

**7.001 SMALL WINERIES**

**Oregon Statute:** 473.050(5)

**Sunset Date:** None

**Year Enacted:** 1977

	Total
2021-23 Revenue Impact:	\$4,900,000
2023-25 Revenue Impact:	\$5,100,000

**DESCRIPTION:** This provision allows all U.S. wine manufacturers producing fewer than 100,000 gallons annually to exempt the first 40,000 gallons sold each year in Oregon from the wine privilege tax.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the development of small wineries that produce fewer than 100,000 gallons annually.

**WHO BENEFITS:** Small wineries benefit in that they are able to sell their product more competitively. It is estimated that 7.0 million gallons will be claimed as tax exempt during the 2021–23 biennium. This is expected to increase to 7.4 million gallons exempted in the 2023–25 biennium.

**EVALUATION:** *provided by the Oregon Liquor and Cannabis Commission*

This tax exemption achieves its purpose. It was enacted to help small Oregon wineries get established and allows these wineries enough profit to stay in business until they become large enough to compete with the established, high-volume wineries. In 1977, when the exemption was enacted, there were approximately 10 licensed wineries. Today, there are over 900 wineries in the state, and the industry is still growing. Nearly all of Oregon’s wineries are small enough to qualify for the full tax exemption. Oregon wines have continued to show overall growth.

Oregon has gained the reputation of a quality wine producing state, which has added to the image and livability of the state and promotes tourism and hospitality. The growth of the Oregon wine industry has also caused growth in secondary markets such as vineyards, label design, bottling, and marketing.

Because of the exemption, the industry decided to dedicate some of the tax savings to establish and maintain the Oregon Wine Board. The board divides its resources between research and development and industry promotion. If this were not the case, the industry would be asking the Legislature for funding from General Fund dollars.

## 7.002 WINE MARKETING ACTIVITIES

**Oregon Statute:** 473.047

**Sunset Date:** None

**Year Enacted:** 2001

	Total
2021-23 Revenue Impact:	\$0
2023-25 Revenue Impact:	\$0

**DESCRIPTION:** This provision allows a credit against the wine privilege tax for certain marketing activities as defined by the Oregon Wine Board. The marketing activities must not promote any specific brand or winery and must be approved by the Oregon Wine Board. The total credit is limited by an amount equal to 28 percent of the sum of: a) one hundred percent of the cost of qualified marketing activities to the extent the cost does not exceed the amount of tax owed for manufacturing or importing fewer than 40,000 gallons of wine, and b) 25 percent of the tax owed for manufacturing or importing greater than 40,000 gallons of wine. The total credit may not exceed the tax liability of the manufacturer or importing distributor of wine. Small wineries (wineries producing fewer than 100,000 gallons a year) that sell fewer than 40,000 gallons a year do not pay privilege tax because they are already exempt by 7.001, Small Wineries.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage marketing of the Oregon wine industry.

**WHO BENEFITS:** Large wineries, some small wineries (wineries selling more than 40,000 gallons of wine, but producing fewer than 100,000 gallons a year) and the Oregon wine industry could benefit.

**EVALUATION:** *provided by the Oregon Liquor and Cannabis Commission*  
No winery has claimed the credit through June 30, 2021.

## 7.003 OREGON GRAPES FOR WINE WITHOUT OREGON DESIGNATION OR AVA

**Oregon Statute:** 473.046

**Sunset Date:** 06-30-2027 (see description)

**Year Enacted:** 2019

	Total
2021-31 Revenue Impact:	Not Available
2023-25 Revenue Impact:	Not Available

**DESCRIPTION:** Wineries purchasing grape products harvested in Oregon and used for wine produced within a federally approved American Viticultural Area (AVA) located partially within Oregon that does not use Oregon designations or use an American Viticultural Area located wholly within Oregon on its label or packaging, or in its advertising or marketing are exempt from the tax on sale or use of agricultural products by wineries. This exemption applies to taxes on grape purchases made on or after July 1, 2021.

Because it is not clear if the legislation enacting this statute expressly provided a period of applicability for this tax expenditure, ORS 315.037(3) may establish that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. If this holds, then the last applicable tax year would end June 30, 2027.

PURPOSE:

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing grape growers operating partially in Oregon that are subject to similar taxes in other states and are not benefiting or marketing their grapes as from Oregon.

WHO BENEFITS:

Wineries making wine in certain American Viticultural Areas partially in Oregon that do not label the wine with an Oregon designation.

EVALUATION:

*provided by the Oregon Liquor and Cannabis Commission*

No information available.

## **CHAPTER 8. 911 EMERGENCY COMMUNICATIONS TAX**

The tax was enacted in 1981 to help local governments pay for establishing, operating, or improving a 911 emergency reporting system. Originally, the tax was 3 percent of the monthly rate charged for basic exchange access services. In 1991, that rate was increased to 5 percent. From October 1, 1995 through December 31, 2019, the rate was 75 cents per line per month and applied to all forms of wired and wireless telecommunications services. HB 4055 (2014) amended the tax to enhance the administration and enforcement of existing law governing Voice over Internet Protocol (VoIP) and wireless prepaid phones with access to 911. After an initial transition period for the first part of 2015, fixed line VoIP subscribers paid 75 cents per line per month, and each retail transaction for a wireless prepaid phone (such as adding minutes) was taxed at a rate of 75 cents per transaction. Starting on January 1, 2020, the rate increased to \$1.00 per month or transaction, and then increased to \$1.25 per month or transaction on January 1, 2021. These rates are the result of HB 2449, enacted in 2019.

The tax for subscribers is paid quarterly by the telecommunication utilities and service providers, who collect the tax from phone subscribers on their monthly billings. The tax for prepaid phones is collected by retail sellers. The 911 emergency communications tax has been extended seven times since inception and under current law will expire at the end of 2029.

Emergency communications tax revenue for the 2021–23 and 2023–25 biennia is forecast to be \$158.4 million and \$171.3 million, respectively. Net revenue from the tax is distributed to cities and counties on a per capita basis to be used for their 911 emergency communications systems.

### 8.001 STATE AND LOCAL SUBSCRIBERS

**Oregon Statute:** 403.205(1)

**Sunset Date:** None (The emergency communications tax sunsets 12-31-2029.)

**Year Enacted:** 1981

	Total
2021-23 Revenue Impact:	\$8,200,000
2023-25 Revenue Impact:	\$8,500,000

- DESCRIPTION:** State and local governments are exempt from the 911 emergency communications tax. This includes regional housing authorities exempt from state taxes under ORS 307.092.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid reciprocal taxation among public entities; to avoid taxing public services that are funded through the tax.
- WHO BENEFITS:** State and local governments. There are approximately 270,000 employees in state and local government.
- EVALUATION:** Not evaluated.

### 8.002 FEDERAL SUBSCRIBERS

**Oregon Statute:** 403.205(1)

**Sunset Date:** None (The emergency communications tax sunsets 12-31-2029.)

**Year Enacted:** 1981

	Total
2021-23 Revenue Impact:	\$900,000
2023-25 Revenue Impact:	\$900,000

- DESCRIPTION:** The federal government is exempt from the 911 emergency communications tax. Exempt entities include foreign government offices that are exempt from taxation by treaty provisions with the federal government, as well as certain federally chartered corporations (e.g. U.S. Postal Service, Amtrak, Federal Reserve Bank) specifically exempt from state income taxes by federal law.
- PURPOSE:** To comply with federal law.
- WHO BENEFITS:** The federal government as well as foreign government offices and exempt federally chartered corporations. There are about 28,000 federal employees in Oregon.
- EVALUATION:** *provided by the Department of Revenue*  
This tax expenditure meets its purpose of compliance with federal law.

**8.003 INDIAN RESERVATION SUBSCRIBERS****Oregon Statute:** 403.205(1)**Sunset Date:** None (The emergency communications tax sunsets 12-31-2029.)**Year Enacted:** 1981

	Total
2021-23 Revenue Impact:	\$900,000
2023-25 Revenue Impact:	\$900,000

**DESCRIPTION:** Tribal members on federally recognized reservations in Oregon are exempt from the 911 emergency communications tax. They must be enrolled members of the tribe located on the reservation.

**PURPOSE:** To comply with federal law.

**WHO BENEFITS:** Tribal members on federally recognized reservations in Oregon using communications devices with access to the 911 service.

**EVALUATION:** *provided by the Department of Revenue*

This tax expenditure meets its purpose of compliance with federal law.





## **CHAPTER 9. CORPORATE ACTIVITY TAX**

On May 16, 2019, Governor Kate Brown signed House Bill 3427 into law. The legislation established a “Fund for Student Success” funded by a new Corporate Activity Tax (CAT) imposed on all types of business entities.

The CAT is in addition to the state’s current corporate and personal income taxes. Revenue from the CAT is transferred to the Fund for Student Success and used for education spending. Receipts are forecasted to be \$2.46 billion in the 2021–23 biennium and \$2.58 billion in the 2023–25 biennium.

Starting on January 1, 2020, the tax is imposed for the privilege of doing business in the state. The CAT is measured on a business’s commercial activity: the total amount a business realizes from transactions and activity in Oregon. Certain items are excluded from the definition of commercial activity and, therefore, are not subject to the CAT. In addition, there is a 35 percent subtraction for certain business expenses. The CAT is applied to Oregon taxable commercial activity in excess of \$1 million. The tax is computed as \$250 plus 0.57 percent of Oregon taxable commercial activity of more than \$1 million.

## 9.001 SALES OF PRESCRIPTION DRUGS BY ELIGIBLE PHARMACIES

**Oregon Statute:** Ore. Laws 2022 c.82 §10

**Sunset Date:** 12-31-2025

**Year Enacted:** 2022 (SB 1524)

	Total
2021-23 Revenue Impact:	\$100,000
2023-25 Revenue Impact:	\$200,000

**DESCRIPTION:** Prescription drug sales from eligible pharmacies, which have nine or fewer locations under common ownership in this state (excepting pharmacies that cater primarily to veterinary customers), are exempt from the corporate activity tax for tax years beginning on or after January 1, 2022, and before January 1, 2026.

**PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. However, the associated revenue impact document (SB 1524, 2022) states that the “policy purpose of the eligible pharmacy exclusion is to prevent the closure of community pharmacies due to the Corporate Activity Tax.”

**WHO BENEFITS:** The eligible pharmacies described above.

**EVALUATION:** Not evaluated.

## 9.002 MANUFACTURED DWELLING COOPERATIVES

**Oregon Statute:** 317A.100(4)(L)

**Sunset Date:** 12-31-2025 (see description)

**Year Enacted:** 2020

	Total
2021-23 Revenue Impact:	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000

**DESCRIPTION:** Nonprofit manufactured dwelling cooperatives are exempt from the corporate activity tax. Nonprofit manufactured dwelling cooperatives are cooperatives organized to own manufactured dwelling parks that are primarily used to site manufactured dwellings owned and occupied by the members of the cooperative.

Because it is not clear if the legislation enacting this statute expressly provided a period of applicability for this tax expenditure, ORS 315.037(3) may establish that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. If this holds, then the last applicable tax year is 2025.

**PURPOSE:** The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing nonprofit entities.

**WHO BENEFITS:** Nonprofit manufactured dwelling cooperatives and their members. There were 22 nonprofit manufactured dwelling cooperatives across the state of Oregon in 2022.

**EVALUATION:** *provided by the Housing and Community Services Department*

This exemption benefits nonprofit manufactured dwelling cooperatives by allowing them to keep operating expenses low. Operating expenses are paid through space rents and any increases in costs would have to be absorbed by resident members of the cooperative, the majority of whom are low- to moderate-income households.

## 9.003 SUBCONTRACTOR LABOR PAYMENTS FOR RESIDENTIAL CONSTRUCTION

**Oregon Statute:** 317A.122

**Sunset Date:** 12-31-2025

**Year Enacted:** 2019

	Total
2021-23 Revenue Impact:	\$1,300,000
2023-25 Revenue Impact:	\$1,400,000

**DESCRIPTION:** Payments for labor costs made from a general contractor to a subcontractor for residential single-family homes constructed in Oregon are excluded from the corporate activity tax. The exclusion is for 15 percent of the payments for labor made by the general contractor to subcontractors.

Payments made from general contractors to subcontractors for materials, land or permits are not excluded from taxation. Payments between subcontractors are also not excluded from taxation.

**PURPOSE:** The statute that allows this tax expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is “To encourage the employment of subcontractors within the residential construction sector.”

**WHO BENEFITS:** General contractors who pay subcontractors. In tax year 2020, 220 taxpayers benefitted from this exclusion.

**EVALUATION:** *provided by the Housing and Community Services Department (OHCS)*

OHCS does not have any data to evaluate the effectiveness of the program.

### 9.004 MILK SALES BY DAIRY FARMERS WHO ARE NOT MEMBERS OF AN AGRICULTURAL COOPERATIVE

**Oregon Statute:** 317A.100(1)(b)(VV)

**Sunset Date:** 12-31-2025 (see description)

**Year Enacted:** 2020

Total	
2021-23 Revenue Impact:	Not Available*
2023-25 Revenue Impact:	Not Available*

*\*In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer but, could at a later date.*

**DESCRIPTION:** Receipts from the sale of fluid milk by dairy farmers who are not members of an agricultural cooperative are exempt from the corporate activity tax.

Because it is not clear if the legislation enacting this statute expressly provided a period of applicability for this tax expenditure, ORS 315.037(3) may establish that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. If this holds, then the last applicable tax year is 2025.

**PURPOSE:** The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing milk to support farmers who are not members of agricultural cooperatives and to achieve parity with farmers who are members of an agricultural cooperative.

**WHO BENEFITS:** Dairy farmers selling milk who are not a member of an agricultural cooperative.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

Short- and long-term data is unknown at this time. The presumed outcome is to reduce the reporting complexity and pyramiding effect of the CAT on fluid milk sales in Oregon.

### 9.005 INSURERS SUBJECT TO RETALIATORY TAX

**Oregon Statute:** 317A.100(4)(h)

**Sunset Date:** 12-31-2026 (see description)

**Year Enacted:** 2021 (SB 164)

Total	
2021-23 Revenue Impact:	Not Available
2023-25 Revenue Impact:	Not Available

**DESCRIPTION:** Foreign or alien insurance companies (those formed under the laws of a state other than Oregon or a country other than the United States, respectively) are exempt from the corporate activity tax to the extent that they are subject to Oregon’s retaliatory tax under ORS 731.854 and 731.859.

Because it is not clear if the legislation enacting this provision expressly provided a period of applicability for this tax expenditure, ORS 315.037(3) may establish that

this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. If this holds, then the last applicable tax year is 2026.

PURPOSE:

The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to support Oregon-domiciled insurance companies by lowering the overall Oregon tax burden on non-Oregon insurance companies, since a high Oregon burden could trigger retaliatory taxes in other states.

WHO BENEFITS:

Oregon-domiciled insurance companies paying taxes in lower-tax states that impose retaliatory taxes to equal what their domiciled companies would face in Oregon; foreign or alien insurance companies from lower-tax domiciles below the threshold for Oregon's retaliatory tax.

EVALUATION:

*provided by the Department of Consumer and Business Services*

Beginning with the first applicable tax year, 2021, this exemption from Oregon's corporate activity tax allows Oregon domiciled carriers to avoid increased retaliatory taxes levied by other states due to the decreased Oregon tax burden. Within certain thresholds, there should be no net reduction in Oregon's General Fund tax receipts because the corporate activity tax exemption on non-Oregon-domiciled carriers is offset to a significant degree by the increased retaliatory tax.



## CHAPTER 10. ELECTRIC COOPERATIVE TAX

Mutual and cooperative electrical associations are subject to a tax on gross earnings that is in lieu of all other taxes on transmission and distribution lines. The associations must be nonprofit and the principal purpose must be to distribute electricity to its members. (See 2.069, Nonprofit Electrical Distribution Associations for the related property tax expenditure.)

Per ORS 308.807, associations must pay the lesser of:

- Four percent of all gross revenue derived from the use or operation of transmission and distribution lines minus the cost of power to the association, or
- The sum of the following calculation:

$$\begin{aligned} & ((RMV \text{ of the transmission \& distribution lines}) \times (\text{max school rate allowed under ORS 310.150})) \\ & + ((RMV \text{ of transmission \& distribution lines}) \times (\$10 \text{ per } \$1,000 \text{ of RMV})) \\ & + ((RMV \text{ of transmission \& distribution lines}) \times (\text{bond tax rates per ORS 310.140})) \end{aligned}$$

For the 2022–2023 tax year, 16 associations paid the gross earnings tax, and three paid the tax described in the second calculation.

The distribution of proceeds depends on which calculation method is used. If the first method is used, proceeds from the tax on gross earnings are distributed to the counties in proportion to the system’s wire miles in each county. These payments are distributed one-third to the county school fund and two-thirds to the county general fund. If the second calculation method is used, payments are deposited in the unsegregated tax collections account and distributed according to the Percentage Distribution Schedule (see ORS 311.390).

Electric cooperative tax revenue is forecast to be \$19.0 million for the 2021–23 biennium and \$19.8 million for the 2023–25 biennium.

### 10.001 REVENUE FROM GOVERNMENT LEASED LINES

**Oregon Statute:** 308.805 and 308.807(1)

**Sunset Date:** None

**Year Enacted:** 1969

Total	
2021-23 Revenue Impact:	\$200,000
2023-25 Revenue Impact:	\$200,000

- DESCRIPTION:** Revenue received by nonprofit mutual and cooperative electric distribution associations for leasing lines to the government is exempt from the total revenue when calculating the tax on gross earnings for the electric cooperative tax.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to exempt government from paying the tax.
- WHO BENEFITS:** There are 19 cooperatives in Oregon subject to the tax; four of them received this exemption in tax year 2022–23.
- EVALUATION:** Not evaluated.



## **CHAPTER 11. OIL AND GAS PRIVILEGE TAX**

A privilege tax is levied on the total volume of petroleum, crude oil, mineral oil, casinghead gas, and natural gas produced, or extracted, from a well within Oregon. The privilege tax is 6 percent of the gross value, or prevailing cash price, at the well for oil or gas produced. Net revenue derived from this tax is paid into the Common School Fund.

## 11.001 STATE AND LOCAL INTERESTS

**Oregon Statute:** 324.090(1)

**Sunset Date:** None

**Year Enacted:** 1981

Total	
2021-23 Revenue Impact:	Not Available*
2023-25 Revenue Impact:	Not Available*

\* *In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

**DESCRIPTION:** Any royalty or other interest in oil or gas owned by the state or a local government is exempt from the oil and gas privilege tax.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to adhere to the principle that governments typically do not tax themselves.

**WHO BENEFITS:** State and local governments.

**EVALUATION:** Not evaluated.

**11.002 CREDIT FOR PROPERTY TAXES PAID****Oregon Statute:** 324.090(2)**Sunset Date:** None**Year Enacted:** 1981

Total	
2021-23 Revenue Impact:	Not Available*
2023-25 Revenue Impact:	Not Available*

\* *In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

**DESCRIPTION:** A credit is allowed against the oil and gas privilege tax for property taxes paid. This includes taxes on any property rights attached to the right to produce oil and gas, producing oil and gas leases, and machinery and equipment used in the operation of the well.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid double taxation of the value of oil and gas extracted.

**WHO BENEFITS:** Producers of natural gas in Oregon. As of June 30, 2022, there are a total of 89 permitted wells in Columbia, Coos, and Malheur Counties. Not all permitted natural gas wells produce gas, and there are no actively producing oil wells in Oregon.

**EVALUATION:** *provided by the Department of Geology and Mineral Industries*

This credit effectively avoids the double taxation of oil and gas resources that would occur if mining companies paid both property taxes and privilege taxes. If the companies were taxed through both the property tax and the privilege tax, the companies would pay tax twice on the same property.



## CHAPTER 12. MEDICAL PROVIDER TAXES

The 2003 Legislature created the hospital assessment, long term care facility tax, and Medicaid managed care assessment, collectively referred to here as the Medical Provider Taxes. These taxes are used to finance Medicaid services and leverage additional federal funds. Only the hospital and long-term care facility taxes are discussed here because they are the only ones with tax expenditures.

### Hospital assessment

The assessment on each hospital subject to this assessment is imposed at a rate determined by the director of the Oregon Health Authority (OHA) and is revised as needed. The assessment rate used is the best estimate of the rate needed to fund identified services and costs. Currently, the assessment rate is 6.0 percent of net patient revenues for Type A and Type B hospitals and 6.0 percent of net patient revenues for other hospitals but has been as low as 0.15 percent.

The assessment applies to net revenues earned by hospitals before the earlier of October 1, 2025, or the date the assessment no longer qualifies for federal matching funds. Net proceeds from this assessment are deposited in the Hospital Quality Assurance Fund. These revenues are to be used to partially fund the Oregon Health Plan in the OHA budget. The OHA 2021–23 Legislatively Adopted Budget includes \$1.54 billion in hospital revenue in the Health Systems budget to partially fund the Oregon Health Plan. Hospital assessment receipts are forecast to be \$1.482 billion for the 2021–23 biennium and \$1.643 billion for the 2023–25 biennium.

<b>Hospital Assessment Rate History</b>	
<b>Period Beginning</b>	<b>Assessment Rate</b>
July 1, 2004	0.95 percent
January 1, 2005	0.68 percent
July 1, 2006	0.82 percent
January 1, 2008	0.63 percent
July 1, 2009	0.15 percent
October 1, 2009	2.80 percent
July 1, 2010	2.32 percent
July 1, 2011	5.25 percent
October 1, 2011	5.08 percent
January 1, 2012	4.32 percent
April 1, 2013	5.30 percent
October 1, 2014	5.80 percent
April 1, 2016	5.30 percent
July 1, 2017	6.00 percent
October 5, 2017	5.30 percent
January 1, 2018	6.00 percent
<b>Type A/B Hospital Assessment Rate</b>	
<b>Period Beginning</b>	<b>Assessment Rate</b>
January 1, 2018	4.00 percent
July 1, 2018	4.75 percent
July 1, 2019	4.20 percent
December 1, 2019	2.69 percent
January 1, 2020	5.50 percent
October 1, 2020	6.00 percent

**Long term care facility tax**

The assessment for this tax equals the rate times the number of patient days at the long term care facility for a calendar quarter. The Oregon Department of Human Services director typically establishes an annual assessment rate that applies for a 12-month period beginning July 1. The rate was initially \$8.25 and has increased to \$32.91 as of July 2022.

Net proceeds from this tax are deposited in the Long Term Care Facility Quality Assurance Fund. These revenues are intended to increase nursing facility Medicaid reimbursement rates and improve the financial stability of the nursing home industry. Long term care facility tax receipts are forecast to be \$132.4 million for the 2021–23 biennium and \$145.9 million for the 2023–25 biennium.

<b>Long Term Care Facility Tax Rate History</b>	
<b>Period Beginning</b>	<b>Tax Rate</b>
July 1, 2003	\$8.25
July 1, 2004	\$10.87
July 1, 2005	\$12.23
July 1, 2006	\$13.73
July 1, 2007	\$15.00
July 1, 2008	\$14.85
December 1, 2008	\$13.75
July 1, 2009	\$15.38
July 1, 2010	\$16.21
July 1, 2011	\$17.51
July 1, 2012	\$18.35
July 1, 2013	\$20.79
January 1, 2014	\$20.46
July 1, 2014	\$19.37
July 1, 2015	\$22.56
July 1, 2016	\$22.99
July 1, 2017	\$23.68
July 1, 2018	\$24.46
July 1, 2019	\$25.44
July 1, 2020	\$25.92
July 1, 2021	\$27.44
July 1, 2022	\$32.91

## 12.001 EXCLUDED HOSPITALS

**Oregon Statute:** 414.853(b)

**Sunset Date:** 09-30-2025 or at cessation of federal matching funds

**Year Enacted:** 2003

	Shift*
2021-23 Revenue Impact:	\$319,000,000
2023-25 Revenue Impact:	\$343,000,000

\* *There is no loss in revenue because the Oregon Health Authority sets the tax rate to achieve specific funding goals. However, the assessment liability of exempt hospitals is shifted to nonexempt hospitals.*

**DESCRIPTION:** Hospitals that provide only psychiatric care, special inpatient care facilities, pediatric specialty hospitals providing care to children at no charge, public hospitals other than hospitals created by health districts, and hospitals operated by the United States Department of Veterans Affairs are exempted from paying the hospital assessment. HB 2010 in 2019 extended the period of applicability of the hospital assessment and this tax expenditure through September 30, 2025.

**PURPOSE:** The purpose of exempting hospitals operated by the US Department of Veterans Affairs is to comply with federal law, as federal entities are not subject to state taxation. The statute that allows this expenditure does not explicitly state a purpose for exempting the other facilities. Presumably, one purpose is to avoid taxing hospitals receiving little or no reimbursement from Medicaid. Such hospitals include pediatric specialty hospitals providing care to children at no charge, hospitals providing only psychiatric care, and special inpatient care hospitals. In the case of Oregon Health and Science University (OHSU), the Oregon Health Authority determined that the OHSU hospital could generate revenue in a different way while implementing a federally approved program.

**WHO BENEFITS:** Three US Department of Veterans Affairs hospitals, the Oregon State Hospital (provides only psychiatric care), Vibra Specialty Hospital (special inpatient facility providing long term acute care), and OHSU (public hospital not created by a health district).

**EVALUATION:** *provided by the Oregon Health Authority*

If OHSU were not excluded from the hospital assessment, it would have paid an estimated \$251 million dollars for the 2021–23 biennium, and \$269 million for the 2023–25 biennium. Beginning January 1, 2018, the OHA implemented a new program with OHSU that provides even greater benefit to the agency to meet its ongoing revenue targets.

If the Oregon State Hospital were not excluded from the hospital assessment, it would have paid an estimated \$1.1 million for the 2021–23 biennium and \$1.2 million for the 2023–25 biennium.

While Vibra and hospitals operated by Veterans Affairs do not report revenue information to OHA, and it cannot estimate the revenue impact for these hospitals, high level estimates are provided and included in the total impact by the Department of Revenue based on historical data.

Although OHSU is excluded from the assessment, OHA is now receiving funds from OHSU at even greater amounts than it paid under the assessment through an intergovernmental agreement. The funding from OHSU is used to meet OHA budget targets for the Oregon Health Plan and for the state share of federally-approved

quality and access payments—which are eligible for Medicaid matching funds—to OHSU. As a result, both OHA and OHSU received increased benefit from excluding OHSU from the hospital assessment.

## 12.002 OREGON VETERANS’ HOME

**Oregon Statute:** 409.803  
**Sunset Date:** 06-30-2026  
**Year Enacted:** 2003

Shift*	
2021-23 Revenue Impact:	\$6,000,000
2023-25 Revenue Impact:	\$7,200,000

\* *There is no loss in revenue because the Oregon Department of Human Services sets the tax rate to achieve specific funding goals. However, the tax liability of exempt long term care facilities is shifted to nonexempt long term care facilities.*

**DESCRIPTION:** The two Oregon Veterans’ Homes, providing long term skilled nursing care in The Dalles and Lebanon, Oregon are exempt from the long term care facility tax. They are state owned and privately managed. HB 4162 in 2018, extended the period of applicability of the long term care facility assessment and this tax expenditure through June 30, 2026.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a public entity.

**WHO BENEFITS:** The Oregon Veterans’ Homes and their residents and the spouses of residents.

**EVALUATION:** Not evaluated.

## 12.003 TYPE A AND B HOSPITALS

**Oregon Statute:** 414.855(3)(c)  
**Sunset Date:** 09-30-2025 or at cessation of federal matching funds  
**Year Enacted:** 2017

Shift*	
2021-23 Revenue Impact:	Less than \$100,000
2023-25 Revenue Impact:	Less than \$100,000

\* *There is no loss in revenue because the Oregon Health Authority sets the assessment rate to achieve specific funding goals. However, the assessment liability of exempt hospitals is shifted to nonexempt hospitals.*

**DESCRIPTION:** Prior to the passage of HB 2391 in 2017, Type A and B hospitals in Oregon were exempted from paying the hospital assessment. Now, they must pay the hospital assessment, but the director of the Oregon Health Authority (OHA) may impose a lower rate of assessment on them to take into account the hospitals’ financial position. Type A hospitals have fewer than 50 beds and are more than 30 miles from another hospital. Type B hospitals have fewer than 50 beds and are fewer than 30 miles from another hospital. Type A and B hospitals are paid on a cost to charge ratio



for Medicaid clients. HB 2010 in 2019 extended the period of applicability of the hospital assessment and this tax expenditure through September 30, 2025.

**PURPOSE:**

The statute that allows this expenditure does not explicitly state a purpose. During the development of the 2017–19 Legislatively Adopted Budget, OHA staff working with hospital representatives determined that Type A and B hospitals could be added to the hospital assessment, generating additional revenue to help meet the state's funding needs for the Oregon Health Plan and, under a new federally-approved program, OHA would make quality and access pool payments to Type A and B hospitals to offset their cost of the assessment in aggregate. To meet a revenue target established during legislative budget negotiations, OHA calculated that a lower assessment rate on Type A and B hospitals would achieve the needed funding amount. Therefore, the Legislature approved HB 2391, giving the OHA Director the authority to impose a lower rate on Type A and B hospitals.

**WHO BENEFITS:**

There are 12 Type A and 21 Type B hospitals.

**EVALUATION:**

*provided by the Oregon Health Authority*

Type A and B hospitals are projected to pay \$276 million for the 2021–23 biennium and \$332 million for the 2023–25 biennium.

Type A and B hospitals are currently paying 6.0% hospital tax rate, matching the rate assessed to DRG hospitals

Type A and B hospitals, in the aggregate, do not benefit and are not harmed by any specific assessment rate. OHA will adjust quality and access pool payments to Type A and B hospitals, in the aggregate, to be equal to amount of assessment revenue paid by Type A and B hospitals in the aggregate. The assessment rate is set by the director to meet the Oregon Health Plan funding target established in the 2021–23 Legislatively Adopted Budget and for making quality and access pool payments—which are eligible for Medicaid matching funds—to Type A and B hospitals to offset their cost of the assessment.



## CHAPTER 13. LODGING TAX

The Oregon Legislature approved House Bill 2267 in 2003, which created the Oregon state transient lodging tax. The tax applies to the fee charged to a customer for overnight lodging. The tax rate was one percent from January 1, 2004 through June 30, 2016. From July 1, 2016 through June 30, 2020, the rate was 1.8 percent. Effective July 1, 2020, the rate is 1.5 percent. The revenue from this tax funds the Oregon Tourism Commission and its programs.

House Bill 2197, passed in 2005, expanded the definition of transient lodging, and expanded the list of those who must pay the tax. House Bill 2656, passed in 2013, enhanced the administration and enforcement of existing law governing transient lodging taxes. Legislative changes required transient lodging providers and transient lodging intermediaries to collect and remit taxes computed on the retail price paid by the customer for occupancy of transient lodging. These legislative changes became effective on October 7, 2013. House Bill 4146, passed in 2016, changed the tax rates and distribution of revenue. During the 2018 Legislative Session, House Bill 4120 expanded the definition of a transient lodging intermediary.

The lodging tax was designed to be a tourism and travel related tax, with a tax base that encompassed tourism and travel related transient lodging. The statutory implementation of the lodging tax encompasses a wider base of transient lodging, and then excludes certain non-travel and non-tourism lodging. For example, overnight stays in hospitals and other medical facilities could be subject to the tax if the statutory exemption did not exist. Lodging tax receipts are forecast to be \$77.1 million and \$83.1 million for the 2021–23 and the 2023–25 biennia, respectively.

### 13.001 EXEMPT DWELLING UNITS

**Oregon Statute:** 320.308

**Sunset Date:** None

**Year Enacted:** 2005

Total	
2021-23 Revenue Impact:	Not Available
2023-25 Revenue Impact:	Not Available

**DESCRIPTION:** Certain facilities and dwelling units used for temporary lodging are exempt from state lodging taxation. Exempt facilities/units include:

- Health care facilities licensed, registered, or certified by the Oregon Department of Human Services or the Oregon Health Authority
- Mental health and substance abuse treatment facilities
- Units used for temporary occupancy by the general public for fewer than 30 days per year, unless rented out using a platform of any kind provided by an intermediary
- Emergency shelters funded through a government agency
- Nonprofit facilities
- Units occupied by the same person for 30 or more consecutive days.
- Generally, any barracks, quarters, or other facilities or space located on installations owned or managed by the Oregon Military Department that are used for temporary human occupancy by members of the military.

The lodging tax was enacted with the intent for the tax base to comprise tourism and travel related transient lodging providers. Its statutory implementation included all transient lodging, and then subsequently excluded non-tourism and non-travel related lodging from the tax. This exclusion was probably included for statute writing simplicity reasons in defining the tax base.

Legislation in 2019 (HB 3138) narrowed the exemption for units used for temporary occupancy by the general public for fewer than 30 days per year, by excluding units rented out using a platform of any kind provided by an intermediary from this exemption. Legislation in 2021 (HB 2433) exempted certain temporary housing for members of the military.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to implement a tourism and travel related lodging tax program that does not apply to the exempted facilities.

**WHO BENEFITS:** Individuals who make use of exempt lodging facilities and the organizations that operate such facilities.

**EVALUATION:** Not evaluated.

**13.002 LODGING PAID FOR BY THE FEDERAL GOVERNMENT****Federal Law:** U.S. Constitution, Article VI, Clause 2**Oregon Administrative Rule:** 150-320-0050**Sunset Date:** None**Year Enacted:** 2003 (tax enacted)

Total	
2021-23 Revenue Impact:	\$800,000
2023-25 Revenue Impact:	\$900,000

**DESCRIPTION:** As a result of the supremacy clause in the U.S. Constitution, federal employees on official business are exempt from the state lodging tax when payment for lodging is made by a federal agency. Employees of federal instrumentalities are also exempt when on official business and when payment for lodging is made by the federal instrumentality or federal government. A federal instrumentality is an organization that assists in the performance of a government function, receives funding from the federal government, and is exempt from taxation. Examples of federal instrumentalities include federal credit unions and the American Red Cross.

**PURPOSE:** To comply with the U.S. Constitution, which prohibits states from taxing the federal government.

**WHO BENEFITS:** The federal government and federal instrumentalities.

**EVALUATION:** *provided by the Department of Revenue*

This tax expenditure meets its purpose of compliance with federal law.



## **CHAPTER 14. LOCAL CONSTRUCTION TAXES**

In 2007, the Oregon Legislature passed into law Senate Bill 1036, allowing school districts to impose a tax on new construction based on the square footage of the new construction. The bill also allowed certain other local districts to impose a construction tax if the tax was in effect or was the subject of a public hearing before May 1, 2007. Senate Bill 1036 also restricted all other local construction taxes until January 2018, but this restriction was amended by the legislature in 2016.

The tax rate limitation and maximum tax are adjusted annually based on an average construction cost index. For fiscal year 2022–23 the tax rates are limited to \$1.41 per square foot for residential construction and 70 cents per square foot for other construction, with a maximum of \$35,200 per structure.

School districts may use construction tax proceeds only for capital improvements. After entering into intergovernmental agreements with the school district imposing the tax, the tax is collected by state or local governments responsible for issuing building permits. Up to four percent of tax revenues can be used to reimburse the state or local government’s administrative fees associated with collecting the tax.

For the 2020–21 school year, 65 school districts imposed local construction tax totaling \$24 million. Receipts are expected to be approximately \$53 million for the 2021–23 biennium, and \$55 million for the 2023–25 biennium.

In 2016, the legislature passed Senate Bill 1533, which allowed cities and counties to impose construction taxes. Such taxes imposed on residential property may not exceed one percent of the permit value for residential construction permits. The revenue is devoted to developer incentives and affordable housing. For the 2021–23 biennium local jurisdictions will collect approximately \$10 million in revenue for this tax, and for 2023–25 local jurisdictions are expected to collect about \$10 million in revenue for this tax.

## 14.001 EXEMPT CONSTRUCTION

**Oregon Statute:** 320.173

**Sunset Date:** None

**Year Enacted:** 2007

Total	
2021-23 Revenue Impact:	Not Available
2023-25 Revenue Impact:	Not Available

- DESCRIPTION:** Certain types of construction may not be subjected to local construction taxes. Exempt construction includes:
- Private school improvements
  - Public improvements defined by ORS 279A.010
  - Affordable housing meeting certain criteria
  - Public or private hospital improvements
  - Improvements to religious facilities primarily used for worship or education associated with worship
  - Agricultural buildings as defined by ORS 455.315 (2)(a)
  - Facilities that are operated by a not-for-profit corporation and that are long term care facilities (defined in ORS 442.015) or residential care facilities (defined in ORS 443.400)
  - Continuing care retirement communities (defined in ORS 101.020).
  - Residential housing being constructed on a lot or parcel of land to replace residential housing on the lot or parcel of land that was destroyed or damaged by wildfire or another declared state of emergency.
- Legislation in 2021 (HB 2607) added residential housing being constructed to replace destroyed and damaged housing after a disaster to the list of exempt property types.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to these types of construction from the imposition of a local construction tax.
- WHO BENEFITS:** Purchasers or developers of exempted building types.
- EVALUATION:** Not evaluated.



## CHAPTER 15. ESTATE TRANSFER TAX

Oregon places a tax on the transfer of wealth to heirs and beneficiaries. For deaths on or after January 1, 2012, the Oregon estate transfer tax return must be filed if the gross estate is \$1,000,000 or more at the date of death. This filing threshold is not inflation adjusted. The Oregon estate transfer tax is tied to the federal estate tax as the federal tax existed on December 31, 2010.

For much of recent history Oregon had an inheritance tax that was tied directly to the federal estate tax in a form referred to as a “pick up tax.” That is, Oregon’s inheritance tax was equal to the maximum state inheritance tax credit allowed against the federal estate tax. In 2012, the Legislature changed the Oregon inheritance tax to the Oregon estate transfer tax that exists today.

Receipts for this tax are very volatile, depending on the circumstances of a small number of taxpayers. Generally, a few thousand returns are filed each year, though the majority of the total revenue comes from a small number of larger estates. There has been revenue growth in recent years reflecting, in part, Oregon’s population growth as well as growth in value of assets comprising estates. Receipts from the estate tax are expected to be \$586 million in 2021–23 and \$535 million in 2023–25.

## 15.001 NATURAL RESOURCE AND FISHING PROPERTY

**Oregon Statute:** 118.140

**Sunset Date:** None

**Year Enacted:** 2007

Total	
2021-23 Revenue Impact:	\$14,600,000
2023-25 Revenue Impact:	\$13,900,000

**DESCRIPTION:** A credit against estate taxes is allowed for some estates with natural resource or commercial fishing properties located in Oregon. The credit amount is determined by the value of natural resources property in Oregon. The maximum value of natural resource property on which the credit is calculated is \$7.5 million. The maximum adjusted estate value allowed for the credit is \$15 million. The natural resource property must comprise at least 50 percent of the total estate value to be eligible. It requires the decedent to have owned the property and its use devoted to farm or forest purposes or commercial fishing businesses for five out of eight years immediately preceding the decedent’s death. The property must be held in the same classification for five out of eight years following the decedent’s death.

Farm use property, forest use property, and farm or forest homesites qualify as natural resource property. Property used in commercial fishing operations or in the processing and marketing of those operations also qualifies.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the staff measure summary describing HB 3618 (2008), “The policy goal is to preserve small natural resource based businesses by allowing family owners to pass businesses onto future generations.”

**WHO BENEFITS:** Family members of decedents who owned natural resource property at the time of death. To date, for the most recent tax years available, 2019 and 2020, a total of more than 100 estate tax returns were received that claimed this credit. The total amount of the credit claimed for those two years was \$13.6 million.

**EVALUATION:** *provided by the Oregon Department of Agriculture*

These assets represent lifetime investment and “savings” of a family business that may face selling off and fragmenting assets to pay estate taxes without this credit. The credit is an effective method to offset taxes owed in order to preserve working farms, forest, and other natural resource businesses across the state.

Natural resource transitions to the next generation are extremely important issues in Oregon’s rural communities and to the stability of Oregon’s natural resource production. The estate transfer tax credit can help make it possible for beginning farmers and ranchers to afford inherited land and continue operating the family business.

## 15.002 TIMBER HARVESTED NEAR FOREST CONSERVATION AREA (ESTATE TRANSFER TAX)

**Oregon Statute:** Ore. Laws 2022 c.34 §2

**Sunset Date:** None

**Year Enacted:** 2022 (SB 1502)

	Total
2021-23 Revenue Impact:	Not Available
2023-25 Revenue Impact:	Not Available

**DESCRIPTION:** A credit for estate taxes is allowed for estates where the decedent held a certification for a credit under 1.429, Timber Harvested Near Forest Conservation Area for qualifying timber harvests on land owned by the decedent starting in tax year 2023. The qualifications for this credit follow the requirements of the personal income tax credit.

The credit amount that can be used by the estate is any amount of the credit that was certified, but not used to offset personal income taxes. The credit cannot be used in excess of the estate tax liability, but any remaining amount may be used by the heirs or devisees for their use on personal or corporate income taxes.

If the property used to claim this credit is subsequently harvested or otherwise violates the conservation restrictions required to be certified for the credit, then additional tax, interest, and penalties may apply.

The legislation that enacted this tax expenditure specified that any sunset under ORS 315.037 does not apply.

**PURPOSE:** The statute that allowed this expenditure did not explicitly state a purpose. The legislative staff revenue impact statement for SB 1502 (2022) stated “The policy purpose of this credit is to provide small forestland owners with financial encouragement to adopt standard practice harvest restrictions.”

**WHO BENEFITS:** Estates of individuals who own less than 5000 acres of forestland in the state and harvest less than 2 million board feet annually in accordance with the specific restrictions and avoid harvesting trees within riparian areas.

**EVALUATION:** Not evaluated.



## CHAPTER 16. MARIJUANA TAX

Oregon's marijuana tax is currently a 17 percent state tax combined with up to a 3 percent local tax, both applied to the retail price at the point of sale. The Department of Revenue collects the state tax and also, for cities or counties that have requested it, the local tax.

Oregon voters approved Measure 91 in a statewide general election on November 4, 2014. The measure legalized the production, processing, delivery, possession, and sale of marijuana among adults for recreational purposes. A system for legalized medical marijuana in Oregon had been created previously, with the approval of Measure 67 in 1998. The tax structure outlined in Measure 91 would have applied to marijuana producers, but in 2015 the Oregon Legislative Assembly replaced that structure with a tax applied at the point of retail sale.

Adult recreational possession of limited quantities became legal in Oregon on July 1, 2015. Taxation on sales took effect January 4, 2016. During development of the state's recreational licensing system in 2016, the state tax rate was 25 percent on products sold for recreational purposes by medical marijuana dispensaries. Such sales were allowed October 2015 through December 2016.

Since January 2017, sales of recreational marijuana may only be made by recreational retailers licensed by the Oregon Liquor and Cannabis Commission (OLCC). The tax rate of 17 percent (up to 20 percent with a possible local option) has applied effective January 2017 or if the retailer had been licensed and operating under the authority of OLCC, whichever came first.

Marijuana tax receipts are forecasted to be \$327 million for the 2021–23 biennium and \$352 million for the 2023–25 biennium.

Net marijuana tax revenue exceeding \$11.25 million per quarter (adjusted annually for inflation beginning 2023) is directed to drug treatment and recovery services, according to Measure 110, approved by voters in November 2020. The first \$11.25 million in net revenue each quarter (\$45 million per year) is distributed by statutory formula to recipients such as the State School Fund, Oregon State Police, Oregon Health Authority, and participating cities and counties. The annual adjustment of the \$11.25 million quarterly threshold is due to House Bill 4056 (2022).

**16.001 MARIJUANA PURCHASED FOR MEDICAL USE**

**Oregon Statute:** 475C.678

**Sunset Date:** 12-31-2027

**Year Enacted:** 2016

	State	Local	Total
2021-23 Revenue Impact:	\$23,800,000	\$4,200,000	\$28,000,000
2023-25 Revenue Impact:	\$21,200,000	\$3,700,000	\$24,900,000

**DESCRIPTION:** Retail sales of usable marijuana or marijuana items are not subject to the marijuana tax when made to people who hold a valid medical marijuana patient or caregiver card issued by the Oregon Health Authority. This tax exemption applies to both state and local marijuana taxes. Although the law exempting medical marijuana only became effective in 2016, medical marijuana was not taxed before that time either. The introduction of taxed recreational marijuana sales in 2016 led to an opportunity to distinguish between taxed and untaxed marijuana sales.

Legislation in 2021 (HB 2433) specified that this provision applies to retail sales of marijuana items occurring on or after January 1, 2016, and before January 1, 2028.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement prepared by legislative staff for HB 2433 (2021), the “policy purpose of this exemption is to preserve access to medical marijuana in a similar manner as it was available prior to the legalization of recreational marijuana.”

**WHO BENEFITS:** Medical marijuana cardholders who make retail purchases of usable marijuana or marijuana items and who have been authorized by the Oregon Health Authority to use marijuana in the treatment of a debilitating medical condition. Close to 21,000 people held a medical marijuana patient card as of April 2022, and nearly 8,000 people held a caregiver card.

**IN LIEU:** Medical marijuana cardholders must pay an annual fee for a medical marijuana card. Card fees for patients total approximately \$2.3 million annually. Approximately 41 percent of patients pay full price for the annual fee.

**EVALUATION:** *provided by the Oregon Health Authority*

Registered medical marijuana patients pay an annual registration fee of \$200 or a reduced fee, between \$20-\$60, depending on their qualifying status. The fees paid by the patient support the administration of the medical marijuana program which includes registration of patients and regulatory oversight of medical marijuana grow sites and facilities. The patient fees supplant the need for a tax on medical marijuana products sold at retail locations since the fees pay for the administration of the program. The tax exemption from sales of medical marijuana to registered patients would alleviate the financial burden on patients with a medical necessity who already pay a fee to access medical marijuana.

## **CHAPTER 17. VEHICLE USE TAX**

The vehicle use tax was created in 2017 by the Oregon Legislative Assembly (HB 2017) and imposed beginning January 1, 2018. It imposes a tax on vehicle purchasers who intend to use a motor vehicle in Oregon. The tax is 0.5 percent of the retail price of certain vehicles purchased. In general, vehicles covered by the tax are those never before registered in Oregon and with 7,500 or fewer miles on their odometer (if they have one). The tax does not apply to vehicles with a gross vehicle weight rating over 26,000 pounds.

Vehicles potentially subject to the tax include passenger vehicles, motorcycles, campers, buses, trucks, trailers (if required to be registered in Oregon), and commercial motor vehicles. The use tax is reduced by amounts paid for the vehicle privilege tax. See Chapter 18 for a description of the privilege tax.

Gross receipts are forecasted by the Oregon Department of Transportation to be \$18.4 million and \$18.9 million for the 2021–23 and 2023–25 biennia, respectively. Net revenue from the vehicle use tax is distributed to the State Highway Fund.

## 17.001 CERTAIN VEHICLE MODIFICATIONS (VEHICLE USE TAX)

**Oregon Statute:** 320.400(2)(b)

**Sunset Date:** None

**Year Enacted:** 2018

Total	
2021-23 Revenue Impact:	Not Available
2023-25 Revenue Impact:	Not Available

**DESCRIPTION:** This provision states the retail value of the following modifications are not included in the retail sales price used in calculation, under ORS 320.410(2), of the tax on the storage, use, or other consumption in Oregon of motor vehicles purchased at retail:

- Modifications to a taxable vehicle that are necessary for a person with a disability to enter or drive or to otherwise operate or use the vehicle.
- Customized industrial modifications to the chassis of a taxable vehicle (typically a medium-duty truck) that has a gross vehicle weight rating (GVWR) of at least 10,000 pounds and not more than 26,000 pounds.

The legislative intent of the vehicle use tax was not to include the retail value of these modifications in the definition of “retail sale price” of which the tax is based. Presumably, it was simpler to make a general definition of retail sales price and then state what it does not include.

Legislation in 2019 (HB 2592) removed any sunset under ORS 315.037 for all tax expenditures related to the transportation project taxes enacted in 2017.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to not include the retail value of these modifications in the retail sales prices used in calculation of the tax on the storage, use, or other consumption in Oregon of motor vehicles purchased at retail.

**WHO BENEFITS:** Persons who purchase a taxable vehicle with adaptive modifications and businesses who purchase taxable vehicles with customized industrial modifications.

**EVALUATION:** Not evaluated.

## 17.002 TAX PAID TO ANOTHER JURISDICTION

**Oregon Statute:** 320.410(4)

**Sunset Date:** None

**Year Enacted:** 2017

Total	
2021-23 Revenue Impact:	\$300,000
2023-25 Revenue Impact:	\$400,000

**DESCRIPTION:** Motor vehicle use tax is reduced, but not below zero, by the amount of any privilege, excise, sales or use tax imposed by any jurisdiction on the sale, or on the storage, use or other consumption, of a taxable motor vehicle. The tax is reduced by showing



proof of tax paid to another jurisdiction. The revenue estimate for this expenditure does not include any reduction in the vehicle use tax due to the vehicle privilege tax.

There is some ambiguity about whether this specific exemption is a tax expenditure as defined by ORS 291.201. It has been included in the report for informational purposes. See the Introduction for a discussion of the definition of tax expenditures.

**PURPOSE:** The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to prevent double taxation.

**WHO BENEFITS:** Purchasers of taxable vehicles who pay tax to a jurisdiction outside Oregon. An average of 100 consumers and fewer than ten out-of-state dealers have used this reduction in each quarter since the program’s inception.

**EVALUATION:** *provided by the Oregon Department of Transportation*  
 This tax expenditure appears to be successful. There is an average of over 2,300 out-of-state vehicles subject to the Vehicle Use Tax sold each quarter to Oregon residents. Since most out of state dealers selling to Oregon residents do not collect a sales tax this tax expenditure would not apply. This revenue impact is the result of those vehicles sold where the selling jurisdictional tax was assessed and when brought back to Oregon for titling the amount of the Oregon tax is deducted.

### 17.003 VEHICLES PURCHASED BY THE FEDERAL GOVERNMENT OR TRIBES

**Federal Law:** U.S. Constitution, Article VI, Clause 2

**Sunset Date:** None

**Year Enacted:** 2017 (tax enacted)

	Total
2021-23 Revenue Impact:	\$200,000
2023-25 Revenue Impact:	\$200,000

**DESCRIPTION:** The State of Oregon is prohibited by the U.S. Constitution from taxing the federal government or tribal governments. Oregon cannot require the federal government or tribal governments to pay the vehicle use tax.

**PURPOSE:** To comply with federal law.

**WHO BENEFITS:** The federal government and tribal governments.

**EVALUATION:** *provided by the Department of Revenue*  
 This tax expenditure achieves its purpose of compliance with federal law.



## **CHAPTER 18. VEHICLE PRIVILEGE TAX**

The vehicle privilege tax was created in 2017 by the Oregon Legislative Assembly (HB 2017) and imposed beginning January 1, 2018. It imposes a tax on motor vehicle dealers for the privilege of selling vehicles in Oregon, where a dealer is defined as someone who is or would be required to obtain a vehicle dealer certificate in Oregon. The tax is 0.5 percent of the retail price of certain vehicles sold. In general, vehicles covered by the tax are those never before registered in Oregon and with 7,500 or fewer miles on their odometer (if they have one). The tax does not apply to vehicles with a gross vehicle weight rating over 26,000 pounds, nor to those with a resale certificate.

Vehicles potentially subject to the tax include passenger vehicles, motorcycles, campers, buses, trucks, trailers (if required to be registered in Oregon), and commercial motor vehicles. If the privilege tax is not paid for a vehicle intended to be used in Oregon, the vehicle use tax described in Chapter 17 applies.

Gross receipts of the vehicle privilege tax are forecasted by the Oregon Department of Transportation to be \$75.5 million and \$76.4 million for the 2021–23 and 2023–25 biennia, respectively. Net revenue from the vehicle privilege tax is distributed to the Zero-Emission Incentive Fund and to the Connect Oregon Fund. Effective January 1, 2023, the greater of \$12 million per year or 45 percent of annual gross tax receipts is transferred to the Zero-Emission Incentive Fund and remaining revenue is transferred to the Connect Oregon Fund.

## 18.001 CERTAIN VEHICLE MODIFICATIONS (VEHICLE PRIVILEGE TAX)

**Oregon Statute:** 320.400(2)(b)

**Sunset Date:** None

**Year Enacted:** 2018

Total	
2021-23 Revenue Impact:	Not Available
2023-25 Revenue Impact:	Not Available

**DESCRIPTION:** This provision states the retail value of the following modifications are not included in the retail sales price used in calculation under ORS 320.405(2) of the tax imposed on each vehicle dealer for the privilege of engaging in the business selling taxable motor vehicles at retail in Oregon:

- Modifications to a taxable vehicle that are necessary for a person with a disability to enter or drive or to otherwise operate or use the vehicle.
- Customized industrial modifications to the chassis of a taxable vehicle (typically a medium-duty truck) that has a gross vehicle weight rating (GVWR) of at least 10,000 pounds and not more than 26,000 pounds.

The legislative intent of the vehicle privilege tax was not to include the retail value of these modifications in the definition of “retail sales price” of which the tax is based. Presumably, it was simpler to make a general definition of retail sales price and then state what it does not include.

Legislation in 2019 (HB 2592) removed any sunset under ORS 315.037 for all tax expenditures related to the transportation project taxes enacted in 2017.

**PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to not include the retail value of these modifications in the retail sales prices used in calculation of the tax imposed on each vehicle dealer for the privilege of engaging in the business selling taxable motor vehicles at retail in Oregon.

**WHO BENEFITS:** Persons who purchase a taxable vehicle with adaptive modifications and businesses who purchase taxable vehicles with customized industrial modifications.

**EVALUATION:** Not evaluated.

**18.002 VEHICLES SOLD AT AUCTION****Oregon Statute:** 320.425(2)**Sunset Date:** None**Year Enacted:** 2017

Total	
2021-23 Revenue Impact:	\$200,000
2023-25 Revenue Impact:	\$300,000

**DESCRIPTION:** A seller of otherwise taxable motor vehicles is not liable for the vehicle privilege tax with respect to vehicles sold at an event that lasts less than seven consecutive days, for which the public is charged admission and at which otherwise taxable motor vehicles are sold at auction.

There is some ambiguity about whether this specific exemption is a tax expenditure as defined by ORS 291.201. It has been included in the report for informational purposes. See the Introduction for a discussion of the definition of tax expenditures.

Legislation in 2019 (HB 2592) removed any sunset under ORS 315.037 for all tax expenditures related to the transportation project taxes enacted in 2017.

**PURPOSE:** The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to not tax vehicles sold at auction the same as vehicles sold at retail.

**WHO BENEFITS:** Dealers selling taxable motor vehicles at auctions. Presumably, examples of vehicles sold at auction could include collector/classic vehicles, repossessed vehicles, and damaged vehicles that have never been registered in Oregon.

**EVALUATION:** Not evaluated.

**18.003 VEHICLES SOLD FOR OUT OF STATE USE****Oregon Statute:** 320.425(1)**Sunset Date:** None**Year Enacted:** 2017

Total	
2021-23 Revenue Impact:	\$12,900,000
2023-25 Revenue Impact:	\$16,000,000

**DESCRIPTION:** A seller of otherwise taxable motor vehicles is not liable for the vehicle privilege tax for vehicles sold to non-Oregon residents. Sales of otherwise taxable motor vehicles to a business for use primarily outside of Oregon are also exempt.

There is some ambiguity about whether this specific exemption is a tax expenditure as defined by ORS 291.201. It has been included in the report for informational purposes. See the Introduction for a discussion of the definition of tax expenditures.

Legislation in 2019 (HB 2592) removed any sunset under ORS 315.037 for all tax expenditures related to the transportation project taxes enacted in 2017.

- PURPOSE:** The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to not disadvantage Oregon dealers selling taxable motor vehicles to non-residents or businesses located out-of-state.
- WHO BENEFITS:** Dealers selling taxable motor vehicles for out-of-state use. On average, 215 dealers reported selling vehicles to nonresidents and 70 dealers reported selling vehicles to a business for use primarily outside of Oregon in each quarter since the program's inception.
- EVALUATION:** *provided by the Oregon Department of Transportation*
- This tax expenditure appears to be successful. Similar to out-of-state dealers selling to Oregon residents, Oregon dealers would likely want to sell a vehicle at the most competitive total cost, and not assessing the Privilege Tax would reduce this total cost. The purchaser would then report the sale to their home jurisdiction and the appropriate tax would get paid at that time.

## APPENDIX A: OREGON STATUTE REQUIRING TAX EXPENDITURE REPORT

Oregon Laws 1995, Chapter 746, known as the Budget Accountability Act, established the requirement for the Tax Expenditure Report. That law was incorporated into the Oregon Revised Statutes, and subsequently modified. Below is the 2021 edition of the ORS requiring the Tax Expenditure Report.

**291.190 Short title.** ORS 291.195, 291.201 and 291.203 may be cited as the Budget Accountability Act.

**291.195 Policy for financial expenditure planning.** (1) The Legislative Assembly hereby declares that the ability to make fiscally sound and effective spending decisions has been enhanced by requiring agencies and programs to develop performance measures and to evaluate all General Fund, State Lottery Fund and other expenditures in accordance with these performance measures. Fiscal pressure on this state requires even greater accountability and necessitates a review of the fairness and efficiency of all tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits. These types of tax expenditures are similar to direct government expenditures because they provide special benefits to favored individuals or businesses, and thus result in higher tax rates for all individuals.

(2) The Legislative Assembly further finds that 76 percent of property in this state is exempt from property taxation and that income tax expenditures total billions of dollars per biennium. An accurate and accountable state budget should reflect the true costs of tax expenditures and should fund only those tax expenditures that are effective and efficient uses of limited tax dollars.

(3) The Legislative Assembly declares that it is in the best interest of this state to have prepared a biennial report of tax expenditures that will allow the public and policy makers to identify and analyze tax expenditures and to periodically make criteria-based decisions on whether the expenditures should be continued. The tax expenditure report will allow tax expenditures to be debated in conjunction with online budgets and will result in the elimination of inefficient and inappropriate tax expenditures, resulting in greater accountability by state government and a lowering of the tax burden on all taxpayers.

**291.201 “Tax expenditure” defined for ORS 291.201 to 291.222.** As used in ORS 291.201 to 291.222, “tax expenditure” means any law of the federal government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.

**291.202 Budget and tax expenditure report of Governor; department to assist in preparation.** (1) Except as otherwise provided in ORS 291.222, the Governor shall prepare in each even-numbered year for the biennium beginning July 1 of the following year:

- (a) A Governor’s budget; and
- (b) A tax expenditure report.

(2) The Oregon Department of Administrative Services shall advise and assist the Governor in the preparation of the Governor’s budget and the tax expenditure report and shall perform any duties connected to the budget or report as the Governor requires.

(3) The Department of Revenue shall advise and assist the Governor in the preparation of the tax expenditure report.

**291.203 Tax expenditure report by Governor.**

(1) Not later than November 10 of each even-numbered year, the Governor shall cause the tax expenditure report to be compiled and prepared for printing.

(2) In the tax expenditure report, the Governor shall:

- (a) List each tax expenditure;
- (b) Identify the statutory authority for each tax expenditure;
- (c) Describe the purpose of each tax expenditure;
- (d) Estimate the amount of revenue loss caused by each tax expenditure for the coming biennium;
- (e) List the actual amount of revenue loss in the preceding biennium for each tax expenditure

or an estimate if the actual amount cannot be determined;

(f) Determine whether each tax expenditure has successfully achieved the purpose for which the tax expenditure was enacted and currently serves, including an analysis of the persons that are benefited by the expenditure; and

(g) Categorize each tax expenditure according to the programs or functions each tax expenditure supports.

### **291.214 Governor to prepare recommendations regarding certain tax expenditures.**

(1) The Governor, during the preparation of the Governor's budget and before its submission to the Legislative Assembly, shall identify each tax expenditure that has a full or partial sunset that, if allowed to take effect, will have a fiscal impact on the state or on school districts for the next biennium, and shall prepare a recommendation as to each tax expenditure identified under this paragraph that indicates the Governor's opinion on whether the full or partial sunset of the tax expenditure should be allowed to take effect as scheduled or should be revised to a different date.

(2) As used in this section:

(a) "Full sunset" means any provision that completely eliminates an existing tax expenditure on a specified date.

(b) "Partial sunset" means any provision that reduces the amount of an existing tax expenditure or that alters the eligibility requirements for the expenditure as of a specified date.

### **291.216 Governor's budget; when due;**

**content.** (1) The Governor's budget shall include a budget message prepared by the Governor, including recommendations of the Governor with reference to the fiscal policy of the state government for the coming biennium, describing the important features of the budget, embracing a general budget summary setting forth the aggregate figures of the budget so as to show a balanced relation between the total proposed expenditures and the total anticipated income, with the basis and factors on which the estimates are made, the amount to be borrowed, and other means of financing the estimated expenditures for the ensuing biennium, compared with the corresponding figures for at least the last completed biennium and the current biennium.

(2) The Governor's budget shall be supported by explanatory schedules or statements, classifying the expenditures reported in the budget, both past and proposed, by organization units, objects and funds, and the income by organization units, sources and funds, and the proposed amount of new borrowing as well as proposed new tax or revenue sources, including a single comprehensive list of all proposed increases in fees, licenses and assessments assumed in the budget.

(3) The Governor's budget shall be submitted for all dedicated funds, as well as the state General Fund, and shall include the estimated amounts of federal and other aids or grants to state agencies or activities provided for any purpose whatever, together with estimated expenditures therefrom.

(4) The Governor's budget shall embrace the detailed estimates of expenditures and revenues. It shall include:

(a) Statements of the bonded indebtedness of the state government, showing the actual amount of the debt service for at least the past biennium, and the estimated amount for the current biennium and the ensuing biennium, the debt authorized and unissued, the condition of the sinking funds and the borrowing capacity.

(b) The Governor's recommendations concerning tax expenditures identified under ORS 291.214.

(c) Any statements relative to the financial plan which the Governor may consider desirable or which may be required by the Legislative Assembly.

(5) The Governor's budget shall use the estimated revenues under ORS 291.342 for the fiscal year in which the budget is submitted as the basis for total anticipated income under subsection (1) of this section, subject to adjustment as may be necessary to reflect accurately projections for the next biennium.

(6)(a) The Governor's budget shall present information regarding the expenses of the state in the following categories:

(A) Personnel expenses, including compensation and benefits for state employees, but excluding costs of services contracted out and temporary service costs.

(B) Supplies, equipment and the costs of services contracted out.

(C) Special payments.

(D) Capital construction.

(E) Capital outlay.



(F) Debt service.

(b) For each category described in paragraph (a) of this subsection, the budget shall show actual expenditures for the prior biennium and estimated expenditures for the current biennium.

(c) As supplemental information to the budget, the Governor shall include an estimate of the projected costs of continuing currently authorized programs in the next biennium. The estimate shall include, but is not limited to the projected costs of:

(A) Removing one-time expenditures;

(B) Program phase-ins and phase-outs;

(C) Personnel expenses compared to existing compensation plan agreements, including position vacancy experience calculations;

(D) Inflation for services, supplies and medical costs;

(E) Transfers between state funds or accounts;

(F) Mandated caseload changes; and

(G) Debt service for previously issued debt.

(d) The budget shall show the total increase in the cost of salaries and benefits for all state positions.

(7) The Governor's budget shall include:

(a) The total number of positions and full-time equivalent positions included in the budget.

(b) The average vacancy rate in the present biennium.

(c) The number of permanent, full-time equivalent vacancies as of July 1 of even-numbered years.

(8) The Governor's budget shall include computations showing budget figures as a percentage of the total General Fund, federal fund, fee or other source category, as may be appropriate.

(9) The Governor's budget shall include, in a format that provides side-by-side comparison with the State Debt Policy Advisory Commission report of net debt capacity, a six-year forecast, by debt type and repayment source, of:

(a) That portion of the capital construction program required to be reported by ORS 291.224 that will be financed by debt issuance.

(b) The acquisition of equipment or technology in excess of \$500,000 that will be financed by debt issuance.

(c) Other state agency debt issuance for grant or loan purposes.

(10) The Governor's budget shall include the outcomes-based budgeting information required by ORS 291.217 (2) and (3).

(11) The Governor's budget shall include recommendations regarding available funds that could be used to make lump sum payments to the Public Employees Retirement System under ORS 238.229.

(12) The Governor's budget shall include a narrative summarizing the racial impact statements required under ORS 291.206.

**291.218 Printing Governor's budget and tax expenditure report; transmitting to members of legislature; distribution.** Except when the Governor under whose supervision the Governor's budget and the tax expenditure report have been prepared will be succeeded in office in January next following:

(1) The Oregon Department of Administrative Services shall have as many copies of the Governor's budget and the tax expenditure report printed as the Governor directs.

(2) Not later than December 1 of each even-numbered year, the Governor shall transmit a copy of the Governor's budget and the tax expenditure report to each member of the Legislative Assembly who is to serve during the next regular session of the Legislative Assembly.

(3) Upon request, the Governor shall distribute copies of the Governor's budget and the tax expenditure report free of charge to public libraries, schools and state officials. The Governor shall make copies available to the general public at a reasonable charge for each copy.

**291.220 Furnishing information and assistance to legislature.** (1) The Governor, upon request, shall furnish the Legislative Assembly any further information required concerning the Governor's budget and the tax expenditure report.

(2) The Oregon Department of Administrative Services, upon request, shall furnish a representative to assist the Legislative Assembly, the Joint Committee on Ways and Means and the Legislative Revenue Officer in the consideration of the budget, the tax expenditure report and any accompanying measures.

**291.222 Furnishing information and assistance to Governor-elect; revision of budget and tax expenditure report.** If the Governor under whose supervision the Governor's budget and tax expenditure report have been prepared will be succeeded in office in January next following:

## Appendix A

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(1) The Oregon Department of Administrative Services shall make available to the Governor-elect so much as the Governor-elect requests of the information upon which the Governor's budget and tax expenditure report are based, and upon completion of the budget and tax expenditure report, shall supply the Governor-elect with a copy of the budget and report, but may not print or distribute the budget or report. The department shall also make available to the Governor-elect all facilities of the department reasonably necessary to permit the Governor-elect to review and become familiar with the budget or tax expenditure report.

(2) After a review of the Governor's budget and tax expenditure report, the Governor-elect may prepare revisions and additions to the budget or report. The Oregon Department of Administrative Services and the Department of Revenue shall assist, upon request, in the preparation of any revisions or additions.

(3) The Oregon Department of Administrative Services shall have printed as many copies of the revised Governor's budget and revised tax expenditure report as the Governor-elect requests.

(4) Not later than February 1 of each odd-numbered year, the Oregon Department of Administrative Services shall transmit a copy of the revised Governor's budget and revised tax expenditure report to each member of the Legislative Assembly.

(5) Upon request, the department shall distribute copies of the revised Governor's budget and revised tax expenditure report free of charge, under any rules the department may adopt, to public libraries, schools and state officials. The department shall make copies of the revised budget and revised tax expenditure report available to the general public at a reasonable charge for each copy.

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Oregon Revised Statutes, 2021 Edition

## APPENDIX B: CONTRIBUTORS

This report was developed by the following members of the Department of Revenue Research Section, with assistance from numerous Department of Revenue and other state agency personnel:

Heinar Abdelrazik	Research Analyst
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David Brimmer	Senior Economist
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The following agencies evaluated the effectiveness of the tax expenditures and provided other important information:

Agriculture, Department of	Liquor and Cannabis Commission, Oregon
Aviation, Department of	Military Department, Oregon
Chief Financial Office	Office of Economic Analysis
Consumer and Business Services, Department of	Oregon Business Development Department
Education, Department of	Oregon Film and Video Office
Emergency Management, Department of	Oregon Health Authority
Energy, Department of	Oregon Lottery
Environmental Quality, Department of	Oregon State Marine Board
Fish and Wildlife, Department of	Parks and Recreation Department, Oregon
Forestry, Department of	Public Utility Commission, Oregon
Geology and Mineral Industries, Department of	Rural Health, Office of
Higher Education Coordinating Commission	Secretary of State, Oregon
Housing and Community Services, Oregon	State Lands, Department of
Human Services, Department of	Transportation, Oregon Department of
Land Conservation and Development, Dept. of	Veterans' Affairs, Department of
Legislative Revenue Office	

## APPENDIX C: NEW, MODIFIED, OR REMOVED TAX EXPENDITURES

This appendix contains a list of tax expenditures that have been created, modified, or removed since the publication of the *2021–23 Tax Expenditure Report*. Although many of the tax expenditures reflected here were created or changed during Oregon’s 2021 or 2022 Legislative sessions, a number are on this list because the Department has changed its interpretation of whether certain provisions represent tax expenditures or because they were included or excluded from the previous publication in error. The *2021–23 Tax Expenditure Report* provides descriptions of the removed items listed below.

The listing of modified tax expenditures below does not include modifications of tax expenditures that resulted from changes in federal law for income taxes that impact Oregon’s income taxes.

Tax Expenditure	Type	Oregon Legislation Creating or Modifying Tax Expenditure
<b>NEW TAX EXPENDITURES</b>		
<i>Income Tax</i>		
1.304 AmeriCorps Awards	Subtraction	HB 2433 (2021)
1.320 Agriculture Sector Net Operating Loss Carryback	Subtraction	SB 1524 (2022)
1.428 Agricultural Worker Overtime	Credit	HB 4002 (2022)
1.429 Timber Harvested Near Forest Conservation Area (Income Tax)	Credit	SB 1502 (2022)
<i>Property Tax</i>		
2.032 Low-Income Housing Owned by Religious Organization	Full	HB 2008 (2021)
2.070 Property Used for Disaster or Emergency Related Work	Full	ORS 401.690(1)(d)
2.098 Facilities with Prepayment Agreement	Partial	ORS 311.865
2.113 Workforce Housing	Partial	HB 2438 (2021) & SB 1524 (2022)
2.114 Affordable Housing Covenant	Partial	HB 3275 (2021)
<i>Corporate Activity Tax</i>		
9.001 Sales of Prescription Drugs by Eligible Pharmacies	Exclusion	SB 1524 (2022)
9.005 Insurers Subject to Retaliatory Tax	Exclusion	SB 164 (2021)
<i>Estate Transfer Tax</i>		
15.002 Timber Harvested Near Forest Conservation Area (Estate Transfer Tax)	Credit	SB 1502 (2022)

Tax Expenditure	Type	Oregon Legislation Creating or Modifying Tax Expenditure	
<b>MODIFIED TAX EXPENDITURES</b>			
<i>Income Tax</i>			
1.309	Film Production Labor Rebate	Subtraction	HB 2433 (2021)
1.310	Artist's Charitable Contribution	Subtraction	SB 119 (2021)
1.314	Mobile Home Park Capital Gain	Subtraction	HB 2456 (2021)
1.403	Opportunity Grant Fund Contributions	Credit	HB 2456 (2021)
1.406	Earned Income Credit	Credit	HB 2433 (2021)
1.407	Child with a Disability	Credit	HB 2433 (2021)
1.408	Rural Medical Practice	Credit	HB 2433 (2021)
1.410	Severe Disability	Credit	HB 2433 (2021)
1.411	Contributions to ABLE Account	Credit	HB 2456 (2021)
1.413	Agriculture Workforce Housing Construction	Credit	HB 2433 (2021)
1.414	Film Production Development Contributions	Credit	HB 2433 (2021) & HB 2456 (2021)
1.422	Public University Venture Development Fund	Credit	HB 2433 (2021)
1.423	Working Family Household and Dependent Care	Credit	HB 2433 (2021)
1.425	Individual Development Account Donation (Credit)	Credit	HB 2433 (2021)
1.426	Oregon Affordable Housing Lender's Credit	Credit	HB 2433 (2021)
1.443	Short Line Railroad Rehabilitation	Credit	HB 3055 (2021) & HB 2456 (2021)
1.444	Oregon Life and Health IGA Assessments	Credit	HB 2433 (2021)
1.448	Oregon Veterans' Home Physicians	Credit	HB 2433 (2021)
1.502	Tax Rates for Certain Pass Through Income	Other	SB 139 (2021)
<i>Property Tax</i>			
2.048	Solar Projects	Full	SB 154 (2021)
2.052	Environmentally Sensitive Logging Equipment	Full	HB 2456 (2021)
2.071	Beverage Containers Requiring Deposit	Full	SB 1520 (2022)
2.085	Charitable, Literary, and Scientific Organizations	Full	HB 2446 (2021)
2.088	Cemeteries, Burial Grounds, and Mausoleums	Full	HB 2574 (2021)
2.100	Strategic Investment Program	Partial	SB 1524 (2022)
2.102	Vertical Housing Development Zone	Partial	SB 141 (2021)
2.103	Certain Single-Unit Housing	Partial	HB 2456 (2021)
2.108	Nonprofit Low Income Rental Housing	Partial	HB 2456 (2021)
2.115	Alternative Energy Systems	Partial	SB 1519 (2022)
2.129	Historic Property	Special	HB 4054 (2022)
2.138	Destroyed or Damaged Property	Other	HB 2341 (2021) & SB 464 (2021)
<i>Lodging Tax</i>			
13.001	Exempt Dwelling Units	Exclusion	HB 2433 (2021)
<i>Local Construction Tax</i>			
14.001	Exempt Construction	Exclusion	HB 2607 (2021)
<i>Marijuana Tax</i>			
16.001	Marijuana Purchased for Medical Use	Exclusion	HB 2433 (2021) & SB 307 (2021)

## Appendix C

Tax Expenditure	Type	Reason for Removal
<b>REMOVED TAX EXPENDITURES</b>		
<i>Income Tax</i>		
Qualified Higher Education Expenses	Adjustment	Expired
Deferral of Capital Gains From FERC Restructuring Requirements	Deduction	Expired
Employer Provided Dependent Care Assistance	Credit	Expired
Child and Dependent Care	Credit	Expired
Renewable Energy Development Contributions	Credit	Expired
<i>Property Tax</i>		
Transfer of Land from Cemetery to School	Full	Expired
Property Used for Golf Course and Effluent	Full	Expired
Gigabit Internet	Partial	Expired
<i>Gas and Use Fuel Taxes</i>		
Diesel Fuel Blended with Biodiesel	Exclusion	Expired
Natural Gas and Propane Vehicles	Exclusion	Not a tax expenditure
<i>Weight-Mile Tax</i>		
Dealer Vehicle on Test Drive	Exclusion	Not a tax expenditure
<i>Forest Products Harvest Tax</i>		
First 25,000 Board Feet	Exclusion	Not a tax expenditure
<i>Oil and Gas Privilege Tax</i>		
First \$3,000 in Gross Sales Value	Exclusion	Not a tax expenditure
<i>Corporate Activity Tax</i>		
Services to Medicare or Medical Assistance Patients	Exclusion	Not a tax expenditure
Entities Subject to Medical Provider Taxes	Exclusion	Not a tax expenditure
Underwriting Profit from Wet Marine and Transportation Insurance	Exclusion	Not a tax expenditure
Farmer Sales to an Agricultural Cooperative in Oregon	Exclusion	Not a tax expenditure
Motor Vehicle Fuel	Exclusion	Not a tax expenditure
Certain Sales Between Vehicle Dealers	Exclusion	Not a tax expenditure
Certain Exempt Entities	Exclusion	Not a tax expenditure
Groceries	Exclusion	Not a tax expenditure

## APPENDIX D: PERSONAL AND CORPORATE INCOME TAX EXPENDITURES

Of Oregon's 184 income tax expenditures, some apply exclusively to individuals, some apply exclusively to corporations, and some may be claimed by both individuals and corporations. The table below provides a summary of the income tax expenditures and their revenue impacts, and categorizes them by whether they apply exclusively to personal income taxes, exclusively to corporate income taxes, or to both individuals and corporations.

<b>INCOME TAX EXPENDITURE ESTIMATES BY TYPE OF TAXPAYER FOR 2023-25 (Dollars in Millions)</b>							
Expenditure Type	Individuals Only		Corporations Only		Both Individuals and Corporations		
	Number	Revenue Impact <sup>1</sup>	Number	Revenue Impact <sup>1</sup>	Number	Revenue Impact <sup>1</sup> (Individuals)	Revenue Impact <sup>1</sup> (Corporations)
Exclusions	44	\$8,240	6	\$32	12	\$257	\$105
Adjustments	7	\$460	0	\$0	0	\$0	\$0
Deductions	6	\$1,882	2	\$326	21	\$914	\$108
Subtractions	20	\$2,659	1	\$2	8	\$1	\$11
Credits	14	\$1,586	2	\$1	33	\$75	\$55
Other	4	\$248	2	\$1	2	\$4	\$0
<b>Total</b>	<b>95</b>	<b>\$15,075</b>	<b>13</b>	<b>\$361</b>	<b>76</b>	<b>\$1,251</b>	<b>\$279</b>

<sup>1</sup> For reasons explained in the Revenue Impacts section on page 3, there are difficulties with summing tax expenditures. This table is intended only to provide rough orders of magnitudes for large groups of tax expenditures and caution should be exercised when adding revenue impacts. Note that this table does not include tax expenditures less than \$100,000 in the total revenue impact or where the revenue impact was not available.

The table on the following pages lists all income tax expenditures and their revenue impacts, categorized into those that apply to personal income taxes and those that apply to corporate income taxes.

## Appendix D

### PERSONAL INCOME TAX EXPENDITURES

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2021-23	2023-25	
<i>Federal Exclusions</i>						
1.001	Scholarship and Fellowship Income	Education	1954	316.048	30,000	32,000
1.002	Qualified Education Savings (Federal)	Education	1996	316.048	12,000	17,000
1.003	Exclusion of Employer Provided Tuition Reduction	Education	1984	316.048	2,300	2,300
1.004	Certain Foster Care Payments	Human Services	1982	316.048	4,700	5,000
1.005	Employee Adoption Benefits	Human Services	1996	316.048	Less than 100	Less than 100
1.006	Compensatory Damages	Human Services	1918	316.048	15,000	15,000
1.007	Employer Paid Medical and Cafeteria Plan Benefits	Human Services	1918	316.048	1,630,000	1,770,000
1.008	Special Benefits for Disabled Coal Miners	Human Services	1969	316.048	Less than 100	Less than 100
1.009	ABLE Account Earnings	Human Services	2014	316.048	Less than 100	Less than 100
1.010	Pension Contributions and Earnings	Human Services	1921	316.048	2,890,000	3,630,000
1.011	Social Security Benefits (Federal)	Human Services	1938	316.048	750,000	806,000
1.012	Regional Economic Development Incentives	Economic/Community	1993	316.048, 317.013	Less than 100	Less than 100
1.013	Capital Gain Invested in Opportunity Zone	Economic/Community	2017	316.048, 317.013	28,000	20,000
1.014	Exclusion of Gain from Certain Small Business Stock	Economic/Community	1993	316.048	20,000	14,000
1.015	Imputed Interest Rules	Economic/Community	1984	316.048, 317.013	5,600	5,800
1.016	Employer Provided Dependent Care	Economic/Community	1981	316.048	4,700	5,900
1.017	Capital Gains on Home Sales	Economic/Community	1997	316.048	477,000	537,000
1.018	Income Earned Abroad by U.S. Citizens	Economic/Community	1926	316.048	56,000	65,000
1.019	Cancellation of Mortgage Debt	Economic/Community	2007	316.048	4,500	4,900
1.020	Employer Paid Group Life Insurance Premiums	Economic/Community	1920	316.048	31,000	32,000
1.021	Employer Paid Accident and Disability Insurance	Economic/Community	1954	316.048	36,000	39,000
1.022	Employer Provided On-Site Gyms	Economic/Community	1984	316.048	13,000	14,000
1.023	Miscellaneous Fringe Benefits	Economic/Community	1984	316.048	70,000	76,000
1.024	Employee Meals and Lodging (Nonmilitary)	Economic/Community	1918	316.048	59,000	62,000
1.025	Employee Stock Ownership Plans	Economic/Community	1974	316.048, 317.013	19,000	22,000
1.026	Employee Awards	Economic/Community	1986	316.048	3,400	3,400
1.027	Employer Provided Education Benefits	Economic/Community	1997	316.048	11,000	11,000
1.028	Spread on Acquisition of Stock	Economic/Community	1981	316.048	6,500	5,800
1.029	Meal and Entertainment Expenses	Economic/Community	1984	316.048	3,400	3,400
1.030	Veterans' Benefits and Services	Economic/Community	1917	316.048	120,000	133,000
1.031	Military and Dependents TRICARE Insurance	Economic/Community	1925	316.048	55,000	59,000
1.032	Magazine, Paperback, and Record Returns	Economic/Community	1978	316.048, 317.013	100	100
1.033	Cash Accounting, Other than Agriculture	Economic/Community	1916	316.048, 317.013	15,000	10,000
1.034	Inventory Methods of Valuation	Economic/Community	1938	316.048, 317.013	6,400	6,400
1.035	Agriculture Cost-Sharing Payments	Natural Resources	1978	316.048, 317.013	100	100
1.036	Cancellation of Debt for Farmers	Natural Resources	1986	316.048	500	500
1.037	Energy Conservation Subsidies (Federal)	Natural Resources	1992	316.048	800	800
1.041	Employer Paid Transportation Benefits	Transportation	1992	316.048	33,000	35,000
1.042	Certain Disaster Mitigation Payments	Consumer and Business Services	2005	316.048, 317.013	200	200
1.045	Workers' Compensation Benefits (Medical)	Consumer and Business Services	1918	316.048	56,000	62,000



**PERSONAL INCOME TAX EXPENDITURES**

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2021-23	2023-25	
1.046	Workers' Compensation Benefits (Nonmedical)	Consumer and Business Services	1918	316.048	25,000	30,000
1.047	Gain on Nondealer Installment Sales	Tax Administration	1921	316.048, 317.013	8,000	9,000
1.048	Gain on Like-Kind Exchanges	Tax Administration	1921	316.048, 317.013	69,000	73,000
1.049	Allowances for Federal Employees Abroad	Government	1943	316.048	4,400	4,600
1.050	Interest on Oregon State and Local Debt	Government	1913	316.048	45,100	47,900
1.051	Voluntary Employees' Beneficiary Associations	Social Policy	1928	316.048	8,800	9,000
1.052	Rental Allowances for Clergy Housing	Social Policy	1921	316.048	6,800	7,500
1.054	Discharge of Certain Student Loan Debt	Social Policy	1984	316.048	1,500	1,500
1.055	Capital Gains on Inherited Property	Social Policy	1921	316.048	507,000	548,000
1.056	Capital Gains on Gifts	Social Policy	1921	316.048	38,000	72,000
1.057	Life Insurance Proceeds	Social Policy	1954	316.048, 317.013	108,000	110,000
1.058	Public Safety Officer Survivor Annuities	Social Policy	1997	316.048	200	200
1.059	Disability Benefits of Military and Victims of Terrorism	Social Policy	1942	316.048	2,900	2,900
1.060	Benefits and Allowances of Armed Forces Personnel	Social Policy	1925	316.048	58,000	64,000
1.061	Combat Pay	Social Policy	Pre-1955	316.048	5,800	6,100
1.062	Deferral of Interest on Savings Bonds	Social Policy	1951	316.048	5,000	5,000

*Federal Adjustments*

1.101	Teacher Classroom Expenses	Education	2002	316.048	1,600	1,800
1.102	Interest on Student Loans	Education	1997	316.048	8,700	22,000
1.103	Self-Employment Health Insurance	Human Services	1986	316.048	83,500	89,300
1.104	Health Savings Accounts	Human Services	1996	316.048	96,000	111,000
1.105	IRA Contributions and Earnings	Human Services	1974	316.048	204,000	234,000
1.106	Moving Expenses	Economic/Community	1964	316.048	100	100
1.107	Overnight Travel Expenses of National Guard and Reserve Members	Social Policy	2003	316.048	1,400	1,400

*Federal Deductions*

1.201	Medical and Dental Expenses	Human Services	1942	316.695	247,000	283,000
1.202	Removal of Architectural Barriers	Human Services	1976	316.048, 317.013	Less than 100	Less than 100
1.203	Deduction of Certain Film and Television Production Costs	Economic/Community	2004	316.048, 317.013	200	200
1.204	Accelerated Depreciation of Buildings	Economic/Community	1954	316.048, 317.013	2,000	2,000
1.205	Accelerated Depreciation of Equipment	Economic/Community	1954	316.048, 317.013	61,000	14,000
1.206	Research and Development Costs	Economic/Community	1954	316.048, 317.013	200	Less than 100
1.207	Section 179 Expensing Allowances	Economic/Community	1959	316.048, 317.013	40,000	53,000
1.208	Amortization of Business Start-Up Costs	Economic/Community	1980	316.048, 317.013	1,200	1,200
1.210	Accelerated Depreciation of Rental Housing	Economic/Community	1954	316.048, 317.013	28,000	25,000
1.211	Home Mortgage Interest	Economic/Community	1913	316.695	854,000	915,000
1.212	Property Taxes	Economic/Community	1913	316.695	594,000	662,000
1.213	Cash Accounting for Agriculture	Natural Resources	1916	316.048, 317.013	Less than 100	Less than 100
1.214	Soil and Water Conservation Expenditures	Natural Resources	1954	316.048, 317.013	400	400
1.215	Fertilizer and Soil Conditioner Costs	Natural Resources	1960	316.048, 317.013	800	800

## Appendix D

### PERSONAL INCOME TAX EXPENDITURES

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2021-23	2023-25	
1.216	Extended Carryback of Farming Loss	Natural Resources	1999	316.048	300	300
1.217	Development Costs for Nonfuel Minerals	Natural Resources	1951	316.048, 317.013	Less than 100	Less than 100
1.218	Intangible Development Costs for Fuels	Natural Resources	1978	316.695, 317.013	Less than 100	Less than 100
1.219	Energy Efficient Commercial Property	Natural Resources	2006	316.695, 317.013	200	200
1.220	Special Depreciation for Recycling Equipment	Natural Resources	2008	316.048, 317.013	Less than 100	Less than 100
1.221	Mining and Solid Waste Reclamation Reserves	Natural Resources	1984	316.048, 317.013	Less than 100	Less than 100
1.223	Expensing Timber-Growing Costs	Natural Resources	1986	316.048, 317.013	Less than 100	Less than 100
1.224	Expensing and Amortization of Reforestation Costs	Natural Resources	1980	316.048, 317.013	700	700
1.225	Magazine Circulation Expenditures	Tax Administration	1950	316.048, 317.013	Less than 100	Less than 100
1.226	Completed Contract Rules	Tax Administration	1986	316.048, 317.013	600	400
1.227	Charitable Contributions	Social Policy	1917	316.695, 317.013	729,000	816,000
1.228	Casualty and Theft Losses	Social Policy	1913	316.695	700	800
1.229	Local Income Taxes	Social Policy	1913	316.695	15,000	21,000

#### *Oregon Subtractions*

1.301	Land Donated to Schools	Education	1999	316.852, 317.488	Less than 100	0
1.302	Oregon 529 College Savings Network	Education	1999	316.699	4,700	700
1.303	Scholarship Awards Used for Housing Expenses	Education	1999	316.846	1,000	1,100
1.304	AmeriCorps Awards	Education	2021	316.847	200	200
1.305	Medical Subtraction for Elderly	Human Services	2013	316.693	59,700	63,100
1.306	Additional Deduction for Elderly or Blind	Human Services	1989	316.695(7)	26,100	27,400
1.307	ABLE Account Contributions	Human Services	2015	316.699	Less than 100	Less than 100
1.308	Social Security Benefits (Oregon)	Human Services	1985	316.054	1,070,000	1,170,000
1.309	Film Production Labor Rebate	Economic/Community	2005	316.698, 317.394	900	900
1.310	Artist's Charitable Contribution	Economic/Community	1979	316.838	Less than 100	Less than 100
1.311	Oregon Investment Advantage	Economic/Community	2001	316.778, 317.391	Not Available	Not Available
1.312	Dividend Received from an IC-DISC	Economic/Community	2013	316.749(1)	9,000	9,600
1.313	Individual Development Accounts (Exclusion and Subtraction)	Economic/Community	1999	316.848	Less than 100	Less than 100
1.314	Mobile Home Park Capital Gain	Economic/Community	2005	Ore. Laws 2005 c.826 §6-10	600	300
1.315	First Time Home Buyer Savings	Economic/Community	2018	316.798	1,300	1,300
1.316	Manufactured Dwelling Tenant Payment	Economic/Community	2007	316.795, 317.092	Less than 100	Less than 100
1.317	Interest from State and Local Government Bonds	Economic/Community	1987	316.056	300	300
1.318	Depletion Costs for Metal Mines	Natural Resources	Pre-1953	317.374	Not Available	Not Available
1.319	Energy Conservation Subsidies (Oregon)	Natural Resources	1981	316.744, 317.386	Less than 100	Less than 100
1.320	Agriculture Sector Net Operating Loss Carryback	Natural Resources	2022	Ore. Laws 2022 c.82 §12-15	0	200
1.322	Hydroelectric Dam and Waterway Workers	Tax Administration	1997	316.127(8) and (10)	Not Available	Not Available
1.323	Income Earned in "Indian Country"	Government	1977	316.777	7,400	7,400
1.324	Federal Pension Income	Government	1998	316.680(1)(e)	122,000	120,000
1.325	Legislative Per Diem and Allowance	Government	1967	171.072(7)	100	100
1.326	Oregon State Lottery Prizes	Government	1985	461.560	300	200
1.327	Federal Income Tax Subtraction	Social Policy	1929	316.680(1)(b), 316.685, 316.695	985,000	1,180,000
1.328	Military Active Duty and Related Pay	Social Policy	1969	316.792	48,900	50,900

## PERSONAL INCOME TAX EXPENDITURES

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
1.329 Interest and Dividends on U.S. Obligations	Federal Law	1970	316.680(1)(a)	19,900	27,000
<i>Oregon Credits</i>					
1.401 Employer Provided Scholarships	Education	2001	315.237	Less than 100	Less than 100
1.402 Contributions of Computer Equipment	Education	1985	317.151	Less than 100	Less than 100
1.403 Opportunity Grant Fund Contributions	Education	2018	315.643	27,200	12,400
1.404 Employee Training	Education	2017	315.523	Less than 100	Less than 100
1.405 Contributions to 529 Account	Education	2019	315.650	17,900	19,700
1.406 Earned Income Credit	Human Services	1997	315.266	115,000	122,000
1.407 Child with a Disability	Human Services	1985	316.099(3)	9,200	10,100
1.408 Rural Medical Practice	Human Services	1989	315.613, 315.616, 315.619	12,600	11,500
1.409 Volunteer Rural Emergency Medical Providers	Human Services	2005	315.622	100	100
1.410 Severe Disability	Human Services	1985	316.758	7,700	7,700
1.411 Contributions to ABLE Account	Human Services	2019	315.650	500	500
1.412 Farmworker Housing Lender's Credit	Economic/Community	1989	317.147	Less than 100	Less than 100
1.413 Agriculture Workforce Housing Construction	Economic/Community	1989	315.164	3,300	4,200
1.414 Film Production Development Contributions	Economic/Community	2003	315.514, 315.516	19,700	19,400
1.415 Renewable Resource Equipment Manufacturing Facilities	Economic/Community	2011	315.341	Less than 100	Less than 100
1.416 Oregon Low Income Community Jobs Initiative	Economic/Community	2011	315.533(2)	Less than 100	Less than 100
1.417 Qualified Research Activities	Economic/Community	1989	317.152	Less than 100	0
1.418 Qualified Research Activities (Alternative)	Economic/Community	1989	317.154	Less than 100	0
1.419 Long Term Rural Enterprise Zone Facilities (Income Tax)	Economic/Community	1997	317.124	Not Available	Not Available
1.420 Reservation Enterprise Zone (Income Tax)	Economic/Community	2001	315.506	Less than 100	Less than 100
1.421 Electronic Commerce Enterprise Zone (Income Tax)	Economic/Community	2001	315.507	400	0
1.422 Public University Venture Development Fund	Economic/Community	2005	315.640	500	500
1.423 Working Family Household and Dependent Care	Economic/Community	2015	315.264	47,900	66,300
1.424 Contributions to Office of Child Care	Economic/Community	2001	315.213	Less than 100	Less than 100
1.425 Individual Development Account Donation (Credit)	Economic/Community	1999	315.271	14,000	14,000
1.426 Oregon Affordable Housing Lender's Credit	Economic/Community	1989	317.097	300	300
1.427 Manufactured Dwelling Park Closure	Economic/Community	2007	316.090	Less than 100	Less than 100
1.428 Agricultural Worker Overtime	Natural Resources	2022	Ore. Laws 2022 c.115	Not Applicable	15,200
1.429 Timber Harvested Near Forest Conservation Area (Income Tax)	Natural Resources	2022	Ore. Laws 2022 c.34 §2	Not Applicable	Not Available
1.430 Bovine Manure	Natural Resources	2017	315.176(3)(a)	Not Available	Not Available
1.431 Crop Donation	Natural Resources	1977	315.156	400	400
1.432 Energy Conservation Lender's Credit	Natural Resources	1981	317.112	Less than 100	Less than 100
1.433 Transportation Projects	Natural Resources	2011	315.336(1)	100	Less than 100
1.434 Alternative Energy Devices (Residential)	Natural Resources	1977	316.116	700	200
1.435 Business Energy Facilities, Conservation and Renewables	Natural Resources	1979	315.354	600	100
1.436 Energy Conservation Projects	Natural Resources	2011	315.331(1)	400	Less than 100
1.438 Production or Collection of Biomass	Natural Resources	2007	315.141	Less than 100	0
1.439 Fish Screening Devices	Natural Resources	1989	315.138	Less than 100	Less than 100

## Appendix D

### PERSONAL INCOME TAX EXPENDITURES

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
1.440 Alternatives to Field Burning	Natural Resources	1975	315.304	Less than 100	0
1.441 Pollution Control	Natural Resources	1967	315.304	Less than 100	0
1.442 Reforestation	Natural Resources	1979	315.104	Less than 100	0
1.443 Short Line Railroad Rehabilitation	Transportation	2019	315.593	Not Available	Not Available
1.445 Political Contributions	Government	1969	316.102	6,100	6,300
1.446 Oregon Cultural Trust	Social Policy	2001	315.675	8,200	8,600
1.447 Personal Exemption	Social Policy	1985	316.085	1,280,000	1,340,000
1.448 Oregon Veterans' Home Physicians	Social Policy	2007	315.624	Less than 100	Less than 100
1.449 Certain Retirement Income	Social Policy	1991	316.157	1,300	1,400
<i>Other</i>					
1.502 Tax Rates for Certain Pass Through Income	Economic/Community	2013	316.043(2)	239,000	236,000
1.503 Income Averaging for Farmers	Natural Resources	2001	314.297	1,300	1,300
1.504 Capital Gains from Farm Property	Natural Resources	2001	316.045, 317.063, 318.020	4,700	4,300
1.505 Nonresident Income from Disaster or Emergency Related Work	Consumer and Business Services	2015	401.690	Not Available	Not Available
1.507 Nonresident Armed Forces	Social Policy	2015	316.027, 316.127(7)	10,300	10,900
1.508 Nonresident Spouse of Nonresident Servicemember Serving in Oregon	Social Policy	2009	Public Laws 111-97, 115-407	Not Available	Not Available

## CORPORATION INCOME TAX EXPENDITURES

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2021-23	2023-25	
<i>Federal Exclusions</i>						
1.012	Regional Economic Development Incentives	Economic/Community	1993	316.048, 317.013	Less than 100	Less than 100
1.013	Capital Gain Invested in Opportunity Zone	Economic/Community	2017	316.048, 317.013	4,000	3,000
1.015	Imputed Interest Rules	Economic/Community	1984	316.048, 317.013	Less than 100	Less than 100
1.025	Employee Stock Ownership Plans	Economic/Community	1974	316.048, 317.013	18,000	21,000
1.032	Magazine, Paperback, and Record Returns	Economic/Community	1978	316.048, 317.013	200	200
1.033	Cash Accounting, Other than Agriculture	Economic/Community	1916	316.048, 317.013	5,000	5,000
1.034	Inventory Methods of Valuation	Economic/Community	1938	316.048, 317.013	7,800	7,800
1.035	Agriculture Cost-Sharing Payments	Natural Resources	1978	316.048, 317.013	200	200
1.038	Pass Through Status of Specified Publicly Traded Partnerships	Natural Resources	1987	317.013	3,600	3,700
1.039	Earnings of Certain Environmental Settlement Funds	Natural Resources	2005	317.013	200	200
1.040	Nonprofit's Gain from Brownfield	Natural Resources	2004	317.013	200	200
1.042	Certain Disaster Mitigation Payments	Consumer and Business Services	2005	316.048, 317.013	200	200
1.043	Credit Union Income	Consumer and Business Services	1951	317.080(1)	24,000	24,000
1.044	Elimination of Tax Exempt Interest Allocation for Banks	Consumer and Business Services	2009	317.013	3,400	3,400
1.047	Gain on Nondealer Installment Sales	Tax Administration	1921	316.048, 317.013	36,000	40,000
1.048	Gain on Like-Kind Exchanges	Tax Administration	1921	316.048, 317.013	21,000	22,000
1.053	Certain Payments to Controlling Exempt Organizations	Social Policy	2006	317.013	200	200
1.057	Life Insurance Proceeds	Social Policy	1954	316.048, 317.013	6,000	6,000
<i>Federal Deductions</i>						
1.202	Removal of Architectural Barriers	Human Services	1976	316.048, 317.013	Less than 100	Less than 100
1.203	Deduction of Certain Film and Television Production Costs	Economic/Community	2004	316.048, 317.013	700	500
1.204	Accelerated Depreciation of Buildings	Economic/Community	1954	316.048, 317.013	1,900	1,900
1.205	Accelerated Depreciation of Equipment	Economic/Community	1954	316.048, 317.013	236,000	40,000
1.206	Research and Development Costs	Economic/Community	1954	316.048, 317.013	6,000	Less than 100
1.207	Section 179 Expensing Allowances	Economic/Community	1959	316.048, 317.013	9,000	12,000
1.208	Amortization of Business Start-Up Costs	Economic/Community	1980	316.048, 317.013	800	800
1.209	Foreign-Derived Intangible Income	Economic/Community	2017	317.013	228,000	326,000
1.210	Accelerated Depreciation of Rental Housing	Economic/Community	1954	316.048, 317.013	6,000	6,000
1.213	Cash Accounting for Agriculture	Natural Resources	1916	316.048, 317.013	Less than 100	Less than 100
1.214	Soil and Water Conservation Expenditures	Natural Resources	1954	316.048, 317.013	400	400
1.215	Fertilizer and Soil Conditioner Costs	Natural Resources	1960	316.048, 317.013	400	400
1.217	Development Costs for Nonfuel Minerals	Natural Resources	1951	316.048, 317.013	Less than 100	Less than 100
1.218	Intangible Development Costs for Fuels	Natural Resources	1978	316.695, 317.013	1,700	1,700
1.219	Energy Efficient Commercial Property	Natural Resources	2006	316.695, 317.013	300	300
1.220	Special Depreciation for Recycling Equipment	Natural Resources	2008	316.048, 317.013	Less than 100	Less than 100
1.221	Mining and Solid Waste Reclamation Reserves	Natural Resources	1984	316.048, 317.013	Less than 100	Less than 100
1.222	Amortization of Air Pollution Control Facilities	Natural Resources	2005	317.013	Less than 100	Less than 100
1.223	Expensing Timber-Growing Costs	Natural Resources	1986	316.048, 317.013	3,000	3,200

## Appendix D

### CORPORATION INCOME TAX EXPENDITURES

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
1.224 Expensing and Amortization of Reforestation Costs	Natural Resources	1980	316.048, 317.013	400	400
1.225 Magazine Circulation Expenditures	Tax Administration	1950	316.048, 317.013	100	100
1.226 Completed Contract Rules	Tax Administration	1986	316.048, 317.013	6,300	6,800
1.227 Charitable Contributions	Social Policy	1917	316.695, 317.013	33,000	33,000

#### *Oregon Subtractions*

1.301 Land Donated to Schools	Education	1999	316.852, 317.488	Less than 100	0
1.309 Film Production Labor Rebate	Economic/Community	2005	316.698, 317.394	Less than 100	Less than 100
1.311 Oregon Investment Advantage	Economic/Community	2001	316.778, 317.391	Not Available	Not Available
1.314 Mobile Home Park Capital Gain	Economic/Community	2005	Ore. Laws 2005 c.826 §6-10	Less than 100	Less than 100
1.316 Manufactured Dwelling Tenant Payment	Economic/Community	2007	316.795, 317.092	Less than 100	Less than 100
1.318 Depletion Costs for Metal Mines	Natural Resources	Pre-1953	317.374	Not Available	Not Available
1.319 Energy Conservation Subsidies (Oregon)	Natural Resources	1981	316.744, 317.386	Less than 100	Less than 100
1.320 Agriculture Sector Net Operating Loss Carryback	Natural Resources	2022	Ore. Laws 2022 c.82 §12-15	0	10,600
1.321 Wet Marine and Transportation Policies	Consumer and Business Services	1995	317.080(8)	1,600	1,600

#### *Oregon Credits*

1.401 Employer Provided Scholarships	Education	2001	315.237	Less than 100	Less than 100
1.402 Contributions of Computer Equipment	Education	1985	317.151	Less than 100	Less than 100
1.403 Opportunity Grant Fund Contributions	Education	2018	315.643	Less than 100	Less than 100
1.404 Employee Training	Education	2017	315.523	Less than 100	Less than 100
1.412 Farmworker Housing Lender's Credit	Economic/Community	1989	317.147	Less than 100	Less than 100
1.413 Agriculture Workforce Housing Construction	Economic/Community	1989	315.164	3,400	4,800
1.414 Film Production Development Contributions	Economic/Community	2003	315.514, 315.516	18,000	19,400
1.415 Renewable Resource Equipment Manufacturing Facilities	Economic/Community	2011	315.341	Less than 100	Less than 100
1.416 Oregon Low Income Community Jobs Initiative	Economic/Community	2011	315.533(2)	6,300	2,300
1.417 Qualified Research Activities	Economic/Community	1989	317.152	9,100	0
1.418 Qualified Research Activities (Alternative)	Economic/Community	1989	317.154	1,900	0
1.419 Long Term Rural Enterprise Zone Facilities (Income Tax)	Economic/Community	1997	317.124	Not Available	Not Available
1.420 Reservation Enterprise Zone (Income Tax)	Economic/Community	2001	315.506	Less than 100	Less than 100
1.421 Electronic Commerce Enterprise Zone (Income Tax)	Economic/Community	2001	315.507	1,600	0
1.422 Public University Venture Development Fund	Economic/Community	2005	315.640	Less than 100	Less than 100
1.424 Contributions to Office of Child Care	Economic/Community	2001	315.213	Less than 100	Less than 100
1.425 Individual Development Account Donation (Credit)	Economic/Community	1999	315.271	Less than 100	Less than 100
1.426 Oregon Affordable Housing Lender's Credit	Economic/Community	1989	317.097	18,400	18,400
1.428 Agricultural Worker Overtime	Natural Resources	2022	Ore. Laws 2022 c.115	Not Applicable	1,800
1.429 Timber Harvested Near Forest Conservation Area (Income Tax)	Natural Resources	2022	Ore. Laws 2022 c.34 §2	Not Applicable	Not Available
1.430 Bovine Manure	Natural Resources	2017	315.176(3)(a)	Not Available	Not Available
1.431 Crop Donation	Natural Resources	1977	315.156	Less than 100	Less than 100

## CORPORATION INCOME TAX EXPENDITURES

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2021-23	2023-25
1.432 Energy Conservation Lender's Credit	Natural Resources	1981	317.112	Less than 100	Less than 100
1.433 Transportation Projects	Natural Resources	2011	315.336(1)	100	Less than 100
1.435 Business Energy Facilities, Conservation and Renewables	Natural Resources	1979	315.354	1,600	200
1.436 Energy Conservation Projects	Natural Resources	2011	315.331(1)	600	Less than 100
1.437 Weatherization Lender's Credit	Natural Resources	1977	317.111	Less than 100	Less than 100
1.438 Production or Collection of Biomass	Natural Resources	2007	315.141	Less than 100	0
1.439 Fish Screening Devices	Natural Resources	1989	315.138	Less than 100	Less than 100
1.440 Alternatives to Field Burning	Natural Resources	1975	315.304	Less than 100	0
1.441 Pollution Control	Natural Resources	1967	315.304	Less than 100	0
1.442 Reforestation	Natural Resources	1979	315.104	Less than 100	0
1.443 Short Line Railroad Rehabilitation	Transportation	2019	315.593	Not Available	Not Available
1.444 Oregon Life and Health IGA Assessments	Consumer and Business Services	1975	734.835	1,200	700
1.446 Oregon Cultural Trust	Social Policy	2001	315.675	Less than 100	Less than 100
<i>Other</i>					
1.501 Public Warehouse Sales Throwback Exemption	Economic/Community	2005	314.665	Less than 100	Less than 100
1.504 Capital Gains from Farm Property	Natural Resources	2001	316.045, 317.063, 318.020	Less than 100	Less than 100
1.505 Nonresident Income from Disaster or Emergency Related Work	Consumer and Business Services	2015	401.690	Not Available	Not Available
1.506 Apportionment for Utility and Telecommunication Companies	Consumer and Business Services	2001	314.280	600	600





## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
529 Account, Contributions to	1.405	Income Tax
529 College Savings Network, Oregon	1.302	Income Tax
ABLE Account Contributions	1.307	Income Tax
ABLE Account Earnings	1.009	Income Tax
ABLE Account, Contributions to	1.411	Income Tax
Abroad by U.S. Citizens, Income Earned	1.018	Income Tax
Academies, Day Care, and Student Housing	2.001	Property Tax
Accelerated Depreciation of Buildings	1.204	Income Tax
Accelerated Depreciation of Equipment	1.205	Income Tax
Accelerated Depreciation of Rental Housing	1.210	Income Tax
Accident and Disability Insurance, Employer Paid	1.021	Income Tax
Account Contributions, ABLE	1.307	Income Tax
Account Earnings, ABLE	1.009	Income Tax
Accounting for Agriculture, Cash	1.213	Income Tax
Accounting, Other than Agriculture, Cash	1.033	Income Tax
Accounts, Health Savings	1.104	Income Tax
Acquisition of Stock, Spread on	1.028	Income Tax
Active Duty and Related Pay, Military	1.328	Income Tax
Active Duty Military, Homestead Exemption for Federal	2.119	Property Tax
Additional Deduction for Elderly or Blind	1.306	Income Tax
Adoption Benefits, Employee	1.005	Income Tax
Advantage, Oregon Investment	1.311	Income Tax
Affordable Housing Covenant	2.114	Property Tax
Affordable Housing Lender's Credit, Oregon	1.426	Income Tax
Agricultural Housing and Day Care Facilities	2.009	Property Tax
Agricultural Products Held by the Farmer	2.037	Property Tax
Agricultural Worker Overtime	1.428	Income Tax
Agriculture Cost-Sharing Payments	1.035	Income Tax
Agriculture Sector Net Operating Loss Carryback	1.320	Income Tax
Agriculture Workforce Housing Construction	1.413	Income Tax
Agriculture, Cash Accounting for	1.213	Income Tax
Air Pollution Control Facilities, Amortization of	1.222	Income Tax
Air Transportation Companies, Aircraft Under 75,000 Pounds Owned by	2.118	Property Tax
Aircraft Departing U.S., Fuel for	3.004	Gas and Use Fuel Taxes
Aircraft Under 75,000 Pounds Owned by Air Transportation Companies	2.118	Property Tax
Aircraft, Foreign-Owned and Aircraft Not Owned by Air Transportation Companies	2.067	Property Tax
Airports, Leased Docks and	2.029	Property Tax
Allowance and Per Diem, Legislative	1.325	Income Tax
Allowances and Benefits of Armed Forces Personnel	1.060	Income Tax
Allowances for Federal Employees Abroad	1.049	Income Tax
Allowances, Section 179 Expensing	1.207	Income Tax
Alternative Energy Devices (Residential)	1.434	Income Tax
Alternative Energy Systems	2.115	Property Tax
Alternatives to Field Burning	1.440	Income Tax
AmeriCorps Awards	1.304	Income Tax
Amortization of Air Pollution Control Facilities	1.222	Income Tax
Amortization of Business Start-Up Costs	1.208	Income Tax
Amortization of Reforestation Costs, Expensing and	1.224	Income Tax
Amtrak Passenger Railroad	2.094	Property Tax

# Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Annuities, Public Safety Officer Survivor	1.058	Income Tax
Apportionment for Utility and Telecommunication Companies	1.506	Income Tax
Apprenticeship/Training Trust, Industry	2.018	Property Tax
Aquaculture/Egg Equipment, Other Farm/	2.043	Property Tax
Architectural Barriers, Removal of	1.202	Income Tax
Armed Forces Personnel, Benefits and Allowances of	1.060	Income Tax
Armed Forces, Nonresident	1.507	Income Tax
Artist's Charitable Contribution	1.310	Income Tax
Assessment for Certain Companies, Cap on Central	2.101	Property Tax
Assessments, Oregon Life and Health IGA	1.444	Income Tax
Association, Forest Fire Protection	2.054	Property Tax
Associations, Nonprofit Electrical Distribution	2.069	Property Tax
Associations, Nonprofit Water	2.068	Property Tax
Associations, Voluntary Employees' Beneficiary	1.051	Income Tax
Auction, Vehicles Sold at	18.002	Vehicle Privilege Tax
Averaging for Farmers, Income	1.503	Income Tax
Awards, AmeriCorps	1.304	Income Tax
Awards, Employee	1.026	Income Tax
Banks, Elimination of Tax Exempt Interest Allocation for	1.044	Income Tax
Barriers, Removal of Architectural	1.202	Income Tax
Beach Lands	2.075	Property Tax
Benefits and Allowances of Armed Forces Personnel	1.060	Income Tax
Benefits and Services, Veterans'	1.030	Income Tax
Benefits for Disabled Coal Miners, Special	1.008	Income Tax
Benefits of Military and Victims of Terrorism, Disability	1.059	Income Tax
Benefits, Employee Adoption	1.005	Income Tax
Benefits, Employer Paid Medical and Cafeteria Plan	1.007	Income Tax
Benefits, Employer Paid Transportation	1.041	Income Tax
Benefits, Employer Provided Education	1.027	Income Tax
Benefits, Miscellaneous Fringe	1.023	Income Tax
Benefits, Social Security (Federal)	1.011	Income Tax
Benefits, Social Security (Oregon)	1.308	Income Tax
Benefits, Workers' Compensation (Medical)	1.045	Income Tax
Benefits, Workers' Compensation (Nonmedical)	1.046	Income Tax
BETC (Business Energy Tax Credit)	1.435	Income Tax
Beverage Containers Requiring Deposit	2.071	Property Tax
Biomass, Cooperative Providing Heat by Combustion of	2.049	Property Tax
Biomass, Production or Collection of	1.438	Income Tax
Blind or Elderly, Additional Deduction for	1.306	Income Tax
Bonds, Interest from State and Local Government	1.317	Income Tax
Bovine Manure	1.430	Income Tax
Bridges of Local Governments, Interstate	2.078	Property Tax
Bridges of Other States or Subdivisions, Interstate	2.082	Property Tax
Brownfield Development	2.016	Property Tax
Brownfield, Nonprofit's Gain from	1.040	Income Tax
Buildings Under Construction, Commercial	2.011	Property Tax
Buildings, Accelerated Depreciation of	1.204	Income Tax
Burial Grounds, and Mausoleums, Cemeteries	2.088	Property Tax
Burning (Field) Smoke Management Equipment	2.044	Property Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Burning, Alternatives to Field	1.440	Income Tax
Business Energy Facilities, Conservation and Renewables	1.435	Income Tax
Business Personal Property	2.027	Property Tax
Business Start-Up Costs, Amortization of	1.208	Income Tax
Businesses, Enterprise Zone	2.013	Property Tax
Cafeteria Plan Benefits, Employer Paid Medical and	1.007	Income Tax
Cancellation of Debt for Farmers	1.036	Income Tax
Cancellation of Mortgage Debt	1.019	Income Tax
Cap on Central Assessment for Certain Companies	2.101	Property Tax
Capital Gain Invested in Opportunity Zone	1.013	Income Tax
Capital Gain, Mobile Home Park	1.314	Income Tax
Capital Gains from Farm Property	1.504	Income Tax
Capital Gains on Gifts	1.056	Income Tax
Capital Gains on Home Sales	1.017	Income Tax
Capital Gains on Inherited Property	1.055	Income Tax
Cargo Containers	2.028	Property Tax
Carryback of Farming Loss, Extended	1.216	Income Tax
Carryback, Agriculture Sector Net Operating Loss	1.320	Income Tax
Cash Accounting for Agriculture	1.213	Income Tax
Cash Accounting, Other than Agriculture	1.033	Income Tax
Casualty and Theft Losses	1.228	Income Tax
Cattle (Bovine) Manure	1.430	Income Tax
Cemeteries, Burial Grounds, and Mausoleums	2.088	Property Tax
Cemetery Land Transferred for Low-Income Housing	2.022	Property Tax
Center Pivot Irrigation Equipment	2.042	Property Tax
Centers, Senior Services	2.007	Property Tax
Central Assessment, Cap on for Certain Companies	2.101	Property Tax
Centrally Assessed, Watercraft	2.117	Property Tax
Certain Communication Related Property	2.099	Property Tax
Certain Disaster Mitigation Payments	1.042	Income Tax
Certain Foster Care Payments	1.004	Income Tax
Certain Payments to Controlling Exempt Organizations	1.053	Income Tax
Certain Property Owned by a Port	2.015	Property Tax
Certain Retirement Income	1.449	Income Tax
Certain Single-Unit Housing	2.103	Property Tax
Certain Vehicle Modifications (Vehicle Privilege Tax)	18.001	Vehicle Privilege Tax
Certain Vehicle Modifications (Vehicle Use Tax)	17.001	Vehicle Use Tax
CHAMPUS/TRICARE Insurance, Military and Dependents	1.031	Income Tax
Charitable Contribution, Artist's	1.310	Income Tax
Charitable Contributions	1.227	Income Tax
Charitable Organizations	4.008	Weight-Mile Tax
Charitable, Literary, and Scientific Organizations	2.085	Property Tax
Child Care, Contributions to Office of	1.424	Income Tax
Child with a Disability	1.407	Income Tax
Cigarette Tax, Federal and Veterans Institutions	5.002	Cigarette Tax
Circulation Expenditures, Magazine	1.225	Income Tax
City Owned Sports Facility	2.089	Property Tax
Classroom Expenses, Teacher	1.101	Income Tax
Clergy Housing, Rental Allowances for	1.052	Income Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Coal Miners, Special Benefits for Disabled	1.008	Income Tax
Collection of Biomass, Production or	1.438	Income Tax
College Savings Network, Oregon 529	1.302	Income Tax
Combat Pay	1.061	Income Tax
Combustion of Biomass, Cooperative Providing Heat by	2.049	Property Tax
Commerce Enterprise Zone, Electronic (Income Tax)	1.421	Income Tax
Commercial Buildings Under Construction	2.011	Property Tax
Commercial Property, Energy Efficient	1.219	Income Tax
Communication Related Property, Certain	2.099	Property Tax
Compensatory Damages	1.006	Income Tax
Completed Contract Rules	1.226	Income Tax
Computer Equipment, Contributions of	1.402	Income Tax
Conservation Easements	2.131	Property Tax
Conservation Expenditures, Soil and Water	1.214	Income Tax
Conservation Lender's Credit, Energy	1.432	Income Tax
Conservation Projects, Energy	1.436	Income Tax
Conservation Subsidies, Energy (Federal)	1.037	Income Tax
Conservation Subsidies, Energy (Oregon)	1.319	Income Tax
Construction in Process in an Enterprise Zone	2.012	Property Tax
Construction, Agriculture Workforce Housing	1.413	Income Tax
Construction, Commercial Buildings Under	2.011	Property Tax
Construction, Exempt	14.001	Local Construction Tax
Construction, Subcontracting Payments for Labor Costs for Residential	9.003	Corporate Activity Tax
Consumers, Small Quantity by	5.001	Cigarette Tax
Containers Requiring Deposit, Beverage	2.071	Property Tax
Containers, Cargo	2.028	Property Tax
Contract Rules, Completed	1.226	Income Tax
Contract, Federal Standing Timber Under	2.055	Property Tax
Contract, State and Local Standing Timber Under	2.056	Property Tax
Contribution, Artist's Charitable	1.310	Income Tax
Contribution, Individual Development Account (Credit)	1.425	Income Tax
Contributions and Earnings, IRA	1.105	Income Tax
Contributions and Earnings, Pension	1.010	Income Tax
Contributions of Computer Equipment	1.402	Income Tax
Contributions to 529 Account	1.405	Income Tax
Contributions to ABLE Account	1.411	Income Tax
Contributions to Office of Child Care	1.424	Income Tax
Contributions, ABLE Account	1.307	Income Tax
Contributions, Charitable	1.227	Income Tax
Contributions, Film Production Development	1.414	Income Tax
Contributions, Office of Child Care	1.424	Income Tax
Contributions, Opportunity Grant Fund	1.403	Income Tax
Contributions, Political	1.445	Income Tax
Control, Pollution	1.441	Income Tax
Controlling Exempt Organizations, Certain Payments to	1.053	Income Tax
Cooperative Providing Heat by Combustion of Biomass	2.049	Property Tax
Cooperatives, Fraternities, Sororities and	2.095	Property Tax
Cooperatives, Manufactured Dwelling	9.002	Corporate Activity Tax
Corporation, Property of LLC Owned by Nonprofit	2.092	Property Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Corporations for Irrigation, Drainage, Water Supply or Flood Control	2.080	Property Tax
Costs for Fuels, Intangible Development	1.218	Income Tax
Costs for Metal Mines, Depletion	1.318	Income Tax
Costs for Nonfuel Minerals, Development	1.217	Income Tax
Costs, Amortization of Business Start-Up	1.208	Income Tax
Costs, Deduction of Certain Film and Television Production	1.203	Income Tax
Costs, Expensing and Amortization of Reforestation	1.224	Income Tax
Costs, Expensing Timber-Growing	1.223	Income Tax
Costs, Fertilizer and Soil Conditioner	1.215	Income Tax
Costs, Research and Development	1.206	Income Tax
Cost-Sharing Payments, Agriculture	1.035	Income Tax
County Roads, Forest Products on	4.002	Weight-Mile Tax
Covenant, Affordable Housing	2.114	Property Tax
Crab Pots	2.045	Property Tax
Credit for Property Taxes Paid	11.002	Oil and Gas Privilege Tax
Credit Union Income	1.043	Income Tax
Credit, Earned Income	1.406	Income Tax
Credit, Energy Conservation Lender's	1.432	Income Tax
Credit, Farmworker Housing Lender's	1.412	Income Tax
Credit, Weatherization Lender's	1.437	Income Tax
Crop Donation	1.431	Income Tax
Crops, Plants, and Fruit Trees	2.036	Property Tax
Cultural Trust, Oregon	1.446	Income Tax
Dairy Farmers Who are not Members of an Agricultural Cooperative, Milk Sales by	9.004	Corporate Activity Tax
Dam and Waterway Workers, Hydroelectric	1.322	Income Tax
Damaged Property, Destroyed or	2.138	Property Tax
Damages, Compensatory	1.006	Income Tax
Day Care and Student Housing, Academies	2.001	Property Tax
Day Care Facilities, Agricultural Housing and	2.009	Property Tax
Debt for Farmers, Cancellation of	1.036	Income Tax
Debt, Cancellation of Mortgage	1.019	Income Tax
Debt, Discharge of Certain Student Loan	1.054	Income Tax
Debt, Interest on Oregon State and Local	1.050	Income Tax
Deduction for Elderly or Blind, Additional	1.306	Income Tax
Deduction of Certain Film and Television Production Costs	1.203	Income Tax
Deferral of Interest on Savings Bonds	1.062	Income Tax
Dental and Medical Expenses	1.201	Income Tax
Dependent Care, Employer Provided	1.016	Income Tax
Dependent Care, Working Family Household and	1.423	Income Tax
Depletion Costs for Metal Mines	1.318	Income Tax
Deposit, Beverage Containers Requiring	2.071	Property Tax
Depreciation for Recycling Equipment, Special	1.220	Income Tax
Depreciation of Buildings, Accelerated	1.204	Income Tax
Depreciation of Equipment, Accelerated	1.205	Income Tax
Depreciation of Rental Housing, Accelerated	1.210	Income Tax
Designated Areas, Multi-Unit Rental Housing in	2.105	Property Tax
Destroyed or Damaged Property	2.138	Property Tax
Development and Research Costs	1.206	Income Tax
Development Contributions, Film Production	1.414	Income Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Development Costs (Intangible) for Fuels	1.218	Income Tax
Development Costs for Nonfuel Minerals	1.217	Income Tax
Development Fund, Public University Venture	1.422	Income Tax
Development Incentives, Regional Economic	1.012	Income Tax
Development Zone, Vertical Housing	2.102	Property Tax
Development, Brownfield	2.016	Property Tax
Devices, Alternative Energy (Residential)	1.434	Income Tax
Devices, Fish Screening	1.439	Income Tax
Disability Benefits of Military and Victims of Terrorism	1.059	Income Tax
Disability Insurance, Employer Paid Accident and	1.021	Income Tax
Disability, Child with a	1.407	Income Tax
Disability, Severe	1.410	Income Tax
Disabled Coal Miners, Special Benefits for	1.008	Income Tax
Disabled Veterans or Surviving Spouses of Veterans	2.111	Property Tax
Disaster Mitigation Payments, Certain	1.042	Income Tax
Disaster or Emergency Related Work, Nonresident Income from	1.505	Income Tax
Disaster or Emergency Related Work, Property Used for	2.070	Property Tax
Discharge of Certain Student Loan Debt	1.054	Income Tax
Distribution Associations, Nonprofit Electrical	2.069	Property Tax
Dividend Received from an IC-DISC	1.312	Income Tax
Dividends and Interest on U.S. Obligations	1.329	Income Tax
Docks and Airports, Leased	2.029	Property Tax
Domestic International Sales Corporation, Subtraction of Dividend Received	1.312	Income Tax
Donated to Schools, Land	1.301	Income Tax
Donation, Crop	1.431	Income Tax
Donation, Individual Development Account (Credit)	1.425	Income Tax
Dwelling Park Closure, Manufactured	1.427	Income Tax
Dwelling Units, Exempt	13.001	Lodging Tax
Earned Abroad by U.S. Citizens, Income	1.018	Income Tax
Earned Income Credit	1.406	Income Tax
Earnings and Contributions, IRA	1.105	Income Tax
Earnings of Certain Environmental Settlement Funds	1.039	Income Tax
Earnings, ABLE Account	1.009	Income Tax
Earnings, Pension Contributions and	1.010	Income Tax
Easements, Conservation	2.131	Property Tax
Eastern Private Forestland	2.135	Property Tax
Eastern Private Standing Timber	2.058	Property Tax
Economic Development Incentives, Regional	1.012	Income Tax
Education Benefits, Employer Provided	1.027	Income Tax
Education Parking Space, Higher	2.004	Property Tax
Education Savings, Qualified (Federal)	1.002	Income Tax
Elderly Housing State Funded, Nonprofit	2.025	Property Tax
Elderly Housing, Veterans in Nonprofit	2.112	Property Tax
Elderly or Blind, Additional Deduction for	1.306	Income Tax
Elderly, Medical Subtraction for	1.305	Income Tax
Elderly, Nonprofit Housing for the	2.126	Property Tax
Electrical Distribution Associations, Nonprofit	2.069	Property Tax
Electricity Transmission Property, Federally Leased High-Voltage	2.084	Property Tax
Electronic Commerce Enterprise Zone (Income Tax)	1.421	Income Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Elementary and Secondary School Vehicles	4.004	Weight-Mile Tax
Elimination of Tax Exempt Interest Allocation for Banks	1.044	Income Tax
Emergency Medical Providers, Volunteer Rural	1.409	Income Tax
Emergency or Disaster Related Work, Property Used for	2.070	Property Tax
Emergency Related Work, Nonresident Income from	1.505	Income Tax
Emergency Response, Equipment for Maritime	2.077	Property Tax
Emissions, Vehicle Used for Testing (Gas and Use Fuel Taxes)	3.003	Gas and Use Fuel Taxes
Emissions, Vehicle Used for Testing (Weight-Mile Tax)	4.003	Weight-Mile Tax
Employee Adoption Benefits	1.005	Income Tax
Employee Awards	1.026	Income Tax
Employee Meals and Lodging (Nonmilitary)	1.024	Income Tax
Employee Stock Ownership Plans	1.025	Income Tax
Employee Training	1.404	Income Tax
Employees' Beneficiary Associations, Voluntary	1.051	Income Tax
Employer Paid Accident and Disability Insurance	1.021	Income Tax
Employer Paid Group Life Insurance Premiums	1.020	Income Tax
Employer Paid Medical and Cafeteria Plan Benefits	1.007	Income Tax
Employer Paid Transportation Benefits	1.041	Income Tax
Employer Provided Dependent Care	1.016	Income Tax
Employer Provided Education Benefits	1.027	Income Tax
Employer Provided On-Site Gyms	1.022	Income Tax
Employer Provided Scholarships	1.401	Income Tax
Employer Provided Tuition Reduction, Exclusion of	1.003	Income Tax
Energy Conservation Lender's Credit	1.432	Income Tax
Energy Conservation Projects	1.436	Income Tax
Energy Conservation Subsidies (Federal)	1.037	Income Tax
Energy Conservation Subsidies (Oregon)	1.319	Income Tax
Energy Development Zone, Rural Renewable	2.019	Property Tax
Energy Devices, Alternative (Residential)	1.434	Income Tax
Energy Efficient Commercial Property	1.219	Income Tax
Energy Facilities (Business), Conservation and Renewables	1.435	Income Tax
Energy Systems, Alternative	2.115	Property Tax
Enterprise Zone Businesses	2.013	Property Tax
Enterprise Zone, Construction in Process in an	2.012	Property Tax
Enterprise Zone, Electronic Commerce (Income Tax)	1.421	Income Tax
Enterprise Zone, Long Term Rural (Income Tax)	1.419	Income Tax
Enterprise Zone, Long Term Rural (Property Tax)	2.014	Property Tax
Enterprise Zone, Reservation (Income Tax)	1.420	Income Tax
Entertainment and Meal Expenses	1.029	Income Tax
Environmental Settlement Funds, Earnings of Certain	1.039	Income Tax
Environmentally Sensitive Logging Equipment	2.052	Property Tax
Equipment for Maritime Emergency Response	2.077	Property Tax
Equipment Manufacturing Facilities, Renewable Resource	1.415	Income Tax
Equipment Rental, Heavy	2.074	Property Tax
Equipment, Accelerated Depreciation of	1.205	Income Tax
Equipment, and Farm Machinery	2.034	Property Tax
Equipment, Center Pivot Irrigation	2.042	Property Tax
Equipment, Contributions of Computer	1.402	Income Tax
Equipment, Environmentally Sensitive Logging	2.052	Property Tax

# Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Equipment, Field Burning Smoke Management	2.044	Property Tax
Equipment, Food Processing	2.033	Property Tax
Equipment, Other Farm/Aquaculture/Egg	2.043	Property Tax
Equipment, Special Depreciation for Recycling	1.220	Income Tax
Exchanges, Gain on Like-Kind	1.048	Income Tax
Excluded Hospitals	12.001	Medical Provider Taxes
Exclusion and Subtraction, Individual Development Accounts	1.313	Income Tax
Exclusion of Employer Provided Tuition Reduction	1.003	Income Tax
Exclusion of Gain from Certain Small Business Stock	1.014	Income Tax
Exempt Construction	14.001	Local Construction Tax
Exempt Dwelling Units	13.001	Lodging Tax
Exempt Lease from Exempt Owner	2.091	Property Tax
Exempt Lease from Taxable Owner	2.090	Property Tax
Exempt Organizations, Certain Payments to Controlling	1.053	Income Tax
Exemption for Federal Active Duty Military, Homestead	2.119	Property Tax
Exemption, Personal	1.447	Income Tax
Exemption, Public Warehouse Sales Throwback	1.501	Income Tax
Expenditures, Magazine Circulation	1.225	Income Tax
Expenditures, Soil and Water Conservation	1.214	Income Tax
Expenses of National Guard and Reserve Members, Overnight Travel	1.107	Income Tax
Expenses, Meal and Entertainment	1.029	Income Tax
Expenses, Medical and Dental	1.201	Income Tax
Expenses, Moving	1.106	Income Tax
Expenses, Scholarship Awards Used for Housing	1.303	Income Tax
Expenses, Teacher Classroom	1.101	Income Tax
Expensing Allowances, Section 179	1.207	Income Tax
Expensing and Amortization of Reforestation Costs	1.224	Income Tax
Expensing Timber-Growing Costs	1.223	Income Tax
Extended Carryback of Farming Loss	1.216	Income Tax
Facilities with Prepayment Agreement	2.098	Property Tax
Facilities, Long Term Care	2.097	Property Tax
Facilities, New Rural Health Care	2.096	Property Tax
Facilities, Nonprofit Sewage Treatment	2.050	Property Tax
Facilities, Pollution Control	2.116	Property Tax
Facilities, Renewable Resource Equipment Manufacturing	1.415	Income Tax
Facility Materials, Ship Repair	2.030	Property Tax
Facility, City Owned Sports	2.089	Property Tax
Facility, Federal Land Under Recreation	2.024	Property Tax
Fairground Leased Storage Space	2.010	Property Tax
Family Household and Dependent Care, Working	1.423	Income Tax
Farm and Logging Roads, Private	2.059	Property Tax
Farm Homesites	2.128	Property Tax
Farm Machinery and Equipment	2.034	Property Tax
Farm Property, Capital Gains from	1.504	Income Tax
Farm/Aquaculture/Egg Equipment, Other	2.043	Property Tax
Farmer, Agricultural Products Held by	2.037	Property Tax
Farmers, Cancellation of Debt for	1.036	Income Tax
Farmers, Income Averaging for	1.503	Income Tax
Farming and Grazing Land, Leased State and Local	2.039	Property Tax



## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Farming Loss, Extended Carryback of	1.216	Income Tax
Farming Operations	4.001	Weight-Mile Tax
Farmland	2.127	Property Tax
Farmworker Housing Construction	1.413	Income Tax
Farmworker Housing Lender's Credit	1.412	Income Tax
Federal and Veterans Institutions (Cigarette)	5.002	Cigarette Tax
Federal and Veterans Institutions (Other Tobacco Products)	6.001	Other Tobacco Products Tax
Federal Employees Abroad, Allowances for	1.049	Income Tax
Federal Government or Tribes, Vehicles Purchased by	17.003	Vehicle Use Tax
Federal Government, Lodging Paid for by	13.002	Lodging Tax
Federal Grazing Land, Leased	2.040	Property Tax
Federal Income Tax Subtraction	1.327	Income Tax
Federal Land Under Recreation Facility	2.024	Property Tax
Federal Land Under Summer Homes	2.023	Property Tax
Federal Land, Mining Claims on	2.062	Property Tax
Federal Pension Income	1.324	Income Tax
Federal Property	2.093	Property Tax
Federal Standing Timber Under Contract	2.055	Property Tax
Federal Subscribers	8.002	911 Tax
Federally Leased High-Voltage Electricity Transmission Property	2.084	Property Tax
Fellowship and Scholarship Income	1.001	Income Tax
Fertilizer and Soil Conditioner Costs	1.215	Income Tax
Field Burning Smoke Management Equipment	2.044	Property Tax
Field Burning, Alternatives to	1.440	Income Tax
Field Incinerators, Mobile	2.035	Property Tax
Film and Television Production Costs, Deduction of Certain	1.203	Income Tax
Film Production Development Contributions	1.414	Income Tax
Film Production Labor Rebate	1.309	Income Tax
Fire District, Railroad Right of Way in Rural	2.124	Property Tax
Fire Protection	4.005	Weight-Mile Tax
Fire Protection Association, Forest	2.054	Property Tax
First Time Home Buyer Savings	1.315	Income Tax
Fish Screening Devices	1.439	Income Tax
Fishing Property, Natural Resource and	15.001	Estate Transfer Tax
Flood Control, Corporations for Irrigation, Drainage, Water Supply	2.080	Property Tax
Food Processing Equipment	2.033	Property Tax
Forces, Nonresident Armed	1.507	Income Tax
Foreign-Derived Intangible Income	1.209	Income Tax
Foreign-Owned Aircraft and Aircraft Not Owned by Air Transportation Companies	2.067	Property Tax
Forest Conservation Area, Timber Harvested Near (Estate Transfer Tax)	15.002	Estate Transfer Tax
Forest Conservation Area, Timber Harvested Near (Income Tax)	1.429	Income Tax
Forest Fire Protection Association	2.054	Property Tax
Forest Homesites	2.133	Property Tax
Forest Products on County Roads	4.002	Weight-Mile Tax
Forest Products: Gasoline	3.001	Gas and Use Fuel Taxes
Forest Products: Other than Gasoline	3.002	Gas and Use Fuel Taxes
Forestland Option, Small Tract	2.136	Property Tax
Forestland, Eastern Private	2.135	Property Tax
Forestland, Western Private	2.134	Property Tax

# Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Foster Care Payments, Certain	1.004	Income Tax
Fraternal Organizations	2.086	Property Tax
Fraternal Organizations, Sororities, and Cooperatives	2.095	Property Tax
Fringe Benefits, Miscellaneous	1.023	Income Tax
Fruit Trees, Crops, Plants, and	2.036	Property Tax
Fuel for Aircraft Departing U.S.	3.004	Gas and Use Fuel Taxes
Fuels, Intangible Development Costs for	1.218	Income Tax
Furnishings, Student Housing	2.002	Property Tax
Gain from Brownfield, Nonprofit's	1.040	Income Tax
Gain from Certain Small Business Stock, Exclusion of	1.014	Income Tax
Gain Invested in Opportunity Zone, Capital	1.013	Income Tax
Gain on Like-Kind Exchanges	1.048	Income Tax
Gain on Nondealer Installment Sales	1.047	Income Tax
Gains on Gifts, Capital	1.056	Income Tax
Gains on Home Sales, Capital	1.017	Income Tax
Gains on Inherited Property, Capital	1.055	Income Tax
Gas Pipeline Extension, Natural	2.047	Property Tax
Gasoline, Forest Products	3.001	Gas and Use Fuel Taxes
Gifts, Capital Gains on	1.056	Income Tax
Government (Federal), Lodging Paid for by	13.002	Lodging Tax
Government (Local) Owned Low Income Housing	2.021	Property Tax
Government (Local) Public Ways	2.081	Property Tax
Government Bonds, Interest from State and Local	1.317	Income Tax
Government Leased Lines, Revenue from	10.001	Electric Cooperative Tax
Government Owned or Operated Vehicles	4.006	Weight-Mile Tax
Government Services, Indian Property used Exclusively for	2.083	Property Tax
Governments (Local), Interstate Bridges of	2.078	Property Tax
Grant Fund Contributions, Opportunity	1.403	Income Tax
Grapes for Wine Without Oregon Designation or AVA, Oregon	7.003	Beer and Wine Taxes
Grazing Land, Leased Federal	2.040	Property Tax
Grazing Land, Leased State and Local Farming and	2.039	Property Tax
Group Life Insurance Premiums, Employer Paid	1.020	Income Tax
Gyms, Employer Provided On-Site	1.022	Income Tax
Habitat Land, Riparian	2.051	Property Tax
Habitat, Wildlife	2.130	Property Tax
Health Care Facilities, New Rural	2.096	Property Tax
Health Care Property, Leased Rural	2.006	Property Tax
Health IGA Assessments, Oregon Life and	1.444	Income Tax
Health Insurance, Self-Employment	1.103	Income Tax
Health Savings Accounts	1.104	Income Tax
Heat by Combustion of Biomass, Cooperative Providing	2.049	Property Tax
Heavy Equipment Rental	2.074	Property Tax
Higher Education Parking Space	2.004	Property Tax
Highway Lighting District, Railroad Right of Way in	2.123	Property Tax
Historic Property	2.129	Property Tax
Home Buyer Savings, First Time	1.315	Income Tax
Home Mortgage Interest	1.211	Income Tax
Home Sales, Capital Gains on	1.017	Income Tax
Home Share Program Low-Income Housing	2.110	Property Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Home, Oregon Veterans'	12.002	Medical Provider Taxes
Homes, Federal Land Under Summer	2.023	Property Tax
Homesites, Farm	2.128	Property Tax
Homesites, Forest	2.133	Property Tax
Homestead Exemption for Active Duty Military	2.119	Property Tax
Hospitals, Excluded	12.001	Medical Provider Taxes
Hospitals, Type A and B	12.003	Medical Provider Taxes
Household and Dependent Care, Working Family	1.423	Income Tax
Housing Authority Rental Properties	2.020	Property Tax
Housing Construction, Agriculture Workforce	1.413	Income Tax
Housing Covenant, Affordable	2.114	Property Tax
Housing Development Zone, Vertical	2.102	Property Tax
Housing Expenses, Scholarship Awards Used for	1.303	Income Tax
Housing for the Elderly, Nonprofit	2.126	Property Tax
Housing Furnishings, Student	2.002	Property Tax
Housing in Designated Areas, Multi-Unit Rental	2.105	Property Tax
Housing Lender's Credit, Farmworker	1.412	Income Tax
Housing Lender's Credit, Oregon Affordable	1.426	Income Tax
Housing Owned by Religious Organization, Low-Income	2.032	Property Tax
Housing Publicly Owned, Leased Student	2.003	Property Tax
Housing State Funded, Nonprofit Elderly	2.025	Property Tax
Housing, Academies, Day Care and Student	2.001	Property Tax
Housing, Accelerated Depreciation of Rental	1.210	Income Tax
Housing, Agricultural and Day Care Facilities	2.009	Property Tax
Housing, Certain Single-Unit	2.103	Property Tax
Housing, Home Share Program Low-Income	2.110	Property Tax
Housing, Land Owned by Nonprofit for Purpose of Building Low-Income	2.008	Property Tax
Housing, Local Government Owned Low Income	2.021	Property Tax
Housing, Low Income Multi-Unit Rental	2.106	Property Tax
Housing, New or Rehabilitated Multi-Unit Rental	2.109	Property Tax
Housing, Nonprofit Low Income Rental	2.108	Property Tax
Housing, Rehabilitated	2.104	Property Tax
Housing, Rental Allowances for Clergy	1.052	Income Tax
Housing, Transfer of Cemetery Land for Low-Income	2.022	Property Tax
Housing, Use-Restricted Multi-Unit Rental	2.125	Property Tax
Housing, Veterans in Nonprofit Elderly	2.112	Property Tax
Housing, Workforce	2.113	Property Tax
Hydroelectric Dam and Waterway Workers	1.322	Income Tax
IC-DISC, Subtraction of Dividend Received from	1.312	Income Tax
Imputed Interest Rules	1.015	Income Tax
Inactive Mineral Interests	2.061	Property Tax
Incentives, Regional Economic Development	1.012	Income Tax
Incinerators, Mobile Field	2.035	Property Tax
Income Averaging for Farmers	1.503	Income Tax
Income Credit, Earned	1.406	Income Tax
Income Earned Abroad by U.S. Citizens	1.018	Income Tax
Income Earned in "Indian Country"	1.323	Income Tax
Income Tax Subtraction, Federal	1.327	Income Tax
Income Taxes, Local	1.229	Income Tax

# Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Income, Certain Retirement	1.449	Income Tax
Income, Credit Union	1.043	Income Tax
Income, Federal Pension	1.324	Income Tax
Income, Foreign-Derived Intangible	1.209	Income Tax
Income, from Disaster or Emergency Related Work (Nonresident)	1.505	Income Tax
Income, Scholarship and Fellowship	1.001	Income Tax
Indian Country, Income Earned in	1.323	Income Tax
Indian Property Used Exclusively for Government Services	2.083	Property Tax
Indian Reservation Subscribers	8.003	911 Tax
Indians and on Tribal Trust Land, Property of	2.076	Property Tax
Individual Development Account Donation (Credit)	1.425	Income Tax
Individual Development Accounts (Exclusion and Subtraction)	1.313	Income Tax
Industrial Property in Rural Areas, New	2.017	Property Tax
Industry Apprenticeship/Training Trust	2.018	Property Tax
Inherited Property, Capital Gains on	1.055	Income Tax
Installment Sales, Gain on Nondealer	1.047	Income Tax
Institutions, Federal and Veterans (Cigarette Tax)	5.002	Cigarette Tax
Institutions, Federal and Veterans (Other Tobacco Products)	6.001	Other Tobacco Products Tax
Insurance Premiums, Employer Paid Group Life	1.020	Income Tax
Insurance Proceeds, Life	1.057	Income Tax
Insurance, Employer Paid Accident and Disability	1.021	Income Tax
Insurance, Military and Dependents TRICARE	1.031	Income Tax
Insurance, Self-Employment Health	1.103	Income Tax
Insurers Subject to Retaliatory Tax	9.005	Corporate Activity Tax
Intangible Development Costs for Fuels	1.218	Income Tax
Intangible Income, Foreign-Derived	1.209	Income Tax
Interest Allocation for Banks, Elimination of Tax Exempt	1.044	Income Tax
Interest and Dividends on U.S. Obligations	1.329	Income Tax
Interest from State and Local Government Bonds	1.317	Income Tax
Interest on Oregon State and Local Debt	1.050	Income Tax
Interest on Savings Bonds, Deferral of	1.062	Income Tax
Interest on Student Loans	1.102	Income Tax
Interest Rules, Imputed	1.015	Income Tax
Interest, Home Mortgage	1.211	Income Tax
Interests, Inactive Mineral	2.061	Property Tax
Interests, State and Local	11.001	Oil and Gas Privilege Tax
Interstate Bridges of Local Governments	2.078	Property Tax
Interstate Bridges of Other States or Subdivisions	2.082	Property Tax
Inventory	2.026	Property Tax
Inventory Methods of Valuation	1.034	Income Tax
Investment Advantage, Oregon	1.311	Income Tax
Investment Program, Strategic	2.100	Property Tax
IRA Contributions and Earnings	1.105	Income Tax
Irrigation Equipment, Center Pivot	2.042	Property Tax
Irrigation, Drainage, Water Supply or Flood Control, Corporations for	2.080	Property Tax
Jobs Initiative, Oregon Low Income Community	1.416	Income Tax
Jurisdiction, Tax Paid to Another	17.002	Vehicle Use Tax
Labor Costs for Residential Construction, Subcontracting Payments for	9.003	Corporate Activity Tax
Labor Rebate, Film Production	1.309	Income Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Land (Federal) Under Recreation Facility	2.024	Property Tax
Land (Federal) Under Summer Homes	2.023	Property Tax
Land Donated to Schools	1.301	Income Tax
Land Leased From State Land Board	2.046	Property Tax
Land Owned by Nonprofit for Purpose of Building Low-Income Housing	2.008	Property Tax
Land Under Use Permit, ODOT	2.065	Property Tax
Land, Farm	2.127	Property Tax
Land, Leased Federal Grazing	2.040	Property Tax
Land, Leased State and Local Farming and Grazing	2.039	Property Tax
Land, Mining Claims on Federal	2.062	Property Tax
Land, Nonprofit Public Park Use	2.060	Property Tax
Land, Open Space	2.132	Property Tax
Land, Riparian Habitat	2.051	Property Tax
Land, Shellfish Growing on State	2.041	Property Tax
Lands, Beach	2.075	Property Tax
Lease from Exempt Owner, Exempt	2.091	Property Tax
Lease from Taxable Owner, Exempt	2.090	Property Tax
Leased Docks and Airports	2.029	Property Tax
Leased Federal Grazing Land	2.040	Property Tax
Leased Lines, Revenue from Government	10.001	Electric Cooperative Tax
Leased Rural Health Care Property	2.006	Property Tax
Leased State and Local Farming and Grazing Land	2.039	Property Tax
Leased State Land Board Land	2.046	Property Tax
Leased Storage Space, Fairground	2.010	Property Tax
Leased Student Housing Publicly Owned	2.003	Property Tax
Legislative Per Diem and Allowance	1.325	Income Tax
Lender's Credit, Energy Conservation	1.432	Income Tax
Lender's Credit, Farmworker Housing	1.412	Income Tax
Lender's Credit, Oregon Affordable Housing	1.426	Income Tax
Lender's Credit, Weatherization	1.437	Income Tax
Libraries for Public Use, Private	2.005	Property Tax
Life and Health IGA Assessments, Oregon	1.444	Income Tax
Life Insurance Premiums, Employer Paid Group	1.020	Income Tax
Life Insurance Proceeds	1.057	Income Tax
Lighting District, Railroad Right of Way in Highway	2.123	Property Tax
Like-Kind Exchanges, Gain on	1.048	Income Tax
Literary and Scientific Organizations, Charitable	2.085	Property Tax
Loans, Interest on Student	1.102	Income Tax
Local and State Property	2.079	Property Tax
Local Government Owned Low Income Housing	2.021	Property Tax
Local Government Public Ways	2.081	Property Tax
Local Governments, Interstate Bridges of	2.078	Property Tax
Local Income Taxes	1.229	Income Tax
Locally Assessed Watercraft	2.137	Property Tax
Lodging and Meals, Employee (Nonmilitary)	1.024	Income Tax
Lodging Paid for by the Federal Government	13.002	Lodging Tax
Logging Equipment, Environmentally Sensitive	2.052	Property Tax
Logging Roads, Private Farm and	2.059	Property Tax
Long Term Care Facilities	2.097	Property Tax

# Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Long Term Rural Enterprise Zone (Property Tax)	2.014	Property Tax
Long Term Rural Enterprise Zone Facilities (Income Tax)	1.419	Income Tax
Losses, Casualty and Theft	1.228	Income Tax
Lottery Prizes, Oregon State	1.326	Income Tax
Low Income Community Jobs Initiative, Oregon	1.416	Income Tax
Low Income Housing, Local Government Owned	2.021	Property Tax
Low Income Multi-Unit Rental Housing	2.106	Property Tax
Low Income Rental Housing, Nonprofit	2.108	Property Tax
Low Income Rental Property	2.107	Property Tax
Low-Income Housing Owned by Religious Organization	2.032	Property Tax
Low-Income Housing, Home Share Program	2.110	Property Tax
Low-Income Housing, Land Owned by Nonprofit for Purpose of Building	2.008	Property Tax
Low-Income Housing, Transfer of Cemetery Land for	2.022	Property Tax
Machinery, Farm and Equipment	2.034	Property Tax
Magazine Circulation Expenditures	1.225	Income Tax
Magazine, Paperback, and Record Returns	1.032	Income Tax
Manufactured Dwelling Cooperatives	9.002	Corporate Activity Tax
Manufactured Dwelling Park Closure	1.427	Income Tax
Manufactured Dwelling Tenant Payment	1.316	Income Tax
Manufactured Structure in High-Population County	2.072	Property Tax
Manufacturing Facilities, Renewable Resource Equipment	1.415	Income Tax
Manure, Bovine	1.430	Income Tax
Marijuana Purchased for Medical Use	16.001	Marijuana Tax
Marine and Transportation Policies, Wet	1.321	Income Tax
Maritime Emergency Response, Equipment for	2.077	Property Tax
Marketing Activities, Wine	7.002	Beer and Wine Taxes
Mass Transit Vehicles, Public	4.007	Weight-Mile Tax
Materials, Ship Repair Facility	2.030	Property Tax
Mausoleums, Cemeteries, Burial Grounds and	2.088	Property Tax
Meal and Entertainment Expenses	1.029	Income Tax
Meals and Lodging, Employee (Nonmilitary)	1.024	Income Tax
Medical and Cafeteria Plan Benefits, Employer Paid	1.007	Income Tax
Medical and Dental Expenses	1.201	Income Tax
Medical Practice, Rural	1.408	Income Tax
Medical Providers, Volunteer Rural Emergency	1.409	Income Tax
Medical Subtraction for Elderly	1.305	Income Tax
Medical, Marijuana Purchased for Use	16.001	Marijuana Tax
Medical, Workers' Compensation Benefits	1.045	Income Tax
Metal Mines, Depletion Costs for	1.318	Income Tax
Methods of Valuation, Inventory	1.034	Income Tax
Military Active Duty and Related Pay	1.328	Income Tax
Military and Dependents TRICARE Insurance	1.031	Income Tax
Military and Victims of Terrorism, Disability Benefits of	1.059	Income Tax
Military, Homestead Exemption for Federal Active Duty	2.119	Property Tax
Milk Sales by Dairy Farmers Who are not Members of an Agricultural Cooperative	9.004	Corporate Activity Tax
Mineral Interests, Inactive	2.061	Property Tax
Minerals, Development Costs for Nonfuel	1.217	Income Tax
Mines, Depletion Costs for Metal	1.318	Income Tax
Mining and Solid Waste Reclamation Reserves	1.221	Income Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Mining Claims on Federal Land	2.062	Property Tax
Miscellaneous Fringe Benefits	1.023	Income Tax
Mitigation Payments, Certain Disaster	1.042	Income Tax
Mobile Field Incinerators	2.035	Property Tax
Mobile Home Cooperatives	9.002	Corporate Activity Tax
Mobile Home in High-Population County	2.072	Property Tax
Mobile Home Park Capital Gain	1.314	Income Tax
Mobile Home Park Closure	1.427	Income Tax
Mobile Home Tenant Payment	1.316	Income Tax
Modifications, Certain Vehicle (Vehicle Privilege Tax)	18.001	Vehicle Privilege Tax
Modifications, Certain Vehicle (Vehicle Use Tax)	17.001	Vehicle Use Tax
Mortgage Debt, Cancellation of	1.019	Income Tax
Mortgage Interest, Home	1.211	Income Tax
Motor Vehicles and Trailers	2.064	Property Tax
Moving Expenses	1.106	Income Tax
Multi-Unit Rental Housing in Designated Areas	2.105	Property Tax
Multi-Unit Rental Housing, Low Income	2.106	Property Tax
Multi-Unit Rental Housing, Use-Restricted	2.125	Property Tax
National Guard and Reserve Members, Overnight Travel Expenses of	1.107	Income Tax
Natural Gas Pipeline Extension	2.047	Property Tax
Natural Resource and Fishing Property	15.001	Estate Transfer Tax
Net Operating Loss Carryback, Agriculture Sector	1.320	Income Tax
New Industrial Property in Rural Areas	2.017	Property Tax
New or Rehabilitated Multi-Unit Rental Housing	2.109	Property Tax
New Rural Health Care Facilities	2.096	Property Tax
Nondealer Installment Sales, Gain on	1.047	Income Tax
Nonprofit Corporation, Property of LLC Owned by	2.092	Property Tax
Nonprofit Elderly Housing State Funded	2.025	Property Tax
Nonprofit Elderly Housing, Veterans in	2.112	Property Tax
Nonprofit Electrical Distribution Associations	2.069	Property Tax
Nonprofit for Purpose of Building Low-Income Housing, Land Owned by	2.008	Property Tax
Nonprofit Housing for the Elderly	2.126	Property Tax
Nonprofit Low Income Rental Housing	2.108	Property Tax
Nonprofit Public Park Use Land	2.060	Property Tax
Nonprofit Sewage Treatment Facilities	2.050	Property Tax
Nonprofit Water Associations	2.068	Property Tax
Nonprofit's Gain from Brownfield	1.040	Income Tax
Nonresident Armed Forces	1.507	Income Tax
Nonresident Income from Disaster or Emergency Related Work	1.505	Income Tax
Nonresident Servicemember Serving in Oregon, Nonresident Spouse of	1.508	Income Tax
Nonresident Spouse of Nonresident Servicemember Serving in Oregon	1.508	Income Tax
Nursery Stock	2.038	Property Tax
ODOT Land Under Use Permit	2.065	Property Tax
Officer Survivor Annuities, Public Safety	1.058	Income Tax
Officer, Surviving Spouse of Public Safety	2.120	Property Tax
On-Site Gyms, Employer Provided	1.022	Income Tax
Open Space Land	2.132	Property Tax
Operations, Farming	4.001	Weight-Mile Tax
Opportunity Grant Fund Contributions	1.403	Income Tax

# Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Opportunity Zone, Capital Gain Invested in	1.013	Income Tax
Oregon 529 College Savings Network	1.302	Income Tax
Oregon Affordable Housing Lender's Credit	1.426	Income Tax
Oregon Cultural Trust	1.446	Income Tax
Oregon Grapes for Wine Without Oregon Designation or AVA	7.003	Beer and Wine Taxes
Oregon Investment Advantage	1.311	Income Tax
Oregon Life and Health IGA Assessments	1.444	Income Tax
Oregon Low Income Community Jobs Initiative	1.416	Income Tax
Oregon State and Local Debt, Interest on	1.050	Income Tax
Oregon State Lottery Prizes	1.326	Income Tax
Oregon Veterans' Home	12.002	Medical Provider Taxes
Oregon Veterans' Home Physicians	1.448	Income Tax
Organizations, Charitable	4.008	Weight-Mile Tax
Organizations, Charitable, Literary, and Scientific	2.085	Property Tax
Organizations, Fraternal	2.086	Property Tax
Organizations, Religious	2.087	Property Tax
Other Farm/Aquaculture/Egg Equipment	2.043	Property Tax
Out of State Use, Vehicles Sold For	18.003	Vehicle Privilege Tax
Overnight Travel Expenses of National Guard and Reserve Members	1.107	Income Tax
Overtime, Agricultural Worker	1.428	Income Tax
Owner, Exempt Lease from Exempt	2.091	Property Tax
Owner, Exempt Lease from Taxable	2.090	Property Tax
Paperback, and Record Returns, Magazine	1.032	Income Tax
Park Closure, Mobile Home	1.427	Income Tax
Park Use Land, Nonprofit Public	2.060	Property Tax
Parking Space, Higher Education	2.004	Property Tax
Partnerships, Pass Through Status of Specified Publicly Traded	1.038	Income Tax
Pass Through Income, Tax Rates for	1.502	Income Tax
Pass Through Status of Specified Publicly Traded Partnerships	1.038	Income Tax
Pay, Combat	1.061	Income Tax
Pay, Military Active Duty and Related	1.328	Income Tax
Payment, Mobile Home Tenant	1.316	Income Tax
Payments for Labor Costs for Residential Construction, Subcontracting	9.003	Corporate Activity Tax
Payments to Controlling Exempt Organizations, Certain	1.053	Income Tax
Payments, Agriculture Cost-Sharing	1.035	Income Tax
Payments, Certain Disaster Mitigation	1.042	Income Tax
Payments, Certain Foster Care	1.004	Income Tax
Pension Contributions and Earnings	1.010	Income Tax
Pension Income, Federal	1.324	Income Tax
Per Diem and Allowance, Legislative	1.325	Income Tax
Permit, ODOT Land Under Use	2.065	Property Tax
Personal Exemption	1.447	Income Tax
Personal Property (Business)	2.027	Property Tax
Personal Property for Personal Use	2.073	Property Tax
Pharmacies, Sales of Prescription Drugs by Eligible	9.001	Corporate Activity Tax
Physicians, Oregon Veterans' Home	1.448	Income Tax
Pipeline Extension, Natural Gas	2.047	Property Tax
Plants, and Fruit Trees, Crops,	2.036	Property Tax
Political Contributions	1.445	Income Tax



## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Pollution Control	1.441	Income Tax
Pollution Control Facilities	2.116	Property Tax
Pollution Control Facilities, Amortization of Air	1.222	Income Tax
Port, Certain Property Owned by	2.015	Property Tax
Pots, Crab	2.045	Property Tax
Prepayment Agreement, Facilities with	2.098	Property Tax
Prescription Drugs by Eligible Pharmacies, Sales of	9.001	Corporate Activity Tax
Private Farm and Logging Roads	2.059	Property Tax
Private Forestland, Eastern	2.135	Property Tax
Private Forestland, Western	2.134	Property Tax
Private Libraries for Public Use	2.005	Property Tax
Private Standing Timber, Eastern	2.058	Property Tax
Private Standing Timber, Western	2.057	Property Tax
Prizes, Oregon State Lottery	1.326	Income Tax
Proceeds from Life Insurance	1.057	Income Tax
Processing Equipment, Food	2.033	Property Tax
Production Development Contributions, Film	1.414	Income Tax
Production or Collection of Biomass	1.438	Income Tax
Products (Agricultural) Held by the Farmer	2.037	Property Tax
Projects, Energy Conservation	1.436	Income Tax
Projects, Solar	2.048	Property Tax
Projects, Transportation	1.433	Income Tax
Property for Low Income Rental	2.107	Property Tax
Property for Personal Use, Personal	2.073	Property Tax
Property in Rural Areas, New Industrial	2.017	Property Tax
Property of Indians and on Tribal Trust Land	2.076	Property Tax
Property of LLC Owned by Nonprofit Corporation	2.092	Property Tax
Property Taxes	1.212	Income Tax
Property Taxes Paid, Credit for	11.002	Oil and Gas Privilege Tax
Property used Exclusively for Government Services, Indian	2.083	Property Tax
Property Used for Disaster or Emergency Related Work	2.070	Property Tax
Property, Business Personal	2.027	Property Tax
Property, Capital Gains from Farm	1.504	Income Tax
Property, Capital Gains on Inherited	1.055	Income Tax
Property, Certain Communication Related	2.099	Property Tax
Property, Destroyed or Damaged	2.138	Property Tax
Property, Energy Efficient Commercial	1.219	Income Tax
Property, Federal	2.093	Property Tax
Property, Historic	2.129	Property Tax
Property, Leased Rural Health Care	2.006	Property Tax
Property, Natural Resource and Fishing	15.001	Estate Transfer Tax
Property, State and Local	2.079	Property Tax
Protection Association, Forest Fire	2.054	Property Tax
Protection, Fire	4.005	Weight-Mile Tax
Public Mass Transit Vehicles	4.007	Weight-Mile Tax
Public Park Use Land, Nonprofit	2.060	Property Tax
Public Safety Officer Survivor Annuities	1.058	Income Tax
Public Safety Officer, Surviving Spouse of	2.120	Property Tax
Public Services	3.005	Gas and Use Fuel Taxes

# Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Public Transportation	3.006	Gas and Use Fuel Taxes
Public University Venture Development Fund	1.422	Income Tax
Public Use, Private Libraries for	2.005	Property Tax
Public Warehouse Sales Throwback Exemption	1.501	Income Tax
Public Ways, Local Government	2.081	Property Tax
Publicly Owned, Leased Student Housing	2.003	Property Tax
Publicly Traded Partnerships, Pass Through Status of Specified	1.038	Income Tax
Qualified Education Savings (Federal)	1.002	Income Tax
Qualified Low Income Community Investments	1.416	Income Tax
Qualified Research Activities	1.417	Income Tax
Qualified Research Activities (Alternative)	1.418	Income Tax
Railroad Cars Being Repaired	2.031	Property Tax
Railroad Rehabilitation, Short Line	1.443	Income Tax
Railroad Right of Way in Highway Lighting District	2.123	Property Tax
Railroad Right of Way in Rural Fire District	2.124	Property Tax
Railroad Right of Way in Water District	2.122	Property Tax
Railroad, Amtrak Passenger	2.094	Property Tax
Rebate, Film Production Labor	1.309	Income Tax
Reclamation Reserves, Mining and Solid Waste	1.221	Income Tax
Record Returns, Magazine, Paperback, and	1.032	Income Tax
Recreation Facility, Federal Land Under	2.024	Property Tax
Reduction of Tuition Provided by Employer, Exclusion	1.003	Income Tax
Reforestation	1.442	Income Tax
Reforestation Costs, Expensing and Amortization of	1.224	Income Tax
Regional Economic Development Incentives	1.012	Income Tax
Rehabilitated Housing	2.104	Property Tax
Rehabilitated or New Multi-Unit Rental Housing	2.109	Property Tax
Rehabilitation, Short Line Railroad	1.443	Income Tax
Religious Organization, Low-Income Housing Owned by	2.032	Property Tax
Religious Organizations	2.087	Property Tax
Removal of Architectural Barriers	1.202	Income Tax
Renewable Energy Development Zone, Rural	2.019	Property Tax
Renewable Resource Equipment Manufacturing Facilities	1.415	Income Tax
Renewables and Conservation, Business Energy Facilities	1.435	Income Tax
Rental Allowances for Clergy Housing	1.052	Income Tax
Rental Housing (Multi-Unit) in Designated Areas	2.105	Property Tax
Rental Housing, Low Income Multi-Unit	2.106	Property Tax
Rental Housing, New or Rehabilitated Multi-Unit	2.109	Property Tax
Rental Housing, Nonprofit Low Income	2.108	Property Tax
Rental Housing, Use-Restricted Multi-Unit	2.125	Property Tax
Rental Properties, Housing Authority	2.020	Property Tax
Rental, Heavy Equipment	2.074	Property Tax
Rental, Property for Low Income	2.107	Property Tax
Repair Facility Materials, Ship	2.030	Property Tax
Repaired, Railroad Cars Being	2.031	Property Tax
Research Activities, Qualified	1.417	Income Tax
Research Activities, Qualified (Alternative)	1.418	Income Tax
Research and Development Costs	1.206	Income Tax
Reservation (Indian) Subscribers	8.003	911 Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Reservation Enterprise Zone (Income Tax)	1.420	Income Tax
Residential Energy Tax Credit (RETC)	1.434	Income Tax
Retaliatory Tax, Insurers Subject to	9.005	Corporate Activity Tax
Retirement Income, Certain	1.449	Income Tax
Returns, Magazine, Paperback, and Record	1.032	Income Tax
Revenue from Government Leased Lines	10.001	Electric Cooperative Tax
Right of Way in Highway Lighting District, Railroad	2.123	Property Tax
Right of Way in Rural Fire District, Railroad	2.124	Property Tax
Right of Way in Water District, Railroad	2.122	Property Tax
Riparian Habitat Land	2.051	Property Tax
Roads, Forest Products on County	4.002	Weight-Mile Tax
Roads, Private Farm and Logging	2.059	Property Tax
Rural Areas, New Industrial Property in	2.017	Property Tax
Rural Emergency Medical Providers, Volunteer	1.409	Income Tax
Rural Enterprise Zone, Long Term (Income Tax)	1.419	Income Tax
Rural Enterprise Zone, Long Term (Property Tax)	2.014	Property Tax
Rural Fire District, Railroad Right of Way in	2.124	Property Tax
Rural Health Care Facilities, New	2.096	Property Tax
Rural Health Care Property, Leased	2.006	Property Tax
Rural Medical Practice	1.408	Income Tax
Rural Renewable Energy Development Zone	2.019	Property Tax
Sales of Prescription Drugs by Eligible Pharmacies	9.001	Corporate Activity Tax
Sales Throwback Exemption, Public Warehouse	1.501	Income Tax
Sales, Capital Gains on Home	1.017	Income Tax
Sales, Gain on Nondealer Installment	1.047	Income Tax
Savings Accounts, Health	1.104	Income Tax
Savings Bonds, Deferral of Interest on	1.062	Income Tax
Savings Network, Oregon 529 College	1.302	Income Tax
Savings, First Time Home Buyer	1.315	Income Tax
Schedule E Pass Through Income, Tax Rates for	1.502	Income Tax
Scholarship and Fellowship Income	1.001	Income Tax
Scholarship Awards Used for Housing Expenses	1.303	Income Tax
Scholarships, Employer Provided	1.401	Income Tax
School Vehicles, Elementary and Secondary	4.004	Weight-Mile Tax
Schools, Land Donated to	1.301	Income Tax
Scientific Organizations, Charitable, Literary and	2.085	Property Tax
Screening Devices, Fish	1.439	Income Tax
Secondary School Vehicles, Elementary and	4.004	Weight-Mile Tax
Section 179 Expensing Allowances	1.207	Income Tax
Seismic Upgrades	2.121	Property Tax
Self-Employment Health Insurance	1.103	Income Tax
Senior Services Centers	2.007	Property Tax
Services and Benefits, Veterans'	1.030	Income Tax
Services, Public	3.005	Gas and Use Fuel Taxes
Settlement Funds, Earnings of Certain Environmental	1.039	Income Tax
Severe Disability	1.410	Income Tax
Sewage Treatment Facilities, Nonprofit	2.050	Property Tax
Shellfish Growing on State Land	2.041	Property Tax
Ship Repair Facility Materials	2.030	Property Tax

# Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Short Line Railroad Rehabilitation	1.443	Income Tax
Single-Unit Housing, Certain	2.103	Property Tax
Skyline and Swing Yarders	2.053	Property Tax
Small Business Stock, Exclusion of Gain from Certain	1.014	Income Tax
Small Quantity by Consumers	5.001	Cigarette Tax
Small Tract Forestland Option	2.136	Property Tax
Small Watercraft	2.063	Property Tax
Small Wineries	7.001	Beer and Wine Taxes
Smoke Management Equipment, Field Burning	2.044	Property Tax
Social Security Benefits (Federal)	1.011	Income Tax
Social Security Benefits (Oregon)	1.308	Income Tax
Soil and Water Conservation Expenditures	1.214	Income Tax
Soil Conditioner Costs, Fertilizer and	1.215	Income Tax
Solar Projects	2.048	Property Tax
Sold at Auction, Vehicles	18.002	Vehicle Privilege Tax
Sold For Out of State Use, Vehicles	18.003	Vehicle Privilege Tax
Solid Waste and Mining Reclamation Reserves	1.221	Income Tax
Sororities, and Cooperatives, Fraternities	2.095	Property Tax
Special Benefits for Disabled Coal Miners	1.008	Income Tax
Special Depreciation for Recycling Equipment	1.220	Income Tax
Sports Facility, City Owned	2.089	Property Tax
Spouse (Nonresident) of Nonresident Servicemember Serving in Oregon	1.508	Income Tax
Spouse of Public Safety Officer, Surviving	2.120	Property Tax
Spouses of Veterans, Disabled Veterans or Surviving	2.111	Property Tax
Spread on Acquisition of Stock	1.028	Income Tax
Start-Up Costs, Amortization of Business	1.208	Income Tax
State and Local Government Bonds, Interest from	1.317	Income Tax
State and Local Interests	11.001	Oil and Gas Privilege Tax
State and Local Property	2.079	Property Tax
State and Local Standing Timber Under Contract	2.056	Property Tax
State and Local Subscribers	8.001	911 Tax
State Land Board Land, Leased	2.046	Property Tax
State Land, Shellfish Growing on	2.041	Property Tax
Stock Ownership Plans, Employee	1.025	Income Tax
Stock, Exclusion of Gain from Certain Small Business	1.014	Income Tax
Stock, Nursery	2.038	Property Tax
Stock, Spread on Acquisition of	1.028	Income Tax
Storage Space, Fairground Leased	2.010	Property Tax
Strategic Investment Program	2.100	Property Tax
Student Housing Furnishings	2.002	Property Tax
Student Housing Publicly Owned, Leased	2.003	Property Tax
Student Housing, Academies, and Day Care	2.001	Property Tax
Student Loan Debt, Discharge of Certain	1.054	Income Tax
Student Loans, Interest on	1.102	Income Tax
Subcontracting Payments for Labor Costs for Residential Construction	9.003	Corporate Activity Tax
Subscribers, Federal	8.002	911 Tax
Subscribers, Indian Reservation	8.003	911 Tax
Subscribers, State and Local	8.001	911 Tax
Subsidies, Energy Conservation (Federal)	1.037	Income Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Subsidies, Energy Conservation (Oregon)	1.319	Income Tax
Subtraction and Exclusion, Individual Development Accounts	1.313	Income Tax
Subtraction for Elderly, Medical	1.305	Income Tax
Subtraction, Federal Income Tax	1.327	Income Tax
Summer Homes, Federal Land Under	2.023	Property Tax
Surviving Spouse of Public Safety Officer	2.120	Property Tax
Surviving Spouses, Disabled Veterans	2.111	Property Tax
Survivor Annuities, Public Safety Officer	1.058	Income Tax
Swing Yarders, Skyline and	2.053	Property Tax
Tax Paid to Another Jurisdiction	17.002	Vehicle Use Tax
Tax Rates for Certain Pass Through Income	1.502	Income Tax
Taxable Owner, Exempt Lease from	2.090	Property Tax
Taxes Paid, Credit for Property	11.002	Oil and Gas Privilege Tax
Taxes, Local Income	1.229	Income Tax
Taxes, Property	1.212	Income Tax
Teacher Classroom Expenses	1.101	Income Tax
Telecommunication Companies, Apportionment for Utility and	1.506	Income Tax
Television and Film Production Costs, Deduction of Certain	1.203	Income Tax
Tenant Payment, Manufactured Dwelling	1.316	Income Tax
Testing Emissions, Vehicle Used for (Gas and Use Fuel Taxes)	3.003	Gas and Use Fuel Taxes
Testing Emissions, Vehicle Used for (Weight-Mile Tax)	4.003	Weight-Mile Tax
Theft and Casualty Losses	1.228	Income Tax
Throwback Exemption, Public Warehouse Sales	1.501	Income Tax
Timber Harvested Near Forest Conservation Area (Estate Transfer Tax)	15.002	Estate Transfer Tax
Timber Harvested Near Forest Conservation Area (Income Tax)	1.429	Income Tax
Timber Under Contract, Federal Standing	2.055	Property Tax
Timber Under Contract, State and Local Standing	2.056	Property Tax
Timber, Eastern Private Standing	2.058	Property Tax
Timber, Western Private Standing	2.057	Property Tax
Timber-Growing Costs, Expensing	1.223	Income Tax
Tobacco Products (Other), Federal and Veterans Institutions	6.001	Other Tobacco Products Tax
Tollways and Related Facilities	2.066	Property Tax
Trailers, Motor Vehicles and	2.064	Property Tax
Training, Employee	1.404	Income Tax
Training/Apprenticeship Trust, Industry	2.018	Property Tax
Transfer of Cemetery Land for Low-Income Housing	2.022	Property Tax
Transit Vehicles, Public Mass	4.007	Weight-Mile Tax
Transmission, Federally Leased High-Voltage Electricity Property	2.084	Property Tax
Transportation Companies (Air), Aircraft Under 75,000 Pounds Owned by	2.118	Property Tax
Transportation Policies, Wet Marine and	1.321	Income Tax
Transportation Projects	1.433	Income Tax
Transportation, Employer Paid Benefits	1.041	Income Tax
Transportation, Public	3.006	Gas and Use Fuel Taxes
Travel Expenses of National Guard and Reserve Members, Overnight	1.107	Income Tax
Treatment Facilities, Nonprofit Sewage	2.050	Property Tax
Trees (Fruit), Crops, and Plants	2.036	Property Tax
Tribal Trust Land, Property of Indians and on	2.076	Property Tax
Tribes or Federal Government, Vehicles Purchased by	17.003	Vehicle Use Tax
TRICARE Insurance, Military and Dependents	1.031	Income Tax

## Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Trust Land, Property of Indians and on Tribal	2.076	Property Tax
Trust, Industry Apprenticeship/Training	2.018	Property Tax
Trust, Oregon Cultural	1.446	Income Tax
Tuition Programs, Qualified (Federal)	1.002	Income Tax
Tuition Reduction, Exclusion of Employer Provided	1.003	Income Tax
Type A and B Hospitals	12.003	Medical Provider Taxes
U.S. Citizens, Income Earned Abroad by	1.018	Income Tax
U.S. Obligations, Interest and Dividends on	1.329	Income Tax
Units, Exempt Dwelling	13.001	Lodging Tax
University Venture Development Fund, Public	1.422	Income Tax
Upgrades, Seismic	2.121	Property Tax
Use-Restricted Multi-Unit Rental Housing	2.125	Property Tax
Utility and Telecommunication Companies, Apportionment for	1.506	Income Tax
Valuation, Inventory Methods of	1.034	Income Tax
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