

2015 - 2017

TAX EXPENDITURE REPORT

STATE OF OREGON



John A. Kitzhaber, M.D. Governor

Handwritten signature of John A. Kitzhaber.

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Economic and Revenue Forecast (Quarterly):	http://oregon.gov/DAS/OEA/pages/economic.aspx
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GOVERNOR'S MESSAGE

To the Citizens of Oregon –

I am pleased to submit the tenth biennial State of Oregon Tax Expenditure Report. This document is an important tool in understanding how government supports the achievement of social, economic, and environmental policies through use of Oregon's tax structure.

There are 18 tax credits which by Oregon law are scheduled to sunset in the 2015-17 biennium. I recommend continuing these credits, along with the creation of a Working Family Addition tax credit which will help smooth out the benefit cliff for those who are moving up the income ladder from \$9.10 per hour to \$17.10 per hour.

As Oregonians, we pay taxes to support the public services we desire. Full disclosure of how well the system is working is something all Oregon citizens deserve. This report provides a factual basis from which to begin a healthy debate regarding our tax system.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Kitzhaber". The signature is fluid and cursive, with the first name "John" being the most prominent.

John A. Kitzhaber, M.D.
Governor, State of Oregon

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INTRODUCTION

The 1995 Budget Accountability Act (the Act) requires the governor, with the assistance of the Department of Revenue and the Department of Administrative Services, to produce a tax expenditure report every biennium, along with the Governor's Recommended Budget. The report was first prepared in 1996 for the 1997–99 biennium. This report covers tax expenditures for the 2015–17 biennium.

Tax Expenditure Defined

The Act 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. Tax expenditures can be viewed as: (1) providing financial assistance to certain groups of taxpayers, (2) providing economic incentives that encourage specific taxpayer behavior, or (3) simplifying or reducing the costs of tax administration. While the third of these policy objectives eliminates inefficiencies within the tax code, the first two could be implemented with direct expenditures rather than tax expenditures.

This report describes 372 tax expenditures in 15 Oregon tax programs. Because tax expenditures impart special treatment to groups of taxpayers, it is necessary to begin with a clear definition of the “normal” tax base from which that special treatment departs. Because there may be different opinions about the normal base for each tax, a description of the tax base for each of the 15 tax programs begins each chapter.

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

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; a determination of whether each tax expenditure is the most fiscally effective means of achieving its purpose; and a determination of whether each tax expenditure has achieved its purpose, including an analysis of the persons that 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 five main sections: the summary, the governor's recommendations on tax expenditures scheduled to sunset in the 2015–17 biennium, an index of all tax expenditures by tax program (Table 1), an index of all tax expenditures by program/function (Table 2), and detailed descriptions of each tax expenditure (Chapters 1–15).

The indexes in Tables 1 and 2 are good starting points to identify those expenditures for which more information is desired. Table 1 provides a list of all tax expenditures sorted by tax and numbered sequentially from 1.001 to 15.001. This numbering system can be used as an index to locate the full description of each tax expenditure in Chapters 1–15. Similarly, Table 2 lists all the tax expenditures, but groups them by program/function rather than tax. This categorization has been done so that all tax expenditures related to a particular program area can be viewed together.

The main body of this report, Chapters 1–15, 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 through C include the full text of the Budget Accountability Act, a list of contributors, including the agencies that evaluated the tax expenditures, and a list of Oregon tax programs that do not contain tax expenditures. Appendix D lists the tax expenditures that are new, modified, or that have been removed since this report was last published in 2012. Appendix E lists the personal income tax expenditures and corporation income tax expenditures separately along with their corresponding revenue impacts.

Program/Function Categories

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 Recommended 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. The tax expenditures are listed by program/function in Table 2.

Evaluations

Personnel in 28 state agencies contributed to this report, including evaluating whether these tax expenditures achieve their purpose and if they are a fiscally effective means of doing so (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.

There are several categories of tax expenditures for which an evaluation was not performed including: Oregon's connection to federal law, federal law prohibits state taxation, no one qualifies for the tax expenditure, there is no specific agency with program responsibility for the tax expenditure, the revenue impact estimate is less than \$100,000, the tax expenditure has sunset, or the tax expenditure exists for tax administration purposes only.

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 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 tax expenditures are taken over a period of years and can also be carried forward if there is insufficient tax liability to offset. In these cases, even if the tax expenditure were eliminated, there would remain some unused multi-year and carried forward tax expenditures that could be claimed over time.
- The 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.
- 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. The introduction to Chapter 2 also contains a brief description of the changes to the property tax system brought about by Measure 50 in 1997. For all property tax expenditures, the detailed descriptions report the revenue loss and shift separately. Tables 1 and 2 provide totals of only the loss amount.

Revenue impact estimates are 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 does not exist when estimating revenue impacts. As a result, it is important to view these revenue estimates as orders of magnitude. 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 upon current law at time of publication. As of mid-November, 2014, it is assumed that federal tax provisions that are scheduled to expire, or have expired in January 2014, will expire (many of these federal tax expenditures are commonly referred to as "tax extenders" as they are frequently extended for temporary periods of time). Modification to those expiring federal provisions could directly affect the revenue impact of the federal tax subtraction (tax expenditure 1.324) and indirectly affect the revenue impacts of the federal provisions to which Oregon connects.

As such, 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, 2011 is the most recent complete tax year available; for personal income tax returns, 2012 is the most recent complete tax year available; and, for property tax information, fiscal year 2013-14 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.

Where data is available for individual income tax provisions, we provide distributional tables 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 372 individual tax expenditures currently specified in Oregon law. Of those, 204 are related to Oregon’s personal and corporation income taxes and 132 are related to local property taxes. The remaining 36 are related to various other state tax programs.

More than half of the 204 income tax expenditures result from Oregon’s connection to the federal income tax code. Oregon is generally tied to the federal definition of taxable income. By adopting the federal definition of income, Oregon also adopts most of the exclusions and deductions from income that are part of the federal personal and corporation income taxes.

SUMMARY OF OREGON TAX PROGRAMS WITH TAX EXPENDITURES (Dollars in Millions)				
Tax Program	Number	Estimated Revenues 2015-17	Revenue Impact¹	
			2013-15	2015-17
Income (Personal and Corporate)	204	\$16,655.5	\$11,222.0	\$12,815.8
Federal Exclusions	67		\$5,507.5	\$6,574.8
Federal Adjustments/Deductions	46		\$2,302.3	\$2,555.3
Oregon Subtractions	26		\$1,660.1	\$1,797.4
Oregon Credits	60		\$1,710.3	\$1,678.9
Other Oregon Provisions	5		\$41.8	\$209.4
Property¹	132	\$12,400.0	\$23,599.4	\$25,912.6
Full Exemption	95		\$22,646.6	\$24,772.4
Partial Exemption	23		\$444.6	\$602.7
Special Assessment	13		\$508.2	\$537.5
Other Assessment	1		\$0.0	\$0.0
Gas and Use Fuel	7	\$1,060.0	\$10.5	\$12.1
Weight-Mile	7	\$589.3	\$18.6	\$19.3
Cigarette & Other Tobacco	5	\$465.4	\$3.0	\$3.0
Beer and Wine	2	\$36.6	\$4.0	\$4.4
Other State Taxes	15	\$618.0	\$11.3	\$11.7
All Taxes	372	\$31,824.8	\$34,868.8	\$38,778.9
<p>¹ 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 and only the loss portions of the property tax impacts are included, not shifts (see page 215 for an explanation).</p>				

The summary table above displays estimates of the total revenue to be raised in 2015–17 by each tax and estimates of the revenue impact of tax expenditures by tax program for the 2013–15 and 2015–17 biennia. As stated in the footnote to the table and in the revenue impacts discussion on page 3, summing the revenue impacts of Oregon tax expenditures presents conceptual challenges. This table is intended only to provide rough orders of magnitudes of groups of tax expenditures.

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 2015–17, roughly \$20.1 billion of the \$25.9 billion of tax expenditures in the property tax program (78 percent) is related to three property tax expenditures: the exemption of intangible personal property (\$15.4 billion), the exemption of federal property (\$2 billion), and the exemption for state and local property (\$2.8 billion). Similarly, the three largest income tax expenditures (the exclusion of employer paid medical benefits, the personal exemption, and the exclusion of pension contributions and earnings) account for about \$3.6 billion of the \$12.8 billion total.

In addition, some tax expenditures 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 do not represent the same explicit policy decisions as some of the Oregon subtractions and credits.

Composition of Oregon’s Income Tax Expenditures

Of Oregon’s 204 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 the numbers of tax expenditures and their revenue impacts in each of these categories.

INCOME TAX EXPENDITURE ESTIMATES BY TYPE OF TAXPAYER FOR 2015-17 (Dollars in Millions)							
Expenditure Type	Individuals Only		Corporations Only		Both Individuals and Corporations		
	Number	Revenue Impact¹	Number	Revenue Impact¹	Number	Revenue Impact¹ (Individuals)	Revenue Impact¹ (Corporations)
Exclusions	48	\$5,716	7	\$407	12	\$328	\$124
Adjustments	8	\$285	0	\$0	0	\$0	\$0
Deductions	6	\$1,622	5	\$26	27	\$540	\$82
Subtractions	18	\$1,793	2	\$0	6	\$3	\$2
Credits	18	\$1,354	12	\$33	30	\$140	\$153
Other	3	\$209	2	\$0	0	\$0	\$0
Total	101	\$10,979	28	\$467	75	\$1,011	\$360

¹ 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.

The remainder of this report provides more detailed descriptions and revenue impact estimates for each tax expenditure currently specified in Oregon law.

TAX EXPENDITURES SCHEDULED FOR SUNSET IN 2015–17

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.

PERSONAL AND CORPORATE TAX EXPENDITURE	TYPE	OREGON STATUTE	SUNSET	2015-17 REVENUE IMPACT (\$000)	2015-17 COST TO EXTEND (\$000)	GOVERNOR'S RECOMMENDATION
1.309 Oregon Investment Advantage	Subtraction	316.778/317.391	Partial Sunset 6/30/2016	4,000	0	Extend sunset
1.404 Child with a Disability	Credit	316.099(3)	12/31/2015	5,200	5,600	Extend sunset
1.405 Rural Medical Practice	Credit	315.613/315.616/315. 619	12/31/2015	16,800	1,100	Extend sunset
1.407 Costs In Lieu of Nursing Home Care	Credit	316.147-316.149	12/31/2015	Less than 100	Less than 100	Extend sunset
1.408 Long Term Care Insurance	Credit	315.610	12/31/2015	10,000	10,400	Extend sunset
1.409 Elderly or Permanently Disabled	Credit	316.087	12/31/2015	Less than 100	Less than 100	Extend sunset
1.410 Loss of Limbs	Credit	316.079	12/31/2015	Less than 100	Less than 100	Extend sunset
1.411 Severe Disability	Credit	316.758/316.765	12/31/2015	5,300	5,600	Extend sunset
1.413 Qualified Low Income Community Investments	Credit	315.533(2)	06/30/2016	27,300	0	Extend sunset
1.420 Public University Venture Development Fund	Credit	315.521	12/31/2015	700	Less than 100	Extend sunset
1.421 Child and Dependent Care	Credit	316.078	12/31/2015	8,600	7,600	Extend sunset
1.422 Working Family Child Care	Credit	315.262	01/01/2016	21,800	21,800	Extend sunset
1.423 Employer Provided Dependent Care Assistance	Credit	315.204	12/31/2015	700	Less than 100	Extend sunset
1.425 Contributions To Office of Child Care	Credit	315.213	12/31/2015	500	500	Extend sunset
1.426 Individual Development Account Donation (Credit)	Credit	315.271	12/31/2015	7,700	6,700	Extend sunset

PERSONAL, CORPORATE, AND/OR PROPERTY TAX EXPENDITURE		TYPE	OREGON STATUTE	SUNSET	2015-17 REVENUE IMPACT (\$000)	2015-17 COST TO EXTEND (\$000)	GOVERNOR'S RECOMMENDATION
1.427	Individual Development Account Withdrawal (Credit)	Credit	315.272	12/31/2015	200	200	Extend sunset
1.454	Oregon Life and Health IGA Assessments	Credit	734.835	12/31/2015	Not Available	Less than 100	Extend sunset
1.459	TRICARE Health Care Providers	Credit	315.628	12/31/2015	0	3,000	Extend sunset
1.460	Oregon Veterans' Home Physicians	Credit	315.624	12/31/2015	Less than 100	Less than 100	Extend sunset
2.012	Businesses Transferring or Leasing Property	Full Exemption	Note: 285C.175	06/30/2016	0	0	Extend sunset
2.020	Aircraft Being Repaired	Full Exemption	308.559	06/30/2017	0	0	Allow sunset
2.023	Defense Contractor With Federal Property	Full Exemption	307.065	06/30/2017	0	0	Allow sunset
2.061	Railroad Right of Way Used for Alternative Transportation	Full Exemption	307.205	06/30/2017	0	0	Allow sunset
2.067	Nonprofit Telephone Associations	Full Exemption	307.220	06/30/2017	0	0	Allow sunset
2.068	Private Service Telephone Equipment	Full Exemption	307.230	06/30/2017	Less than 100	Less than 100	Allow sunset
2.079	Indian Property Used Exclusively for Government Services	Full Exemption	307.181(3)	Partial Sunset 6/30/2017	400	Less than 100	Extend sunset
2.092	Convention Facilities	Full Exemption	263.29	06/30/2017	0	0	Allow sunset
2.100	Vertical Housing Development Zone	Partial Exemption	307.864	12/31/2015	Less than 100	Less than 100	Extend sunset
2.102	Rehabilitated Housing	Partial Exemption	308.459	12/31/2016	100	0	Extend sunset

TABLE 1: INDEX OF TAX EXPENDITURES BY TAX PROGRAM

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013-15	2015-17	
INCOME TAX						
<i>Federal Exclusions</i>						
1.001	Scholarship and Fellowship Income	Education	1954	316.048	21,500	23,700
1.002	Interest on Education Savings Bonds	Education	1988	316.048	Less than 100	Less than 100
1.003	Qualified Education Savings (Federal)	Education	1996	316.048	7,400	10,700
1.004	Exclusion of Employer Provided Tuition Reduction	Education	1984	316.048	2,400	2,400
1.005	Public Assistance Benefits	Human Services	Pre-1955	316.048	28,800	34,100
1.006	Certain Foster Care Payments	Human Services	1982	316.048	3,100	3,100
1.007	Employee Adoption Benefits	Human Services	1996	316.048	Less than 100	Less than 100
1.008	Cafeteria Plan Benefits	Human Services	1974	316.048	298,000	331,500
1.009	Employer Paid Medical Benefits	Human Services	1918	316.048	1,236,700	1,344,500
1.010	Compensatory Damages	Human Services	Pre-1955	316.048	13,200	13,200
1.011	Prescription Drug Insurance (Part D)	Human Services	2003	316.048	61,800	80,500
1.012	Hospital Insurance (Part A)	Human Services	1965	316.048	297,900	334,400
1.013	Supplementary Medical Insurance (Part B)	Human Services	1970	316.048	210,200	236,500
1.014	Pension Contributions and Earnings	Human Services	1921	316.048	695,700	1,154,000
1.015	Special Benefits for Disabled Coal Miners	Human Services	1969	316.048	Less than 100	Less than 100
1.016	Social Security Benefits (Federal)	Human Services	1938	316.048	564,200	615,700
1.017	Income Earned Abroad by U.S. Citizens	Economic/Community	1926	316.048	67,400	74,500
1.018	Magazine, Paperback, and Record Returns	Economic/Community	1978	316.048/317.013	200	200
1.019	Cash Accounting, Other than Agriculture	Economic/Community	1916	316.048/317.013	13,900	14,600
1.020	Regional Economic Development Incentives	Economic/Community	1993	316.048/317.013	Less than 100	Less than 100
1.021	Income of Controlled Foreign Corporations	Economic/Community	1909	317.013	384,100	392,900
1.022	Cancellation of Debt for Nonfarmers	Economic/Community	Pre-1955	316.048/317.013	2,400	Less than 100
1.023	Imputed Interest Rules	Economic/Community	1984	316.048/317.013	4,700	5,300
1.024	Inventory Methods of Valuation	Economic/Community	1938	316.048/317.013	10,000	10,400
1.025	Employer Paid Group Life Insurance Premiums	Economic/Community	1920	316.048	26,700	29,000
1.026	Employer Paid Accident and Disability Insurance	Economic/Community	1954	316.048	33,900	36,300
1.027	Employer Provided Dependent Care	Economic/Community	1981	316.048	14,100	16,000
1.028	Miscellaneous Fringe Benefits	Economic/Community	1984	316.048	62,900	65,600
1.029	Employee Meals and Lodging (Nonmilitary)	Economic/Community	1918	316.048	17,200	18,200
1.030	Employee Stock Ownership Plans	Economic/Community	1974	316.048/317.013	4,900	4,900
1.031	Employee Awards	Economic/Community	1986	316.048	2,600	2,600
1.032	Employer Provided Education Benefits	Economic/Community	1997	316.048	10,200	10,200
1.033	Spread on Acquisition of Stock	Economic/Community	1981	316.048	3,100	3,100
1.034	Exclusion of Gain from Certain Small Business Stock	Economic/Community	1993	316.048	8,900	10,700
1.035	Capital Gains on Home Sales	Economic/Community	1997	316.048	282,400	336,100
1.036	Veterans' Benefits and Services	Economic/Community	1917	316.048	85,100	96,700
1.037	Military and Dependents CHAMPUS/TRICARE Insurance	Economic/Community	1925	316.048	32,400	32,700
1.038	Agriculture Cost-Sharing Payments	Natural Resources	1978	316.048/317.013	Less than 100	Less than 100
1.039	Cancellation of Debt for Farmers	Natural Resources	1986	316.048	700	700
1.040	Energy Conservation Subsidies (Federal)	Natural Resources	1992	316.048	200	200
1.041	Earnings of Certain Environmental Settlement Funds	Natural Resources	2005	317.013	100	100
1.042	Nonprofit's Gain from Brownfield	Natural Resources	2004	317.013	100	Less than 100
1.043	Pass Through Status of Specified Publicly Traded Partnerships	Natural Resources	1987	316.048	9,600	10,100

Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013–15	2015–17	
1.044 Employer Paid Transportation Benefits	Transportation	1992	316.048	31,500	33,900	
1.045 Life Insurance Investment Income	Consumer and Business Services	1913	316.048/317.013	227,600	237,800	
1.046 Workers' Compensation Benefits (Nonmedical)	Consumer and Business Services	1918	316.048	22,400	24,800	
1.047 Workers' Compensation Benefits (Medical)	Consumer and Business Services	1918	316.048	42,300	42,700	
1.048 Credit Union Income	Consumer and Business Services	1951	317.080(1)	9,700	11,400	
1.049 Elimination of Tax Exempt Interest Allocation for Banks	Consumer and Business Services	2009	317.013	2,400	2,400	
1.050 Structured Settlement Accounts	Consumer and Business Services	1982	317.013	Less than 100	Less than 100	
1.051 Certain Disaster Mitigation Payments	Consumer and Business Services	2005	316.048/317.013	200	200	
1.052 Contributions in Aid of Construction for Utilities	Consumer and Business Services	1996	317.013	200	200	
1.053 Gain on Nondealer Installment Sales	Tax Administration	1921	316.048/317.013	51,800	44,700	
1.054 Gain on Like-Kind Exchanges	Tax Administration	1921	316.048/317.013	117,100	133,600	
1.055 Allowances for Federal Employees Abroad	Government	1943	316.048	5,700	6,300	
1.056 Interest on Oregon State and Local Debt	Government	1913	316.048	78,500	85,400	
1.057 Capital Gains on Inherited Property	Social Policy	1921	316.048	355,300	383,500	
1.058 Gain on Involuntary Conversions in Disaster Areas	Social Policy	1996	316.048	Less than 100	Less than 100	
1.059 Deferral of Interest on Savings Bonds	Social Policy	1951	316.048	9,300	10,000	
1.060 Voluntary Employees' Beneficiary Associations	Social Policy	1928	316.048	24,200	25,000	
1.061 Rental Allowances for Clergy Housing	Social Policy	1921	316.048	5,700	6,200	
1.062 Discharge of Certain Student Loan Debt	Social Policy	1984	316.048	1,600	1,600	
1.063 Military Disability Benefits	Social Policy	1942	316.048	2,400	3,000	
1.064 Benefits and Allowances of Armed Forces Personnel	Social Policy	1925	316.048	20,200	22,500	
1.065 Capital Gains on Gifts	Social Policy	1921	316.048	-19,500	144,000	
1.066 Restitution Payments for Holocaust Survivors	Social Policy	2001	316.048	Less than 100	Less than 100	
1.067 Public Safety Officer Survivor Annuities	Social Policy	1997	316.048	200	200	
<i>Federal Adjustments</i>						
1.101 Teacher Classroom Expenses	Education	2002	316.048	700	0	
1.102 Interest on Student Loans	Education	1997	316.048	28,200	31,400	
1.103 Qualified Higher Education Expenses	Education	2001	316.048	4,200	0	
1.104 Self-Employment Health Insurance	Human Services	1986	316.048	72,300	79,800	
1.105 Health Savings Accounts	Human Services	1996	316.048	12,500	17,400	
1.106 IRA Contributions and Earnings	Human Services	1974	316.048	126,200	150,400	
1.107 Moving Expenses	Economic/Community	1964	316.048	4,700	5,600	
1.108 Overnight Travel Expenses of National Guard and Reserve Members	Social Policy	2003	316.048	300	300	
<i>Federal Deductions</i>						
1.201 Charitable Contributions: Education	Education	1917	316.695/317.013	60,100	67,400	
1.202 Charitable Contributions: Health	Human Services	1917	316.695/317.013	38,500	42,700	
1.203 Medical and Dental Expenses	Human Services	1942	316.695	205,500	231,800	
1.204 Removal of Architectural Barriers	Human Services	1976	316.048/317.013	Less than 100	Less than 100	
1.205 Accelerated Depreciation of Buildings	Economic/Community	1954	316.048/317.013	7,300	5,100	
1.206 Accelerated Depreciation of Equipment	Economic/Community	1954	316.048/317.013	-63,600	33,000	
1.207 Deferral of Certain Financing Income of Foreign Corporations	Economic/Community	1997	317.013	11,700	0	

Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013–15	2015–17	
1.208	Research and Development Costs	Economic/Community	1954	316.048/317.013	22,800	28,600
1.209	Section 179 Expensing Allowances	Economic/Community	1959	316.048/317.013	15,600	8,000
1.210	Amortization of Business Start-Up Costs	Economic/Community	1980	316.048/317.013	Less than 100	700
1.211	Deduction of Certain Film and Television Production Costs	Economic/Community	2004	316.048/317.013	Less than 100	0
1.212	Accelerated Depreciation of Rental Housing	Economic/Community	1954	316.048/317.013	33,400	33,700
1.213	Property Taxes	Economic/Community	1913	316.695	397,700	424,900
1.214	Home Mortgage Interest	Economic/Community	1913	316.695	929,600	962,400
1.215	Cash Accounting for Agriculture	Natural Resources	1916	316.048/317.013	Less than 100	Less than 100
1.216	Soil and Water Conservation Expenditures	Natural Resources	1954	316.048/317.013	500	500
1.217	Fertilizer and Soil Conditioner Costs	Natural Resources	1960	316.048/317.013	500	500
1.218	Costs of Raising Dairy and Breeding Cattle	Natural Resources	1916	316.048/317.013	1,500	1,500
1.219	Sale of Stock to Farmers' Cooperatives	Natural Resources	1998	316.048/317.013	Less than 100	Less than 100
1.220	Extended Carryback of Farming Loss	Natural Resources	1999	316.048	600	600
1.221	Special Depreciation for Recycling Equipment	Natural Resources	2008	316.048/317.013	Less than 100	Less than 100
1.222	Intangible Development Costs for Fuels	Natural Resources	1978	316.695/317.013	2,400	2,700
1.223	Tertiary Injectants	Natural Resources	1980	316.695/317.013	Less than 100	Less than 100
1.224	Deferral of Capital Gains From FERC Restructuring Requirements	Natural Resources	2004	317.013	5,000	-900
1.225	Expensing Timber Growing Costs	Natural Resources	1986	316.048/317.013	1,700	2,100
1.226	Expensing and Amortization of Reforestation Costs	Natural Resources	1980	316.048/317.013	1,500	1,500
1.227	Development Costs for Nonfuel Minerals	Natural Resources	1951	316.048/317.013	200	200
1.228	Mining Reclamation Reserves	Natural Resources	1984	316.048/317.013	Less than 100	Less than 100
1.229	Energy Efficient Commercial Property	Natural Resources	2006	316.695/317.013	2,000	Less than 100
1.230	Advanced Mine Safety Equipment	Natural Resources	2006	316.048/317.013	Less than 100	0
1.231	Life Insurance Company Reserves	Consumer and Business Services	1984	317.655(2)(f) and (g)	13,000	15,100
1.232	Addition to Bad Debt Reserves of Small Financial Institutions	Consumer and Business Services	1947	317.310	Less than 100	Less than 100
1.233	Property and Casualty Insurance Company Reserves	Consumer and Business Services	1986	317.655(2)(f) and (g)	10,100	11,900
1.234	Magazine Circulation Expenditures	Tax Administration	1950	316.048/317.013	Less than 100	Less than 100
1.235	Completed Contract Rules	Tax Administration	1986	316.048/317.013	4,000	4,200
1.236	Casualty and Theft Losses	Social Policy	1913	316.695	2,200	2,400
1.237	Local Income Taxes	Social Policy	1913	316.695	200	200
1.238	Charitable Contributions: Other	Social Policy	1917	316.695/317.013	349,200	389,600

Oregon Subtractions

1.301	Land Donated to Schools	Education	1999	316.852/317.488	Less than 100	Less than 100
1.302	Oregon 529 College Savings Network	Education	1999	316.699	18,300	22,400
1.303	Scholarship Awards Used for Housing Expenses	Education	1999	316.846	1,300	1,400
1.304	Additional Deduction for Elderly or Blind	Human Services	1989	316.695(7)	14,700	16,500
1.305	Medical Subtraction for Elderly	Human Services	2013	316.693	82,000	117,000
1.306	Social Security Benefits (Oregon)	Human Services	1985	316.054	578,800	650,900
1.307	Artist's Charitable Contribution	Economic/Community	1979	316.838	100	100
1.308	Interest from State and Local Government Bonds	Economic/Community	1987	316.056	300	300
1.309	Oregon Investment Advantage	Economic/Community	2001	316.778/317.391	4,800	4,000
1.310	Investment of Severance Pay	Economic/Community	2010	316.856(2)	Less than 100	0
1.311	Dividend Received from an IC-DISC	Economic/Community	2013	316.749(1), OR Laws 2014, Chap. 114, Sect. 3	7,000	10,000
1.312	Individual Development Accounts (Exclusion and Subtraction)	Economic/Community	1999	316.848	Less than 100	Less than 100
1.313	Mobile Home Park Capital Gain	Economic/Community	2005	Note: 317.401	Less than 100	Less than 100

Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
1.314 Mobile Home Tenant Payment	Economic/Community	2007	316.795/317.092	Less than 100	Less than 100
1.315 Film Production Labor Rebate	Economic/Community	2005	316.698/317.394	600	600
1.316 Energy Conservation Subsidies (Oregon)	Natural Resources	1981	316.744/317.386	Less than 100	Less than 100
1.317 Depletion Costs for Metal Mines	Natural Resources	1913	317.374	Less than 100	Less than 100
1.318 Wet Marine and Transportation Policies	Consumer and Business Services	1995	317.080(8)	300	300
1.319 Hydroelectric Dam and Waterway Workers	Tax Administration	1997	316.127(8)(10)	Not Available	Not Available
1.320 Oregon State Lottery Prizes	Government	1985	461.560	400	300
1.321 Income Earned in "Indian Country"	Government	1977	316.777	6,100	6,700
1.322 Federal Pension Income	Government	1998	316.680(1)(f)	129,200	129,700
1.323 Legislative Per Diem and Allowance	Government	1967	171.072(9)	100	100
1.324 Federal Income Tax Subtraction	Social Policy	1929	316.680(1)(b)/316.685/316.695	715,700	730,900
1.325 Military Active Duty and Related Pay	Social Policy	1969	316.792	53,000	58,400
1.326 Interest and Dividends on U.S. Obligations	Federal Law	1970	316.680	47,400	47,800

Oregon Credits

1.401 Contributions of Computer Equipment	Education	1985	317.151	Less than 100	Less than 100
1.402 Employer Provided Scholarships	Education	2001	315.237	Less than 100	Less than 100
1.403 Earned Income Credit	Human Services	1997	315.266	85,200	104,800
1.404 Child with a Disability	Human Services	1985	316.099(3)	9,300	5,200
1.405 Rural Medical Practice	Human Services	1989	315.613/315.616/315.619	17,100	16,800
1.406 Volunteer Rural Emergency Medical Technicians	Human Services	2005	315.622	300	300
1.407 Costs In Lieu of Nursing Home Care	Human Services	1979	316.147-316.149	Less than 100	Less than 100
1.408 Long Term Care Insurance	Human Services	1999	315.610	18,900	10,000
1.409 Elderly or Permanently Disabled	Human Services	1969	316.087	100	Less than 100
1.410 Loss of Limbs	Human Services	1973	316.079	Less than 100	Less than 100
1.411 Severe Disability	Human Services	1985	316.758/316.765	9,600	5,300
1.412 Film Production Development Contributions	Economic/Community	2003	315.514	19,500	19,500
1.413 Qualified Low Income Community Investments	Economic/Community	2011	315.533(2)	10,000	27,300
1.414 Qualified Research Activities	Economic/Community	1989	317.152	14,300	15,500
1.415 Qualified Research Activities (Alternative)	Economic/Community	1989	317.154	Incl. in 1.414	Incl. in 1.414
1.416 Long Term Rural Enterprise Zone Facilities (Income Tax)	Economic/Community	1997	317.124	Not Available	Not Available
1.417 Reservation Enterprise Zone (Income Tax)	Economic/Community	2001	285C.309	Less than 100	Less than 100
1.418 Electronic Commerce Enterprise Zone (Income Tax)	Economic/Community	2001	315.507	500	700
1.419 Renewable Resource Equipment Manufacturing Facilities	Economic/Community	2011	315.341	39,000	23,200
1.420 Public University Venture Development Fund	Economic/Community	2005	315.521	700	700
1.421 Child and Dependent Care	Economic/Community	1975	316.078	16,000	8,600
1.422 Working Family Child Care	Economic/Community	1997	315.262	43,600	21,800
1.423 Employer Provided Dependent Care Assistance	Economic/Community	1987	315.204	800	700
1.424 Employer Provided Dependent Care Facilities	Economic/Community	1987	315.208	Incl. in 1.423	Incl. in 1.423
1.425 Contributions To Office of Child Care	Economic/Community	2001	315.213	1,000	500
1.426 Individual Development Account Donation (Credit)	Economic/Community	1999	315.271	14,300	7,700
1.427 Individual Development Account Withdrawal (Credit)	Economic/Community	2005	315.272	300	200
1.428 Oregon Affordable Housing Lender's Credit	Economic/Community	1989	317.097	9,800	10,200
1.429 Agriculture Workforce Housing Construction	Economic/Community	1989	315.164	1,800	1,500
1.430 Farmworker Housing Lender's Credit	Economic/Community	1989	317.147	Less than 100	Less than 100

Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
1.431 Livestock Killed by Wolves	Economic/Community	2012	315.174(2)	Less than 100	Less than 100
1.432 Mobile Home Park Closure	Economic/Community	2007	Note: 316.116	Less than 100	Less than 100
1.433 Crop Donation	Natural Resources	1977	315.156	400	900
1.434 Alternatives to Field Burning	Natural Resources	1975	315.304	Less than 100	Less than 100
1.435 Riparian Lands Removed from Farm Production	Natural Resources	2001	315.113	Less than 100	Less than 100
1.436 Pollution Control	Natural Resources	1967	315.304	2,400	1,000
1.437 Fish Screening Devices	Natural Resources	1989	315.138	Less than 100	Less than 100
1.438 Diesel Truck Engines (New)	Natural Resources	2003	Note: 315.356	Less than 100	Less than 100
1.439 Diesel Truck Engines (Retrofit and Repower)	Natural Resources	2007	Note: 315.356	200	0
1.440 Alternative Energy Devices (Residential)	Natural Resources	1977	316.116	26,000	31,500
1.441 Alternative Fuel Stations	Natural Resources	1997	317.115	Less than 100	Less than 100
1.442 Business Energy Facilities, Conservation and Renewables	Natural Resources	1979	315.354	223,500	151,900
1.443 Renewable Energy Development Contributions	Natural Resources	2011	315.326(1)	2,600	2,700
1.444 Energy Conservation Projects	Natural Resources	2011	315.331(1)	4,400	15,900
1.445 Transportation Projects	Natural Resources	2011	315.336(1)	1,900	7,800
1.446 Energy Conservation Lender's Credit	Natural Resources	1981	317.112	Less than 100	Less than 100
1.447 Weatherization Lender's Credit	Natural Resources	1977	317.111	Less than 100	Less than 100
1.448 Production or Collection of Biomass	Natural Resources	2007	315.141	6,800	10,200
1.449 Alternative Fuel Vehicle Fund Contributions	Natural Resources	2013	Note: 315.336	2,700	2,700
1.450 Reforestation	Natural Resources	1979	315.104	Less than 100	Less than 100
1.451 Mile-Based or Time-Based Motor Vehicle Insurance	Consumer and Business Services	2003	Note: 317.122	Less than 100	0
1.452 Fire Insurance	Consumer and Business Services	1969	317.122(1)	7,000	7,300
1.453 Workers' Compensation Assessments	Consumer and Business Services	1995	317.122(2)	1,400	0
1.454 Oregon Life and Health IGA Assessments	Consumer and Business Services	1975	734.835	Not Available	Not Available
1.455 Political Contributions	Government	1969	316.102	10,800	8,800
1.456 Personal Exemption	Social Policy	1985	316.085	1,100,000	1,149,200
1.457 Oregon Cultural Trust	Social Policy	2001	315.675	6,900	7,400
1.458 Retirement Income	Social Policy	1991	316.157	1,200	1,100
1.459 TRICARE Health Care Providers	Social Policy	2007	315.628	0	0
1.460 Oregon Veterans' Home Physicians	Social Policy	2007	315.624	Less than 100	Less than 100

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)	38,000	205,000
1.503 Income Averaging for Farmers	Natural Resources	2001	314.297	1,200	1,400
1.504 Capital Gains from Farm Property	Natural Resources	2001	316.045/317.063/318.020	2,400	2,800
1.505 Apportionment for Utility and Telecommunication Companies	Consumer and Business Services	2001	314.280	200	200

PROPERTY TAX

Full Exemption

2.001 Academies, Day Care, and Student Housing	Education	1957	307.145	32,000	35,300
2.002 Student Housing Furnishings	Education	1957	307.195	100	100
2.003 Leased Student Housing Publicly Owned	Education	1947	307.110(3)(a)	12,100	13,300
2.004 Higher Education Parking Space	Education	1989	307.110(3)(f)	5,600	6,000
2.005 Private Libraries for Public Use	Education	1854	307.160	Less than 100	Less than 100

Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
2.006 Leased Health Care Property	Human Services	1999	307.110(3)(i)	600	600
2.007 Senior Services Centers	Human Services	1993	307.147	200	200
2.008 Commercial Buildings Under Construction	Economic/Community	1959	307.330	4,400	8,000
2.009 Construction in Process in an Enterprise Zone	Economic/Community	2003	285C.170	Incl. in 2.008	Incl. in 2.008
2.010 Enterprise Zone Businesses	Economic/Community	1985	285C.175	50,400	51,100
2.011 Long Term Rural Enterprise Zone (Property Tax)	Economic/Community	1997	285C.409	33,100	40,100
2.012 Businesses Transferring or Leasing Property	Economic/Community	2007	Note: 285C.175	0	0
2.013 Certain Property Owned by a Port	Economic/Community	2013	307.110(3)(j), Note 2 after 307.110	600	400
2.014 Rural Renewable Energy Development Zone	Economic/Community	2003	285C.362	2,800	3,000
2.015 Inventory	Economic/Community	1969	307.400	955,000	1,128,800
2.016 Business Personal Property Cancellation	Economic/Community	1979	308.250(2)(a)	6,500	6,900
2.017 Cargo Containers	Economic/Community	1979	307.835	800	800
2.018 Leased Docks and Airports	Economic/Community	1947	307.120	11,000	11,700
2.019 Ship Repair Facility Materials	Economic/Community	1957	308.256(7)	Incl. in 2.015	Incl. in 2.015
2.020 Aircraft Being Repaired	Economic/Community	1995	308.559	0	0
2.021 Railroad Cars Being Repaired	Economic/Community	1973	308.665	200	200
2.022 Federal Land Under Recreation Facility	Economic/Community	1975	307.182	900	1,000
2.023 Defense Contractor With Federal Property	Economic/Community	1965	307.065	0	0
2.024 Federal Land Under Summer Homes	Economic/Community	1975	307.183/307.184	1,300	1,400
2.025 Housing Authority Rental Units	Economic/Community	1937	307.092	25,500	27,100
2.026 Local Government Owned Low Income Housing	Economic/Community	2013	307.110(3)(h)	Less than 100	Less than 100
2.027 Nonprofit Elderly Housing State Funded	Economic/Community	1977	307.242	*	3,600
2.028 Farm Labor Housing and Day Care Facilities	Economic/Community	1973	307.485	600	600
2.029 Fairground Leased Storage Space	Economic/Community	1987	307.110(3)(d) and (e)	Less than 100	Less than 100
2.030 Industry Apprenticeship/Training Trust	Economic/Community	1983	307.580	800	900
2.031 Food Processing Equipment	Natural Resources	2005	307.455	2,400	2,400
2.032 Farm Machinery and Equipment (Property Tax)	Natural Resources	1973	307.394	75,500	79,400
2.033 Mobile Field Incinerators	Natural Resources	1971	307.390	Incl. in 2.032	Incl. in 2.032
2.034 Crops, Plants, and Fruit Trees	Natural Resources	1957	307.320	15,700	16,900
2.035 Agricultural Products Held by the Farmer	Natural Resources	1965	307.325	Less than 100	Less than 100
2.036 Nursery Stock	Natural Resources	1971	307.315	3,500	3,500
2.037 Leased State and Local Farming and Grazing Land	Natural Resources	1971	307.110(3)(b)	Incl. in 2.074	Incl. in 2.074
2.038 Leased Federal Grazing Land	Natural Resources	1961	307.060	Incl. in 2.093	Incl. in 2.093
2.039 Shellfish Growing on State Land	Natural Resources	1969	622.290	Less than 100	Less than 100
2.040 Center Pivot Irrigation Equipment	Natural Resources	1973	307.398	Incl. in 2.032	Incl. in 2.032
2.041 Other Farm/Aquaculture/Egg Equipment	Natural Resources	1973	307.397	Incl. in 2.032	Incl. in 2.032
2.042 Field Burning Smoke Management Equipment	Natural Resources	1973	307.391	Incl. in 2.032	Incl. in 2.032
2.043 Crab Pots	Natural Resources	1969	508.270	300	300
2.044 Leased State Land Board Land	Natural Resources	1982	307.168	2,300	2,500
2.045 Nonprofit Sewage Treatment Facilities	Natural Resources	1997	307.118	Less than 100	Less than 100
2.046 Property Used for Golf Course and Effluent	Natural Resources	2001	Note: 307.118	100	200
2.047 Riparian Habitat Land	Natural Resources	1981	308A.362	200	300
2.048 Environmentally Sensitive Logging Equipment	Natural Resources	1999	307.827	3,000	3,200
2.049 Skyline and Swing Yarders	Natural Resources	1999	307.831	Incl. in 2.048	Incl. in 2.048
2.050 Federal Standing Timber Under Contract	Natural Resources	1965	307.050	2,000	2,100
2.051 State and Local Standing Timber Under Contract	Natural Resources	1965	307.100	1,700	1,800
2.052 Western Private Standing Timber	Natural Resources	1977	321.272	421,000	451,800

Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
2.053 Eastern Private Standing Timber	Natural Resources	1961	321.829	36,600	39,200
2.054 Private Farm and Logging Roads	Natural Resources	1963	308.236	37,900	40,600
2.055 Forest Fire Protection Association	Natural Resources	1957	307.125	200	200
2.056 Inactive Mineral Interests	Natural Resources	1997	308.115	Less than 100	Less than 100
2.057 Mining Claims on Federal Land	Natural Resources	1889	307.080	300	300
2.058 Small Watercraft	Natural Resources	1959	830.790(3)	28,000	28,300
2.059 Nonprofit Public Park Use Land	Natural Resources	1971	307.115	300	300
2.060 Natural Gas Pipeline Extension	Natural Resources	2007	307.107	Less than 100	Less than 100
2.061 Railroad Right of Way Used for Alternative Transportation	Transportation	1977	307.205	0	0
2.062 Motor Vehicles and Trailers	Transportation	1919	803.585	901,100	937,500
2.063 ODOT Land Under Use Permit	Transportation	1981	307.110(3)(c)	Less than 100	Less than 100
2.064 Tollways and Related Facilities	Transportation	1995	383.017(7)	0	0
2.065 Nonprofit Water Associations	Consumer and Business Services	1937	307.210	200	300
2.066 Nonprofit Electrical Distribution Associations	Consumer and Business Services	1943	308.805	19,000	20,200
2.067 Nonprofit Telephone Associations	Consumer and Business Services	1941	307.220	0	0
2.068 Private Service Telephone Equipment	Consumer and Business Services	1941	307.230	Less than 100	Less than 100
2.069 FCC Licenses	Consumer and Business Services	2001	307.126	23,200	23,200
2.070 Intangible Personal Property	Tax Administration	1935	307.030(2)	13,847,000	15,359,900
2.071 Personal Property for Personal Use	Tax Administration	1854	307.190	1,262,600	1,314,600
2.072 Low Value Manufactured Structure in Large County	Tax Administration	2010	308.250(2)(b)	1,700	1,800
2.073 Beverage Containers Requiring Deposit	Tax Administration	1983	307.402	Less than 100	Less than 100
2.074 State and Local Property	Government	1854	307.090	2,632,700	2,791,600
2.075 Corporations for Irrigation, Drainage, Water Supply or Flood Control	Government	1963	554.320	Incl. in 2.074	Incl. in 2.074
2.076 Local Government Public Ways	Government	1895	307.200	Not Available	Not Available
2.077 Communications Equipment for Maritime Emergency Response	Government	2010	307.197	Less than 100	Less than 100
2.078 Interstate Bridges of Other States or Subdivisions	Government	2014	Oregon Laws 2014, Chap. 114	Not Available	Not Available
2.079 Indian Property Used Exclusively for Government Services	Government	2012	307.181(3)	200	400
2.080 Tribal Land Being Placed in U.S. Trust	Government	1993	307.181(1)	100	100
2.081 Beach Lands	Government	1969	307.450	Not Available	Not Available
2.082 Federally Leased High-Voltage Electricity Transmission Property	Government	2013	307.040(3)	7,800	4,500
2.083 Charitable, Literary, and Scientific Organizations	Social Policy	1854	307.130	176,300	194,400
2.084 Fraternal Organizations	Social Policy	1961	307.136	13,800	15,200
2.085 Religious Organizations	Social Policy	1854	307.140	107,000	113,500
2.086 Transfer of Land from Cemetery to School	Social Policy	2001	307.157	Less than 100	Less than 100
2.087 Cemeteries, Burial Grounds, and Mausoleums	Social Policy	1854	307.150	6,200	6,600
2.088 Exempt Lease from Taxable Owner	Social Policy	1977	307.112	Incl. in others	Incl. in others
2.089 Exempt Lease from Exempt Owner	Social Policy	1973	307.166	Incl. in others	Incl. in others
2.090 LLC Owned by Nonprofit Corporation	Social Policy	2005	307.022	Incl. in others	Incl. in others
2.091 City Owned Sports Facility	Social Policy	2001	307.171	1,800	1,800
2.092 Convention Facilities	Social Policy	1985	263.290	0	0
2.093 Federal Property	Federal Law	1848	307.040	1,869,200	1,971,200
2.094 Indian Property on Reservation	Federal Law	1854	307.180	Not Available	Not Available
2.095 Amtrak Passenger Railroad	Federal Law	1983	308.515(3)(d)	1,200	1,200

Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013–15	2015–17	
<i>Partial Exemption</i>						
2.096	Fraternalities, Sororities, and Cooperatives	Education	1973	307.471	300	400
2.097	New Rural Health Care Facilities	Human Services	2001	307.804(2)	Less than 100	Less than 100
2.098	Long Term Care Facilities	Human Services	1999	307.811	Less than 100	Less than 100
2.099	Strategic Investment Program	Economic/Community	1993	307.123	367,600	520,500
2.100	Vertical Housing Development Zone	Economic/Community	2001	307.864	200	Less than 100
2.101	New Single Unit Housing	Economic/Community	1989	307.664	5,300	5,500
2.102	Rehabilitated Housing	Economic/Community	1975	308.459	100	100
2.103	Multi-Family Rental Housing in City Core	Economic/Community	1975	307.612	7,800	8,300
2.104	Low Income Multi-Unit Housing	Economic/Community	1999	307.612	Incl. in 2.103	Incl. in 2.103
2.105	New Housing for Low Income Rental	Economic/Community	1989	307.517/307.518	1,700	1,800
2.106	Nonprofit Low Income Rental Housing	Economic/Community	1985	307.541	17,500	18,600
2.107	Disabled Veterans or Their Surviving Spouses	Economic/Community	1921	307.250	22,300	24,100
2.108	Veterans in Nonprofit Elderly Housing	Economic/Community	1969	307.370	300	300
2.109	Pollution Control Facilities	Natural Resources	1967	307.405	Less than 100	Less than 100
2.110	Alternative Energy Systems	Natural Resources	1975	307.175	1,400	2,400
2.111	Watercraft Centrally Assessed	Natural Resources	1925	308.515	2,100	2,500
2.112	Egg Processing Equipment	Natural Resources	2007	307.462	300	100
2.113	Foreign Owned Aircraft and Aircraft Not Owned by Air Transportation Companies	Transportation	1987	308.558	14,700	15,000
2.114	Aircraft Under 75,000 Pounds Owned by Air Transportation Companies	Transportation	1987	308.558(2),(3)/308.565(5)	1,800	1,800
2.115	Railroad Right of Way in Water District	Social Policy	1943	264.110	Less than 100	Less than 100
2.116	Railroad Right of Way in Highway Lighting District	Social Policy	1947	372.190	Less than 100	Less than 100
2.117	Railroad Right of Way in Rural Fire District	Social Policy	1969	478.010(2)(d)	1,200	1,300
2.118	Homestead Exemption for Active Duty Military	Social Policy	2005	307.286	Less than 100	Less than 100
<i>Special Assessment</i>						
2.119	Nonprofit Housing for the Elderly	Economic/Community	1969	308.490	Less than 100	Less than 100
2.120	Multi-Unit Rental Housing	Economic/Community	2001	308.704	3,800	4,100
2.121	Historic Property	Natural Resources	1975	358.505	20,700	21,600
2.122	Wildlife Habitat	Natural Resources	1993	308A.415	1,000	1,000
2.123	Conservation Easements	Natural Resources	2007	308A.456	600	600
2.124	Open Space Land	Natural Resources	1971	308A.300	1,600	1,500
2.125	Forest Homesites	Natural Resources	1989	308A.253	7,400	7,400
2.126	Western Private Forestland	Natural Resources	1977	321.354	82,500	88,400
2.127	Eastern Private Forestland	Natural Resources	1971	321.833	6,300	6,700
2.128	Small Tract Forestland Option	Natural Resources	2003	321.722	22,400	22,600
2.129	Farmland	Natural Resources	1967	308A.062/308A.068/308A.128	333,400	353,700
2.130	Farm Homesites	Natural Resources	1987	308A.253	24,400	25,800
2.131	Watercraft Locally Assessed	Natural Resources	1925	308.256	4,100	4,100
<i>Other Assessment</i>						
2.132	Destroyed or Damaged Property	Social Policy	1971	308.425/308.428	Less than 100	Less than 100
GAS, USE, AND JET FUEL TAXES						
3.001	Forest Products: Gasoline	Natural Resources	1945	319.320(1)(b) and (d)	0	0

Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
3.002 Forest Products: Other than Gasoline	Natural Resources	1965	319.831(1)(c) and (g)	0	0
3.003 Fuel for Aircraft Departing U.S.	Tax Administration	1959	319.330(2)	200	200
3.004 Public Services	Government	1961	319.831(1)(e-f, h-k)	8,300	8,700
3.005 Public Transportation	Government	1969	267.200/267.570(2)	300	300
3.006 Diesel Fuel Blended with Biodiesel	Transportation	2013	319.530(5)(a)	1,700	2,900
3.007 Natural Gas and Propane Vehicles	Transportation	2014	Oregon Laws 2014, Chap. 13	Less than 100	Less than 100

WEIGHT-MILE TAX

4.001 Farming Operations	Natural Resources	1983	825.017(4) and (15)/825.024	4,200	4,500
4.002 Forest Products on County Roads	Natural Resources	1977	825.017(8)	0	0
4.003 Elementary and Secondary Schools	Government	Pre-1953	825.017(1)	4,300	4,100
4.004 Government Owned or Operated Vehicles	Government	Pre-1953	825.017(11) and (13)	5,800	6,200
4.005 Public Mass Transit Vehicles	Government	1977	825.017(12)	3,900	4,100
4.006 Fire Protection	Government	1977	825.017(18)	200	200
4.007 Charitable Organizations	Social Policy	1977	825.017(14)	200	200

CIGARETTE TAX

5.001 Small Quantity by Consumers	Tax Administration	1965	323.060	Less than 100	Less than 100
5.002 Federal and Veteran Institutions (Cigarette)	Federal Law	1965	323.055	400	400
5.003 Reservation Cigarette Sales	Federal Law	1979	323.401	2,600	2,600

OTHER TOBACCO PRODUCTS TAX

6.001 Federal and Veteran Institutions (Other Tobacco Products)	Federal Law	1985	323.515	Less than 100	Less than 100
6.002 Reservation Tobacco Sales	Federal Law	1985	323.615	Less than 100	Less than 100

BEER AND WINE TAX

7.001 Small Wineries	Economic/Community	1977	473.050(5)	4,000	4,400
7.002 Wine Marketing Activities	Economic/Community	2001	473.047	0	0

911 EMERGENCY COMMUNICATIONS TAX

8.001 State and Local Subscribers	Government	1981	403.205(1)	4,900	5,000
8.002 Federal Subscribers	Federal Law	1981	403.205(1)	500	500
8.003 Indian Reservation Subscribers	Federal Law	1981	403.205(1)	500	500

FOREST PRODUCTS HARVEST TAX

9.001 First 25,000 Board Feet	Natural Resources	1953	321.015(5)	500	300
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ELECTRIC COOPERATIVE TAX

10.001 Revenue from Government Leased Lines	Natural Resources	1969	308.805	200	200
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Table 1: Index of Tax Expenditures by Tax Program (cont.)

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013–15	2015–17	
OIL AND GAS PRIVILEGE TAX						
11.001	First \$3,000 in Gross Sales Value	Natural Resources	1981	324.080	Less than 100	Less than 100
11.002	Credit for Property Taxes Paid	Natural Resources	1981	324.090(2)	Not Available	Not Available
11.003	State and Local Interests	Government	1981	324.090(1)	Less than 100	Less than 100
MEDICAL PROVIDER TAXES						
12.001	Type A and B Hospitals	Human Services	2003	Note: 414.872, Section 2(1)	**	**
12.002	Veterans Affairs and Pediatric Specialty Hospitals	Human Services	2003	Note: 414.872, Section 2(5)	**	**
12.003	Oregon Veterans' Home	Human Services	2003	Note: 409.750, Section 18	**	**
LODGING TAX						
13.001	Exempt Dwelling Units	Social Policy	2003	320.308	Not Available	Not Available
13.002	Federal Employees on Federal Business	Federal Law	2006	320.302	Less than 100	Less than 100
LOCAL CONSTRUCTION TAX						
14.001	Exempt Construction	Social Policy	2007	320.173	Not Available	Not Available
INHERITANCE						
15.001	Natural Resource and Fishing Property	Natural Resources	2007	118.140	4,700	5,200

*No revenue loss, taxes paid by State

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

TABLE 2: INDEX OF TAX EXPENDITURES BY PROGRAM/FUNCTION

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013-15	2015-17	
EDUCATION						
<i>Income Tax</i>						
1.001	Scholarship and Fellowship Income	Exclusion	1954	316.048	21,500	23,700
1.002	Interest on Education Savings Bonds	Exclusion	1988	316.048	Less than 100	Less than 100
1.003	Qualified Education Savings (Federal)	Exclusion	1996	316.048	7,400	10,700
1.004	Exclusion of Employer Provided Tuition Reduction	Exclusion	1984	316.048	2,400	2,400
1.101	Teacher Classroom Expenses	Adjustment	2002	316.048	700	0
1.102	Interest on Student Loans	Adjustment	1997	316.048	28,200	31,400
1.103	Qualified Higher Education Expenses	Adjustment	2001	316.048	4,200	0
1.201	Charitable Contributions: Education	Deduction	1917	316.695/317.013	60,100	67,400
1.301	Land Donated to Schools	Subtraction	1999	316.852/317.488	Less than 100	Less than 100
1.302	Oregon 529 College Savings Network	Subtraction	1999	316.699	18,300	22,400
1.303	Scholarship Awards Used for Housing Expenses	Subtraction	1999	316.846	1,300	1,400
1.401	Contributions of Computer Equipment	Credit	1985	317.151	Less than 100	Less than 100
1.402	Employer Provided Scholarships	Credit	2001	315.237	Less than 100	Less than 100
<i>Property Tax</i>						
2.001	Academies, Day Care, and Student Housing	Full	1957	307.145	32,000	35,300
2.002	Student Housing Furnishings	Full	1957	307.195	100	100
2.003	Leased Student Housing Publicly Owned	Full	1947	307.110(3)(a)	12,100	13,300
2.004	Higher Education Parking Space	Full	1989	307.110(3)(f)	5,600	6,000
2.005	Private Libraries for Public Use	Full	1854	307.160	Less than 100	Less than 100
2.096	Fraternal, Sorority, and Cooperatives	Partial	1973	307.471	300	400
HUMAN SERVICES						
<i>Income Tax</i>						
1.005	Public Assistance Benefits	Exclusion	Pre-1955	316.048	28,800	34,100
1.006	Certain Foster Care Payments	Exclusion	1982	316.048	3,100	3,100
1.007	Employee Adoption Benefits	Exclusion	1996	316.048	Less than 100	Less than 100
1.008	Cafeteria Plan Benefits	Exclusion	1974	316.048	298,000	331,500
1.009	Employer Paid Medical Benefits	Exclusion	1918	316.048	1,236,700	1,344,500
1.010	Compensatory Damages	Exclusion	Pre-1955	316.048	13,200	13,200
1.011	Prescription Drug Insurance (Part D)	Exclusion	2003	316.048	61,800	80,500
1.012	Hospital Insurance (Part A)	Exclusion	1965	316.048	297,900	334,400
1.013	Supplementary Medical Insurance (Part B)	Exclusion	1970	316.048	210,200	236,500
1.014	Pension Contributions and Earnings	Exclusion	1921	316.048	695,700	1,154,000
1.015	Special Benefits for Disabled Coal Miners	Exclusion	1969	316.048	Less than 100	Less than 100
1.016	Social Security Benefits (Federal)	Exclusion	1938	316.048	564,200	615,700
1.104	Self-Employment Health Insurance	Adjustment	1986	316.048	72,300	79,800
1.105	Health Savings Accounts	Adjustment	1996	316.048	12,500	17,400
1.106	IRA Contributions and Earnings	Adjustment	1974	316.048	126,200	150,400
1.202	Charitable Contributions: Health	Deduction	1917	316.695/317.013	38,500	42,700
1.203	Medical and Dental Expenses	Deduction	1942	316.695	205,500	231,800
1.204	Removal of Architectural Barriers	Deduction	1976	316.048/317.013	Less than 100	Less than 100

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
1.304 Additional Deduction for Elderly or Blind	Subtraction	1989	316.695(7)	14,700	16,500
1.305 Medical Subtraction for Elderly	Subtraction	2013	316.693	82,000	117,000
1.306 Social Security Benefits (Oregon)	Subtraction	1985	316.054	578,800	650,900
1.403 Earned Income Credit	Credit	1997	315.266	85,200	104,800
1.404 Child with a Disability	Credit	1985	316.099(3)	9,300	5,200
1.405 Rural Medical Practice	Credit	1989	315.613/315.616/315.619	17,100	16,800
1.406 Volunteer Rural Emergency Medical Technicians	Credit	2005	315.622	300	300
1.407 Costs In Lieu of Nursing Home Care	Credit	1979	316.147-316.149	Less than 100	Less than 100
1.408 Long Term Care Insurance	Credit	1999	315.610	18,900	10,000
1.409 Elderly or Permanently Disabled	Credit	1969	316.087	100	Less than 100
1.410 Loss of Limbs	Credit	1973	316.079	Less than 100	Less than 100
1.411 Severe Disability	Credit	1985	316.758/316.765	9,600	5,300

Property Tax

2.006 Leased Health Care Property	Full	1999	307.110(3)(i)	600	600
2.007 Senior Services Centers	Full	1993	307.147	200	200
2.097 New Rural Health Care Facilities	Partial	2001	307.804(2)	Less than 100	Less than 100
2.098 Long Term Care Facilities	Partial	1999	307.811	Less than 100	Less than 100

Medical Provider Tax

12.001 Type A and B Hospitals	Exclusion	2003	Note: 414.872, Section 2(1)	**	**
12.002 Veterans Affairs and Pediatric Specialty Hospitals	Exclusion	2003	Note: 414.872, Section 2(5)	**	**
12.003 Oregon Veterans' Home	Exclusion	2003	Note: 409.750, Section 18	**	**

ECONOMIC AND COMMUNITY DEVELOPMENT

Income Tax

1.017 Income Earned Abroad by U.S. Citizens	Exclusion	1926	316.048	67,400	74,500
1.018 Magazine, Paperback, and Record Returns	Exclusion	1978	316.048/317.013	200	200
1.019 Cash Accounting, Other than Agriculture	Exclusion	1916	316.048/317.013	13,900	14,600
1.020 Regional Economic Development Incentives	Exclusion	1993	316.048/317.013	Less than 100	Less than 100
1.021 Income of Controlled Foreign Corporations	Exclusion	1909	317.013	384,100	392,900
1.022 Cancellation of Debt for Nonfarmers	Exclusion	Pre-1955	316.048/317.013	2,400	Less than 100
1.023 Imputed Interest Rules	Exclusion	1984	316.048/317.013	4,700	5,300
1.024 Inventory Methods of Valuation	Exclusion	1938	316.048/317.013	10,000	10,400
1.025 Employer Paid Group Life Insurance Premiums	Exclusion	1920	316.048	26,700	29,000
1.026 Employer Paid Accident and Disability Insurance	Exclusion	1954	316.048	33,900	36,300
1.027 Employer Provided Dependent Care	Exclusion	1981	316.048	14,100	16,000
1.028 Miscellaneous Fringe Benefits	Exclusion	1984	316.048	62,900	65,600
1.029 Employee Meals and Lodging (Nonmilitary)	Exclusion	1918	316.048	17,200	18,200
1.030 Employee Stock Ownership Plans	Exclusion	1974	316.048/317.013	4,900	4,900
1.031 Employee Awards	Exclusion	1986	316.048	2,600	2,600
1.032 Employer Provided Education Benefits	Exclusion	1997	316.048	10,200	10,200
1.033 Spread on Acquisition of Stock	Exclusion	1981	316.048	3,100	3,100

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
1.034 Exclusion of Gain from Certain Small Business Stock	Exclusion	1993	316.048	8,900	10,700
1.035 Capital Gains on Home Sales	Exclusion	1997	316.048	282,400	336,100
1.036 Veterans' Benefits and Services	Exclusion	1917	316.048	85,100	96,700
1.037 Military and Dependents CHAMPUS/TRICARE Insurance	Exclusion	1925	316.048	32,400	32,700
1.107 Moving Expenses	Adjustment	1964	316.048	4,700	5,600
1.205 Accelerated Depreciation of Buildings	Deduction	1954	316.048/317.013	7,300	5,100
1.206 Accelerated Depreciation of Equipment	Deduction	1954	316.048/317.013	-63,600	33,000
1.207 Deferral of Certain Financing Income of Foreign Corporations	Deduction	1997	317.013	11,700	0
1.208 Research and Development Costs	Deduction	1954	316.048/317.013	22,800	28,600
1.209 Section 179 Expensing Allowances	Deduction	1959	316.048/317.013	15,600	8,000
1.210 Amortization of Business Start-Up Costs	Deduction	1980	316.048/317.013	Less than 100	700
1.211 Deduction of Certain Film and Television Production Costs	Deduction	2004	316.048/317.013	Less than 100	0
1.212 Accelerated Depreciation of Rental Housing	Deduction	1954	316.048/317.013	33,400	33,700
1.213 Property Taxes	Deduction	1913	316.695	397,700	424,900
1.214 Home Mortgage Interest	Deduction	1913	316.695	929,600	962,400
1.307 Artist's Charitable Contribution	Subtraction	1979	316.838	100	100
1.308 Interest from State and Local Government Bonds	Subtraction	1987	316.056	300	300
1.309 Oregon Investment Advantage	Subtraction	2001	316.778/317.391	4,800	4,000
1.310 Investment of Severance Pay	Subtraction	2010	316.856(2)	Less than 100	0
1.311 Dividend Received from an IC-DISC	Subtraction	2013	316.749(1), OR Laws 2014, Chap. 114, Sect. 3	7,000	10,000
1.312 Individual Development Accounts (Exclusion and Subtraction)	Subtraction	1999	316.848	Less than 100	Less than 100
1.313 Mobile Home Park Capital Gain	Subtraction	2005	Note: 317.401	Less than 100	Less than 100
1.314 Mobile Home Tenant Payment	Subtraction	2007	316.795/317.092	Less than 100	Less than 100
1.315 Film Production Labor Rebate	Subtraction	2005	316.698/317.394	600	600
1.412 Film Production Development Contributions	Credit	2003	315.514	19,500	19,500
1.413 Qualified Low Income Community Investments	Credit	2011	315.533(2)	10,000	27,300
1.414 Qualified Research Activities	Credit	1989	317.152	14,300	15,500
1.415 Qualified Research Activities (Alternative)	Credit	1989	317.154	Incl. in 1.414	Incl. in 1.414
1.416 Long Term Rural Enterprise Zone Facilities (Income Tax)	Credit	1997	317.124	Not Available	Not Available
1.417 Reservation Enterprise Zone (Income Tax)	Credit	2001	285C.309	Less than 100	Less than 100
1.418 Electronic Commerce Enterprise Zone (Income Tax)	Credit	2001	315.507	500	700
1.419 Renewable Resource Equipment Manufacturing Facilities	Credit	2011	315.341	39,000	23,200
1.420 Public University Venture Development Fund	Credit	2005	315.521	700	700
1.421 Child and Dependent Care	Credit	1975	316.078	16,000	8,600
1.422 Working Family Child Care	Credit	1997	315.262	43,600	21,800
1.423 Employer Provided Dependent Care Assistance	Credit	1987	315.204	800	700
1.424 Employer Provided Dependent Care Facilities	Credit	1987	315.208	Incl. in 1.423	Incl. in 1.423
1.425 Contributions To Office of Child Care	Credit	2001	315.213	1,000	500
1.426 Individual Development Account Donation (Credit)	Credit	1999	315.271	14,300	7,700
1.427 Individual Development Account Withdrawal (Credit)	Credit	2005	315.272	300	200
1.428 Oregon Affordable Housing Lender's Credit	Credit	1989	317.097	9,800	10,200
1.429 Agriculture Workforce Housing Construction	Credit	1989	315.164	1,800	1,500
1.430 Farmworker Housing Lender's Credit	Credit	1989	317.147	Less than 100	Less than 100

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
1.431 Livestock Killed by Wolves	Credit	2012	315.174(2)	Less than 100	Less than 100
1.432 Mobile Home Park Closure	Credit	2007	Note: 316.116	Less than 100	Less than 100
1.501 Public Warehouse Sales Throwback Exemption	Other	2005	314.665	Less than 100	Less than 100
1.502 Tax Rates for Certain Pass Through Income	Other	2013	316.043(2)	38,000	205,000
<i>Property Tax</i>					
2.008 Commercial Buildings Under Construction	Full	1959	307.330	4,400	8,000
2.009 Construction in Process in an Enterprise Zone	Full	2003	285C.170	Incl. in 2.008	Incl. in 2.008
2.010 Enterprise Zone Businesses	Full	1985	285C.175	50,400	51,100
2.011 Long Term Rural Enterprise Zone (Property Tax)	Full	1997	285C.409	33,100	40,100
2.012 Businesses Transferring or Leasing Property	Full	2007	Note: 285C.175	0	0
2.013 Certain Property Owned by a Port	Full	2013	307.110(3)(j), Note 2 after 307.110	600	400
2.014 Rural Renewable Energy Development Zone	Full	2003	285C.362	2,800	3,000
2.015 Inventory	Full	1969	307.400	955,000	1,128,800
2.016 Business Personal Property Cancellation	Full	1979	308.250(2)(a)	6,500	6,900
2.017 Cargo Containers	Full	1979	307.835	800	800
2.018 Leased Docks and Airports	Full	1947	307.120	11,000	11,700
2.019 Ship Repair Facility Materials	Full	1957	308.256(7)	Incl. in 2.015	Incl. in 2.015
2.020 Aircraft Being Repaired	Full	1995	308.559	0	0
2.021 Railroad Cars Being Repaired	Full	1973	308.665	200	200
2.022 Federal Land Under Recreation Facility	Full	1975	307.182	900	1,000
2.023 Defense Contractor With Federal Property	Full	1965	307.065	0	0
2.024 Federal Land Under Summer Homes	Full	1975	307.183/307.184	1,300	1,400
2.025 Housing Authority Rental Units	Full	1937	307.092	25,500	27,100
2.026 Local Government Owned Low Income Housing	Full	2013	307.110(3)(h)	Less than 100	Less than 100
2.027 Nonprofit Elderly Housing State Funded	Full	1977	307.242	*	3,600
2.028 Farm Labor Housing and Day Care Facilities	Full	1973	307.485	600	600
2.029 Fairground Leased Storage Space	Full	1987	307.110(3)(d) and (e)	Less than 100	Less than 100
2.030 Industry Apprenticeship/Training Trust	Full	1983	307.580	800	900
2.099 Strategic Investment Program	Partial	1993	307.123	367,600	520,500
2.100 Vertical Housing Development Zone	Partial	2001	307.864	200	Less than 100
2.101 New Single Unit Housing	Partial	1989	307.664	5,300	5,500
2.102 Rehabilitated Housing	Partial	1975	308.459	100	100
2.103 Multi-Family Rental Housing in City Core	Partial	1975	307.612	7,800	8,300
2.104 Low Income Multi-Unit Housing	Partial	1999	307.612	Incl. in 2.103	Incl. in 2.103
2.105 New Housing for Low Income Rental	Partial	1989	307.517/307.518	1,700	1,800
2.106 Nonprofit Low Income Rental Housing	Partial	1985	307.541	17,500	18,600
2.107 Disabled Veterans or Their Surviving Spouses	Partial	1921	307.250	22,300	24,100
2.108 Veterans in Nonprofit Elderly Housing	Partial	1969	307.370	300	300
2.119 Nonprofit Housing for the Elderly	Special	1969	308.490	Less than 100	Less than 100
2.120 Multi-Unit Rental Housing	Special	2001	308.704	3,800	4,100
<i>Beer and Wine Tax</i>					
7.001 Small Wineries	Exclusion	1977	473.050(5)	4,000	4,400
7.002 Wine Marketing Activities	Exclusion	2001	473.047	0	0

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013–15	2015–17	
NATURAL RESOURCES						
<i>Income Tax</i>						
1.038	Agriculture Cost-Sharing Payments	Exclusion	1978	316.048/317.013	Less than 100	Less than 100
1.039	Cancellation of Debt for Farmers	Exclusion	1986	316.048	700	700
1.040	Energy Conservation Subsidies (Federal)	Exclusion	1992	316.048	200	200
1.041	Earnings of Certain Environmental Settlement Funds	Exclusion	2005	317.013	100	100
1.042	Nonprofit's Gain from Brownfield	Exclusion	2004	317.013	100	Less than 100
1.043	Pass Through Status of Specified Publicly Traded Partnerships	Exclusion	1987	316.048	9,600	10,100
1.215	Cash Accounting for Agriculture	Deduction	1916	316.048/317.013	Less than 100	Less than 100
1.216	Soil and Water Conservation Expenditures	Deduction	1954	316.048/317.013	500	500
1.217	Fertilizer and Soil Conditioner Costs	Deduction	1960	316.048/317.013	500	500
1.218	Costs of Raising Dairy and Breeding Cattle	Deduction	1916	316.048/317.013	1,500	1,500
1.219	Sale of Stock to Farmers' Cooperatives	Deduction	1998	316.048/317.013	Less than 100	Less than 100
1.220	Extended Carryback of Farming Loss	Deduction	1999	316.048	600	600
1.221	Special Depreciation for Recycling Equipment	Deduction	2008	316.048/317.013	Less than 100	Less than 100
1.222	Intangible Development Costs for Fuels	Deduction	1978	316.695/317.013	2,400	2,700
1.223	Tertiary Injectants	Deduction	1980	316.695/317.013	Less than 100	Less than 100
1.224	Deferral of Capital Gains From FERC Restructuring Requirements	Deduction	2004	317.013	5,000	-900
1.225	Expensing Timber Growing Costs	Deduction	1986	316.048/317.013	1,700	2,100
1.226	Expensing and Amortization of Reforestation Costs	Deduction	1980	316.048/317.013	1,500	1,500
1.227	Development Costs for Nonfuel Minerals	Deduction	1951	316.048/317.013	200	200
1.228	Mining Reclamation Reserves	Deduction	1984	316.048/317.013	Less than 100	Less than 100
1.229	Energy Efficient Commercial Property	Deduction	2006	316.695/317.013	2,000	Less than 100
1.230	Advanced Mine Safety Equipment	Deduction	2006	316.048/317.013	Less than 100	0
1.316	Energy Conservation Subsidies (Oregon)	Subtraction	1981	316.744/317.386	Less than 100	Less than 100
1.317	Depletion Costs for Metal Mines	Subtraction	1913	317.374	Less than 100	Less than 100
1.433	Crop Donation	Credit	1977	315.156	400	900
1.434	Alternatives to Field Burning	Credit	1975	315.304	Less than 100	Less than 100
1.435	Riparian Lands Removed from Farm Production	Credit	2001	315.113	Less than 100	Less than 100
1.436	Pollution Control	Credit	1967	315.304	2,400	1,000
1.437	Fish Screening Devices	Credit	1989	315.138	Less than 100	Less than 100
1.438	Diesel Truck Engines (New)	Credit	2003	Note: 315.356	Less than 100	Less than 100
1.439	Diesel Truck Engines (Retrofit and Repower)	Credit	2007	Note: 315.356	200	0
1.440	Alternative Energy Devices (Residential)	Credit	1977	316.116	26,000	31,500
1.441	Alternative Fuel Stations	Credit	1997	317.115	Less than 100	Less than 100
1.442	Business Energy Facilities, Conservation and Renewables	Credit	1979	315.354	223,500	151,900
1.443	Renewable Energy Development Contributions	Credit	2011	315.326(1)	2,600	2,700
1.444	Energy Conservation Projects	Credit	2011	315.331(1)	4,400	15,900
1.445	Transportation Projects	Credit	2011	315.336(1)	1,900	7,800
1.446	Energy Conservation Lender's Credit	Credit	1981	317.112	Less than 100	Less than 100
1.447	Weatherization Lender's Credit	Credit	1977	317.111	Less than 100	Less than 100
1.448	Production or Collection of Biomass	Credit	2007	315.141	6,800	10,200
1.449	Alternative Fuel Vehicle Fund Contributions	Credit	2013	Note: 315.336	2,700	2,700
1.450	Reforestation	Credit	1979	315.104	Less than 100	Less than 100
1.503	Income Averaging for Farmers	Other	2001	314.297	1,200	1,400

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
1.504 Capital Gains from Farm Property	Other	2001	316.045/317.063/318.020	2,400	2,800
<i>Property Tax</i>					
2.031 Food Processing Equipment	Full	2005	307.455	2,400	2,400
2.032 Farm Machinery and Equipment (Property Tax)	Full	1973	307.394	75,500	79,400
2.033 Mobile Field Incinerators	Full	1971	307.390	Incl. in 2.032	Incl. in 2.032
2.034 Crops, Plants, and Fruit Trees	Full	1957	307.320	15,700	16,900
2.035 Agricultural Products Held by the Farmer	Full	1965	307.325	Less than 100	Less than 100
2.036 Nursery Stock	Full	1971	307.315	3,500	3,500
2.037 Leased State and Local Farming and Grazing Land	Full	1971	307.110(3)(b)	Incl. in 2.074	Incl. in 2.074
2.038 Leased Federal Grazing Land	Full	1961	307.060	Incl. in 2.093	Incl. in 2.093
2.039 Shellfish Growing on State Land	Full	1969	622.290	Less than 100	Less than 100
2.040 Center Pivot Irrigation Equipment	Full	1973	307.398	Incl. in 2.032	Incl. in 2.032
2.041 Other Farm/Aquaculture/Egg Equipment	Full	1973	307.397	Incl. in 2.032	Incl. in 2.032
2.042 Field Burning Smoke Management Equipment	Full	1973	307.391	Incl. in 2.032	Incl. in 2.032
2.043 Crab Pots	Full	1969	508.270	300	300
2.044 Leased State Land Board Land	Full	1982	307.168	2,300	2,500
2.045 Nonprofit Sewage Treatment Facilities	Full	1997	307.118	Less than 100	Less than 100
2.046 Property Used for Golf Course and Effluent	Full	2001	Note: 307.118	100	200
2.047 Riparian Habitat Land	Full	1981	308A.362	200	300
2.048 Environmentally Sensitive Logging Equipment	Full	1999	307.827	3,000	3,200
2.049 Skyline and Swing Yarders	Full	1999	307.831	Incl. in 2.048	Incl. in 2.048
2.050 Federal Standing Timber Under Contract	Full	1965	307.050	2,000	2,100
2.051 State and Local Standing Timber Under Contract	Full	1965	307.100	1,700	1,800
2.052 Western Private Standing Timber	Full	1977	321.272	421,000	451,800
2.053 Eastern Private Standing Timber	Full	1961	321.829	36,600	39,200
2.054 Private Farm and Logging Roads	Full	1963	308.236	37,900	40,600
2.055 Forest Fire Protection Association	Full	1957	307.125	200	200
2.056 Inactive Mineral Interests	Full	1997	308.115	Less than 100	Less than 100
2.057 Mining Claims on Federal Land	Full	1889	307.080	300	300
2.058 Small Watercraft	Full	1959	830.790(3)	28,000	28,300
2.059 Nonprofit Public Park Use Land	Full	1971	307.115	300	300
2.060 Natural Gas Pipeline Extension	Full	2007	307.107	Less than 100	Less than 100
2.109 Pollution Control Facilities	Partial	1967	307.405	Less than 100	Less than 100
2.110 Alternative Energy Systems	Partial	1975	307.175	1,400	2,400
2.111 Watercraft Centrally Assessed	Partial	1925	308.515	2,100	2,500
2.112 Egg Processing Equipment	Partial	2007	307.462	300	100
2.121 Historic Property	Special	1975	358.505	20,700	21,600
2.122 Wildlife Habitat	Special	1993	308A.415	1,000	1,000
2.123 Conservation Easements	Special	2007	308A.456	600	600
2.124 Open Space Land	Special	1971	308A.300	1,600	1,500
2.125 Forest Homesites	Special	1989	308A.253	7,400	7,400
2.126 Western Private Forestland	Special	1977	321.354	82,500	88,400
2.127 Eastern Private Forestland	Special	1971	321.833	6,300	6,700
2.128 Small Tract Forestland Option	Special	2003	321.722	22,400	22,600
2.129 Farmland	Special	1967	308A.062/308A.068/308A.128	333,400	353,700
2.130 Farm Homesites	Special	1987	308A.253	24,400	25,800
2.131 Watercraft Locally Assessed	Special	1925	308.256	4,100	4,100

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
<i>Gas, Use, and Jet Fuel Taxes</i>					
3.001 Forest Products: Gasoline	Exclusion	1945	319.320(1)(b) and (d)	0	0
3.002 Forest Products: Other than Gasoline	Exclusion	1965	319.831(1)(c) and (g)	0	0
<i>Weight-Mile Tax</i>					
4.001 Farming Operations	Exclusion	1983	825.017(4) and (15)/825.024	4,200	4,500
4.002 Forest Products on County Roads	Exclusion	1977	825.017(8)	0	0
<i>Forest Products Harvest Tax</i>					
9.001 First 25,000 Board Feet	Exclusion	1953	321.015(5)	500	300
<i>Electric Cooperative Tax</i>					
10.001 Revenue from Government Leased Lines	Exclusion	1969	308.805	200	200
<i>Oil and Gas Privilege Tax</i>					
11.001 First \$3,000 in Gross Sales Value	Exclusion	1981	324.080	Less than 100	Less than 100
11.002 Credit for Property Taxes Paid	Credit	1981	324.090(2)	Not Available	Not Available
<i>Inheritance Tax</i>					
15.001 Natural Resource and Fishing Property	Credit	2007	118.140	4,700	5,200
TRANSPORTATION					
<i>Income Tax</i>					
1.044 Employer Paid Transportation Benefits	Exclusion	1992	316.048	31,500	33,900
<i>Property Tax</i>					
2.061 Railroad Right of Way Used for Alternative Transportation	Full	1977	307.205	0	0
2.062 Motor Vehicles and Trailers	Full	1919	803.585	901,100	937,500
2.063 ODOT Land Under Use Permit	Full	1981	307.110(3)(c)	Less than 100	Less than 100
2.064 Tollways and Related Facilities	Full	1995	383.017(7)	0	0
2.113 Foreign Owned Aircraft and Aircraft Not Owned by Air Transportation Companies	Partial	1987	308.558	14,700	15,000
2.114 Aircraft Under 75,000 Pounds Owned by Air Transportation Companies	Partial	1987	308.558(2),(3)/308.565(5)	1,800	1,800
<i>Gas, Use, and Jet Fuel Taxes</i>					
3.006 Diesel Fuel Blended with Biodiesel	Exclusion	2013	319.530(5)(a)	1,700	2,900
3.007 Natural Gas and Propane Vehicles	Exclusion	2014	Oregon Laws 2014, Chap. 13	Less than 100	Less than 100

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013–15	2015–17	
CONSUMER AND BUSINESS SERVICES						
<i>Income Tax</i>						
1.045	Life Insurance Investment Income	Exclusion	1913	316.048/317.013	227,600	237,800
1.046	Workers' Compensation Benefits (Nonmedical)	Exclusion	1918	316.048	22,400	24,800
1.047	Workers' Compensation Benefits (Medical)	Exclusion	1918	316.048	42,300	42,700
1.048	Credit Union Income	Exclusion	1951	317.080(1)	9,700	11,400
1.049	Elimination of Tax Exempt Interest Allocation for Banks	Exclusion	2009	317.013	2,400	2,400
1.050	Structured Settlement Accounts	Exclusion	1982	317.013	Less than 100	Less than 100
1.051	Certain Disaster Mitigation Payments	Exclusion	2005	316.048/317.013	200	200
1.052	Contributions in Aid of Construction for Utilities	Exclusion	1996	317.013	200	200
1.231	Life Insurance Company Reserves	Deduction	1984	317.655(2)(f) and (g)	13,000	15,100
1.232	Addition to Bad Debt Reserves of Small Financial Institutions	Deduction	1947	317.310	Less than 100	Less than 100
1.233	Property and Casualty Insurance Company Reserves	Deduction	1986	317.655(2)(f) and (g)	10,100	11,900
1.318	Wet Marine and Transportation Policies	Subtraction	1995	317.080(8)	300	300
1.451	Mile-Based or Time-Based Motor Vehicle Insurance	Credit	2003	Note: 317.122	Less than 100	0
1.452	Fire Insurance	Credit	1969	317.122(1)	7,000	7,300
1.453	Workers' Compensation Assessments	Credit	1995	317.122(2)	1,400	0
1.454	Oregon Life and Health IGA Assessments	Credit	1975	734.835	Not Available	Not Available
1.505	Apportionment for Utility and Telecommunication Companies	Other	2001	314.280	200	200
<i>Property Tax</i>						
2.065	Nonprofit Water Associations	Full	1937	307.210	200	300
2.066	Nonprofit Electrical Distribution Associations	Full	1943	308.805	19,000	20,200
2.067	Nonprofit Telephone Associations	Full	1941	307.220	0	0
2.068	Private Service Telephone Equipment	Full	1941	307.230	Less than 100	Less than 100
2.069	FCC Licenses	Full	2001	307.126	23,200	23,200
TAX ADMINISTRATION						
<i>Income Tax</i>						
1.053	Gain on Nondealer Installment Sales	Exclusion	1921	316.048/317.013	51,800	44,700
1.054	Gain on Like-Kind Exchanges	Exclusion	1921	316.048/317.013	117,100	133,600
1.234	Magazine Circulation Expenditures	Deduction	1950	316.048/317.013	Less than 100	Less than 100
1.235	Completed Contract Rules	Deduction	1986	316.048/317.013	4,000	4,200
1.319	Hydroelectric Dam and Waterway Workers	Subtraction	1997	316.127(8)(10)	Not Available	Not Available
<i>Property Tax</i>						
2.070	Intangible Personal Property	Full	1935	307.030(2)	13,847,000	15,359,900
2.071	Personal Property for Personal Use	Full	1854	307.190	1,262,600	1,314,600
2.072	Low Value Manufactured Structure in Large County	Full	2010	308.250(2)(b)	1,700	1,800
2.073	Beverage Containers Requiring Deposit	Full	1983	307.402	Less than 100	Less than 100

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013–15	2015–17	
<i>Gas, Use, and Jet Fuel Taxes</i>						
3.003 Fuel for Aircraft Departing U.S.	Exclusion	1959	319.330(2)	200	200	
<i>Cigarette Tax</i>						
5.001 Small Quantity by Consumers	Exclusion	1965	323.060	Less than 100	Less than 100	
GOVERNMENT						
<i>Income Tax</i>						
1.055 Allowances for Federal Employees Abroad	Exclusion	1943	316.048	5,700	6,300	
1.056 Interest on Oregon State and Local Debt	Exclusion	1913	316.048	78,500	85,400	
1.320 Oregon State Lottery Prizes	Subtraction	1985	461.560	400	300	
1.321 Income Earned in "Indian Country"	Subtraction	1977	316.777	6,100	6,700	
1.322 Federal Pension Income	Subtraction	1998	316.680(1)(f)	129,200	129,700	
1.323 Legislative Per Diem and Allowance	Subtraction	1967	171.072(9)	100	100	
1.455 Political Contributions	Credit	1969	316.102	10,800	8,800	
<i>Property Tax</i>						
2.074 State and Local Property	Full	1854	307.090	2,632,700	2,791,600	
2.075 Corporations for Irrigation, Drainage, Water Supply or Flood Control	Full	1963	554.320	Incl. in 2.074	Incl. in 2.074	
2.076 Local Government Public Ways	Full	1895	307.200	Not Available	Not Available	
2.077 Communications Equipment for Maritime Emergency Response	Full	2010	307.197	Less than 100	Less than 100	
2.078 Interstate Bridges of Other States or Subdivisions	Full	2014	Oregon Laws 2014, Chap. 114	Not Available	Not Available	
2.079 Indian Property Used Exclusively for Government Services	Full	2012	307.181(3)	200	400	
2.080 Tribal Land Being Placed in U.S. Trust	Full	1993	307.181(1)	100	100	
2.081 Beach Lands	Full	1969	307.450	Not Available	Not Available	
2.082 Federally Leased High-Voltage Electricity Transmission Property	Full	2013	307.040(3)	7,800	4,500	
<i>Gas, Use, and Jet Fuel Taxes</i>						
3.004 Public Services	Exclusion	1961	319.831(1)(e-f, h-k)	8,300	8,700	
3.005 Public Transportation	Exclusion	1969	267.200/267.570(2)	300	300	
<i>Weight-Mile Tax</i>						
4.003 Elementary and Secondary Schools	Exclusion	Pre-1953	825.017(1)	4,300	4,100	
4.004 Government Owned or Operated Vehicles	Exclusion	Pre-1953	825.017(11) and (13)	5,800	6,200	
4.005 Public Mass Transit Vehicles	Exclusion	1977	825.017(12)	3,900	4,100	
4.006 Fire Protection	Exclusion	1977	825.017(18)	200	200	
<i>911 Emergency Communications Tax</i>						
8.001 State and Local Subscribers	Exclusion	1981	403.205(1)	4,900	5,000	

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013–15	2015–17	
<i>Oil and Gas Privilege Tax</i>						
11.003	State and Local Interests	Exclusion	1981	324.090(1)	Less than 100	Less than 100
SOCIAL POLICY						
<i>Income Tax</i>						
1.057	Capital Gains on Inherited Property	Exclusion	1921	316.048	355,300	383,500
1.058	Gain on Involuntary Conversions in Disaster Areas	Exclusion	1996	316.048	Less than 100	Less than 100
1.059	Deferral of Interest on Savings Bonds	Exclusion	1951	316.048	9,300	10,000
1.060	Voluntary Employees' Beneficiary Associations	Exclusion	1928	316.048	24,200	25,000
1.061	Rental Allowances for Clergy Housing	Exclusion	1921	316.048	5,700	6,200
1.062	Discharge of Certain Student Loan Debt	Exclusion	1984	316.048	1,600	1,600
1.063	Military Disability Benefits	Exclusion	1942	316.048	2,400	3,000
1.064	Benefits and Allowances of Armed Forces Personnel	Exclusion	1925	316.048	20,200	22,500
1.065	Capital Gains on Gifts	Exclusion	1921	316.048	-19,500	144,000
1.066	Restitution Payments for Holocaust Survivors	Exclusion	2001	316.048	Less than 100	Less than 100
1.067	Public Safety Officer Survivor Annuities	Exclusion	1997	316.048	200	200
1.108	Overnight Travel Expenses of National Guard and Reserve Members	Adjustment	2003	316.048	300	300
1.236	Casualty and Theft Losses	Deduction	1913	316.695	2,200	2,400
1.237	Local Income Taxes	Deduction	1913	316.695	200	200
1.238	Charitable Contributions: Other	Deduction	1917	316.695/317.013	349,200	389,600
1.324	Federal Income Tax Subtraction	Subtraction	1929	316.680(1)(b)/316.685/316.695	715,700	730,900
1.325	Military Active Duty and Related Pay	Subtraction	1969	316.792	53,000	58,400
1.456	Personal Exemption	Credit	1985	316.085	1,100,000	1,149,200
1.457	Oregon Cultural Trust	Credit	2001	315.675	6,900	7,400
1.458	Retirement Income	Credit	1991	316.157	1,200	1,100
1.459	TRICARE Health Care Providers	Credit	2007	315.628	0	0
1.460	Oregon Veterans' Home Physicians	Credit	2007	315.624	Less than 100	Less than 100
<i>Property Tax</i>						
2.083	Charitable, Literary, and Scientific Organizations	Full	1854	307.130	176,300	194,400
2.084	Fraternal Organizations	Full	1961	307.136	13,800	15,200
2.085	Religious Organizations	Full	1854	307.140	107,000	113,500
2.086	Transfer of Land from Cemetery to School	Full	2001	307.157	Less than 100	Less than 100
2.087	Cemeteries, Burial Grounds, and Mausoleums	Full	1854	307.150	6,200	6,600
2.088	Exempt Lease from Taxable Owner	Full	1977	307.112	Incl. in others	Incl. in others
2.089	Exempt Lease from Exempt Owner	Full	1973	307.166	Incl. in others	Incl. in others
2.090	LLC Owned by Nonprofit Corporation	Full	2005	307.022	Incl. in others	Incl. in others
2.091	City Owned Sports Facility	Full	2001	307.171	1,800	1,800
2.092	Convention Facilities	Full	1985	263.290	0	0
2.115	Railroad Right of Way in Water District	Partial	1943	264.110	Less than 100	Less than 100
2.116	Railroad Right of Way in Highway Lighting District	Partial	1947	372.190	Less than 100	Less than 100
2.117	Railroad Right of Way in Rural Fire District	Partial	1969	478.010(2)(d)	1,200	1,300
2.118	Homestead Exemption for Active Duty Military	Partial	2005	307.286	Less than 100	Less than 100

Table 2: Index of Tax Expenditures by Program/Function (cont.)

Tax Expenditure	Type	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013–15	2015–17
2.132 Destroyed or Damaged Property	Other	1971	308.425/308.428	Less than 100	Less than 100
<i>Weight-Mile Tax</i>					
4.007 Charitable Organizations	Exclusion	1977	825.017(14)	200	200
<i>Lodging Tax</i>					
13.001 Exempt Dwelling Units	Exclusion	2003	320.308	Not Available	Not Available
<i>Construction Tax</i>					
14.001 Exempt Construction	Exclusion	2007	320.173	Not Available	Not Available
FEDERAL LAW					
<i>Income Tax</i>					
1.326 Interest and Dividends on U.S. Obligations	Subtraction	1970	316.680	47,400	47,800
<i>Property Tax</i>					
2.093 Federal Property	Full	1848	307.040	1,869,200	1,971,200
2.094 Indian Property on Reservation	Full	1854	307.180	Not Available	Not Available
2.095 Amtrak Passenger Railroad	Full	1983	308.515(3)(d)	1,200	1,200
<i>Cigarette Tax</i>					
5.002 Federal and Veteran Institutions (Cigarette)	Exclusion	1965	323.055	400	400
5.003 Reservation Cigarette Sales	Credit	1979	323.401	2,600	2,600
<i>Other Tobacco Products Tax</i>					
6.001 Federal and Veteran Institutions (Other Tobacco Products)	Exclusion	1985	323.515	Less than 100	Less than 100
6.002 Reservation Tobacco Sales	Exclusion	1985	323.615	Less than 100	Less than 100
<i>911 Emergency Communications Tax</i>					
8.002 Federal Subscribers	Exclusion	1981	403.205(1)	500	500
8.003 Indian Reservation Subscribers	Exclusion	1981	403.205(1)	500	500
<i>Lodging Tax</i>					
13.002 Federal Employees on Federal Business	Exclusion	2006	320.302	Less than 100	Less than 100

*No revenue loss, taxes paid by State

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

CHAPTER 1. INCOME TAX (PERSONAL AND CORPORATION)

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 2013–15 biennium, this revenue is estimated to be \$13.9 billion, or 87 percent of General Fund revenues, and \$15.6 billion for 2015–17. 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 Annual Statistics* is at www.oregon.gov/DOR/STATS/Pages/statistics.aspx.

In estimating tax expenditures related to the personal income tax, the first step is to define the “normal” tax system. Any departures from the normal system that reduce taxes are considered tax expenditures. For this report, we adopt the definition of the normal tax system used by the U.S. Congressional Research Service and the Congressional Joint Committee on Taxation. Under that definition, the normal 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.

The starting point for calculating Oregon's personal income tax 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.

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 but is not taxed federally.

Tying to the federal definition of taxable income implicitly adopts many of the tax expenditures that exist in the federal tax code. Any 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. There currently are 101 of these special federal provisions (exclusions, deductions, and adjustments) that flow through to Oregon's personal income tax.

In addition to the tax expenditures resulting from exclusions, deductions, and adjustments in the federal tax code, there are currently 24 subtractions, 48 credits and three other provisions in Oregon law that further reduce individuals' taxable income. The subtractions and credits provide special or specific tax benefits to people, and are thus considered tax expenditures.

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 2013–15 biennium, this revenue is estimated to be \$1,046.7 million, or 6.6 percent of General Fund revenues, and \$1,042.4 million for 2015–17. The Department of Revenue publishes an annual report that provides detailed

Income Tax

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/Pages/statistics.aspx.

As with the personal income tax, the “normal” tax base for the corporate income tax includes income from all sources, both monetary and nonmonetary. A key difference between the corporate income tax and the personal income tax is that the corporate income tax is meant to apply to net income, so corporations deduct expenses incurred in earning the income. Tax provisions that are departures from the normal base represent tax expenditures.

Oregon uses federal taxable income with some modifications as its tax base. As with the personal income tax, connecting to the federal tax code reduces compliance costs for taxpayers, makes administration of the tax easier for the state of Oregon, and implicitly adopts many of the tax expenditures that exist in the federal tax code. There currently are 51 of these special federal provisions (exclusions and deductions) that flow through to Oregon’s corporate income tax. There are seven Oregon-specific subtractions that can further reduce the taxable income of corporations.

There are 42 credits available to offset the corporation income tax. None are refundable, but most allow unused credit amounts to be carried forward and used in later years.

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
2013-15 Revenue Impact:	Not Applicable	\$21,500,000	\$21,500,000
2015-17 Revenue Impact:	Not Applicable	\$23,700,000	\$23,700,000

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 reduces the cost of higher education. It was enacted in order to clarify the tax status of grants to students which prior to 1954 could only be excluded from gross income and tax if it could be established that they were gifts.

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: Not evaluated.

1.002 INTEREST ON EDUCATION SAVINGS BONDS

Internal Revenue Code Section: 135

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

Federal Law Sunset Date: None

Year Enacted in Federal Law: 1988

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

DESCRIPTION: The savings bond education tax exclusion permits qualified taxpayers to exclude from their gross income all or part of the interest paid upon the redemption of eligible Series EE and I Bonds issued after 1989, when the bond owner pays qualified higher education expenses at an eligible institution during the same tax year in which the bond is redeemed. The bonds must be purchased and owned by people age 24 or over. When using bonds for a child's education, the bonds are registered in the name of the parent(s) with the child's name being listed as a beneficiary but not a co-owner of the bond. Qualified higher education expenses include tuition and fees, but not room and board expenses.

Full interest exclusion is only available to single and joint returns meeting certain inflation adjusted income limitations. For 2013, a full exclusion was allowed if income was less than \$74,700 (single) and \$112,050 (married). The exclusion phased

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out through incomes of \$89,700 (single) and \$142,050 (married) at which point no exclusion was allowed.

- PURPOSE:** To compensate for increasing college costs that have risen faster than the general rate of inflation and faster than the income of many Americans.
- WHO BENEFITS:** Taxpayers with incomes below a certain level who are pursuing higher education or who have a dependent pursuing higher education.
- EVALUATION:** Not evaluated.

1.003 QUALIFIED EDUCATION SAVINGS (FEDERAL)

Internal Revenue Code Section: 529 & 530
Oregon Statute: 316.048 (Connection to federal personal taxable income)
Federal Law Sunset Date: None
Year Enacted: 1996

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$7,400,000	\$7,400,000
2015-17 Revenue Impact:	Not Applicable	\$10,700,000	\$10,700,000

- DESCRIPTION:** 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.
- The revenue impact for this expenditure is based on earnings on the accounts, but does not include the value of the subtraction Oregon allows for contributions. That is included in tax expenditure 1.302, Oregon 529 College Savings Network.
- 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.
- Under federal law, contributions to these accounts are not tax deductible. However, for accounts established through the Oregon 529 College Savings Networks, a subtraction from taxable income is allowed by Oregon.
- PURPOSE:** To increase the affordability of college and increase the ability of families and individuals to save for higher education.
- 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.
- Participants in the Oregon administered plan are described in tax expenditure 1.302, Oregon 529 College Savings Network.
- EVALUATION:** Not evaluated.

1.004 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
2013-15 Revenue Impact:	Not Applicable	\$2,400,000	\$2,400,000
2015-17 Revenue Impact:	Not Applicable	\$2,400,000	\$2,400,000

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 applies as well 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: The Congressional Research Service reports that the reduced cost of education may encourage education and reduce the labor costs and turnover of educational institutions.

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

EVALUATION: Not evaluated.

1.005 PUBLIC ASSISTANCE BENEFITS

Revenue Rulings, Internal Revenue Code Section 61 (defines gross income)
 Oregon Statute: 316.048 (Connection to federal personal taxable income)
 Federal Law Sunset Date: None
 Year Enacted in Federal Law: Pre-1955

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$28,800,000	\$28,800,000
2015-17 Revenue Impact:	Not Applicable	\$34,100,000	\$34,100,000

DESCRIPTION: Public assistance benefits in the form of cash payments or goods and services, whether provided free or at an income-scaled charge, are not included in the personal taxable income of the recipient. Some examples include Temporary Assistance to Needy Families (TANF); Supplemental Security Income (SSI) for the aged, blind, or disabled; and state-local programs of General Assistance (GA).

Oregon law [ORS 316.680(1)(d)] specifically excludes supplemental payments made under the JOBS Plus program. Those payments are included in this tax expenditure as TANF payments.

PURPOSE: To reduce taxation of people receiving public assistance which reduces the government's costs in providing such assistance.

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WHO BENEFITS: Individuals receiving public assistance benefits above the income level where taxation begins. It should be noted that many public assistance benefit recipients have income below this threshold and would have no tax liability even without the exemption.

EVALUATION: Not evaluated.

1.006 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
2013-15 Revenue Impact:	Not Applicable	\$3,100,000	\$3,100,000
2015-17 Revenue Impact:	Not Applicable	\$3,100,000	\$3,100,000

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: According to the Congressional Research Service, this exemption encourages participation in foster care programs, eases tax administration and relieves foster care providers from maintaining complex records.

WHO BENEFITS: Foster care providers for qualified individuals.

EVALUATION: Not evaluated.

1.007 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
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 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 2013 was \$12,970 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 2013, the exclusion was phased out for modified adjusted gross incomes between \$194,580 and \$234,580, at which point no exclusion was allowed. The exclusion limit and phase-outs are now permanently indexed to inflation

- PURPOSE:** To encourage adoptions and allow more families to afford adoption.
- WHO BENEFITS:** Adoptive parents that received benefits from employer sponsored adoption assistance programs.
- EVALUATION:** Not evaluated.

1.008 CAFETERIA PLAN BENEFITS

Internal Revenue Code Section: 125
 Oregon Statute: 316.048 (Connection to federal personal taxable income)
 Federal Law Sunset Date: None
 Year Enacted in Federal Law: 1974

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$298,000,000	\$298,000,000
2015-17 Revenue Impact:	Not Applicable	\$331,500,000	\$331,500,000

- DESCRIPTION:** 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 are not included in the employee’s personal taxable income. The employee pays no tax when choosing the benefits but does pay tax when choosing the cash.
- PURPOSE:** To encourage employers to provide cafeteria plan benefits as part of a compensation package and to encourage employees to use the qualified benefit options.
- WHO BENEFITS:** Employees receiving employer paid cafeteria plan benefits. Employers may benefit by using flexible benefit plans as an incentive in recruiting high quality employees.
- EVALUATION:** Not evaluated.

1.009 EMPLOYER PAID MEDICAL 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

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$1,236,700,000	\$1,236,700,000
2015-17 Revenue Impact:	Not Applicable	\$1,344,500,000	\$1,344,500,000

- 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.

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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.

- PURPOSE:** To encourage employers to include health insurance coverage in compensation packages.
- WHO BENEFITS:** Employees, their spouses, and dependents receiving employer paid health benefits. Employers may benefit from offering highly valued health services as a recruitment and retention tool for high quality employees.
- EVALUATION:** Not evaluated.

1.010 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
2013-15 Revenue Impact:	Not Applicable	\$13,200,000	\$13,200,000
2015-17 Revenue Impact:	Not Applicable	\$13,200,000	\$13,200,000

- 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:** To avoid reducing the value of these payments.
- WHO BENEFITS:** People who have been injured and received compensatory damages.
- EVALUATION:** Not evaluated.

1.011 PRESCRIPTION DRUG INSURANCE (PART D)

Internal Revenue Service Ruling 70-341, 1970-2 Cumulative Bulletin, page 31
Oregon Statute: 316.048 (Connection to federal personal taxable income)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2003

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$61,800,000	\$61,800,000
2015-17 Revenue Impact:	Not Applicable	\$80,500,000	\$80,500,000

- DESCRIPTION:** Medicare Part D is a federal program that subsidizes the cost of some prescription drugs for individuals eligible for Medicare. Benefits are provided to individuals through insurance companies approved by Medicare, and are excluded from individual taxable income. This tax expenditure arises from excluding benefits that exceed premiums paid by participants.
- PURPOSE:** To reduce the effective cost of prescription drugs for Medicare recipients.

WHO BENEFITS: People enrolled in Medicare Part D. The federal Centers for Medicare and Medicaid Studies reported more than 515,000 Oregon recipients in 2013.

EVALUATION: Not evaluated.

1.012 HOSPITAL INSURANCE (PART A)

Internal Revenue Service Ruling 70-341, 1970-2 Cumulative Bulletin, page 31
 Oregon Statute: 316.048 (Connection to federal personal taxable income)
 Federal Law Sunset Date: None
 Year Enacted in Federal Law: 1965

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$297,900,000	\$297,900,000
2015-17 Revenue Impact:	Not Applicable	\$334,400,000	\$334,400,000

DESCRIPTION: Part A of Medicare pays for certain inpatient hospital care, skilled nursing facility care, home health care, and hospice care for eligible individuals age 65 or over, or who are disabled; these benefits are not included in the personal taxable income of the recipient.

The untaxed benefit for any individual recipient is the amount benefits exceed that individual's lifetime contributions through medicare payroll tax. Under current law, the expected lifetime value of Part A benefits generally exceeds the amount of payroll tax contributions made by current beneficiaries during their working years.

PURPOSE: To ensure consistent treatment with nontaxed Social Security benefits and to avoid imposing taxes during a period of illness.

WHO BENEFITS: In 2012, about 670,000 Oregonians were enrolled in Part A or B of Medicare.

EVALUATION: Not evaluated.

1.013 SUPPLEMENTARY MEDICAL INSURANCE (PART B)

Internal Revenue Service Ruling 70-341, 1970-2 Cumulative Bulletin, page 31
 Oregon Statute: 316.048 (Connection to federal personal taxable income)
 Federal Law Sunset Date: None
 Year Enacted in Federal Law: 1970

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$210,200,000	\$210,200,000
2015-17 Revenue Impact:	Not Applicable	\$236,500,000	\$236,500,000

DESCRIPTION: For those who elect to pay the required monthly premiums (\$104.90 for most recipients in 2014), Part B of Medicare covers certain doctors' services, outpatient services, and other medical services for people who are age 65 and over, or who are disabled.

Premiums are set to cover 25 percent of program costs. The remaining portion of the program's costs (which are paid with governmental general revenues) are not

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included in the personal taxable income of recipients. The transfers from general revenues to cover program costs are excluded from recipients' taxable income.

- PURPOSE:** To ensure the consistent treatment with nontaxed Social Security benefits.
- WHO BENEFITS:** In 2012, about 670,000 Oregonians were enrolled in Part A or B of Medicare.
- EVALUATION:** Not evaluated.

1.014 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
2013-15 Revenue Impact:	Not Applicable	\$695,700,000	\$695,700,000
2015-17 Revenue Impact:	Not Applicable	\$1,154,000,000	\$1,154,000,000

DESCRIPTION: Employer contributions to pension plans are not included in the employee's personal taxable income in the year of contribution, and self-employed individuals are allowed to reduce taxable income for qualified contributions to qualified retirement accounts. In addition, earnings on balances in those accounts are not taxed.

Taxation on contributions and earnings are 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 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.

Most of the estimated revenue loss of this tax expenditure comes from employer plans. About ten percent of the estimated revenue loss comes from self-employed individuals contributions to and earnings on SEP/SIMPLE plans.

- PURPOSE:** To promote saving for retirement.
- WHO BENEFITS:** Employees and self-employed individuals with qualified retirement savings or pension benefits. Employers may benefit by paying lower wages than would be paid if these benefits were not offered.
- EVALUATION:** Not evaluated.

1.015 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
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 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: To ensure consistent treatment with workers' compensation.

WHO BENEFITS: Oregon taxpayers receiving black lung benefits. The federal Social Security Administration reported 11 Oregon recipients receiving an average of about \$550 per month in 2012.

EVALUATION: Not evaluated.

1.016 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
2013-15 Revenue Impact:	Not Applicable	\$564,200,000	\$564,200,000
2015-17 Revenue Impact:	Not Applicable	\$615,700,000	\$615,700,000

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 1.306, Social Security Benefits (Oregon).

The amount 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 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)

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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:** About 370,000 Oregon resident taxpayers reported some nontaxable Social Security or Railroad Retirement Board benefits in 2011. The total tax savings from this exclusion was about \$274 million.
- EVALUATION:** Not evaluated.

1.017 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
2013-15 Revenue Impact:	Not Applicable	\$67,400,000	\$67,400,000
2015-17 Revenue Impact:	Not Applicable	\$74,500,000	\$74,500,000

- DESCRIPTION:** U.S. citizens (except U.S. federal employees) who live abroad may exclude from personal taxable income up to \$97,600 earned from employment overseas in 2013. The income level 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 a certain amount of employer provided foreign housing expenses.
- Oregon law (ORS 316.027) clarifies that individuals qualifying for this federal exemption also generally qualify for exemption in Oregon.
- PURPOSE:** To help compensate U.S. citizens working abroad for higher living costs overseas and taxes paid to the foreign country of residence.
- WHO BENEFITS:** U.S. citizens who live and work abroad.
- EVALUATION:** Not evaluated.

1.018 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
2013-15 Revenue Impact:	Less than \$100,000	\$200,000	\$200,000
2015-17 Revenue Impact:	Less than \$100,000	\$200,000	\$200,000

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: Not evaluated.

1.019 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
2013-15 Revenue Impact:	Less than \$100,000	\$13,900,000	\$13,900,000
2015-17 Revenue Impact:	Less than \$100,000	\$14,600,000	\$14,600,000

DESCRIPTION: This tax expenditure allows employee owned service businesses and small businesses with average annual gross receipts of less than \$5 million for the last three years to choose the cash method of accounting instead of the accrual method. Past Internal Revenue Service rulings have expanded the scope of permissible use of the cash method. As a result, the cash method may be used by most sole proprietorships, S corporations, and partnerships with average annual gross receipts of \$1 million or less in the three previous tax years.

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

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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: 1.215, Cash Accounting for Agriculture.

- PURPOSE:** “Individuals and many businesses are allowed to use the cash method of accounting because it typically requires keeping fewer records than do other methods of accounting.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2012.)
- WHO BENEFITS:** Primarily owners of eligible small businesses and professional service corporations of all sizes benefit.
- EVALUATION:** Not evaluated.

1.020 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: 12-31-2013
Year Enacted in Federal Law: 1993

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

- DESCRIPTION:** Federal law allowed 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. The potential Oregon tax benefit unique to these zones was an additional \$35,000 in capital equipment expensing which may have carried through apportioned business returns to reduce income taxed by Oregon.
- Designated areas must satisfy eligibility criteria including poverty rates, population, and geographic size limits. Designated areas were eligible for benefits through December 31, 2013.
- Oregon currently has no areas that qualify for this tax expenditure. The 10-year designation of the two Oregon federal Enterprise Communities in Josephine County and Portland ended on December 31, 2004. To date, there has been no Oregon area designated as a federal Empowerment Zone or Renewal Community.
- PURPOSE:** To revitalize economically distressed areas through expanded business and employment opportunities.
- WHO BENEFITS:** Both businesses and employees within the designated areas may benefit.
- EVALUATION:** Not evaluated.

1.021 INCOME OF CONTROLLED FOREIGN CORPORATIONS

Internal Revenue Code Sections: 11(d), 882 and 951–964

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

Federal Law Sunset Date: None

Year Enacted in Federal Law: 1909

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$384,100,000	Not Applicable	\$384,100,000
2015-17 Revenue Impact:	\$392,900,000	Not Applicable	\$392,900,000

DESCRIPTION: When a U.S. firm earns income through a foreign subsidiary, the income is exempt from U.S. corporate taxes as long as it is in the hands of the foreign subsidiary. At the time the foreign income is repatriated, the U.S. parent corporation can credit foreign taxes paid by the subsidiary against U.S. taxes owed on the repatriated income. Because U.S. firms can delay paying U.S. taxes by keeping income in the hands of foreign subsidiaries, it provides a tax benefit for firms that invest in countries with low tax rates.

Following a corporate inversion, taxes on foreign subsidiary income may be avoided by essentially repatriating income to the new foreign parent corporation rather than the U.S. corporation (which post inversion becomes a subsidiary of the foreign parent). Loss due to inversions represents a small proportion of the overall revenue estimate.

PURPOSE: To encourage the purchase and operation of foreign subsidiaries by U.S. firms, thereby increasing these firms’ penetration into foreign markets and their global competitiveness.

WHO BENEFITS: U.S. multinational firms with foreign operations in countries with tax rates lower than the United States.

EVALUATION: Not evaluated.

1.022 CANCELLATION OF DEBT FOR NONFARMERS

Internal Revenue Code Sections: 108

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

Federal Law Sunset Date: 12-31-2013 (principal residence provision), None (other provisions)

Year Enacted in Federal Law: Pre-1955

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$2,400,000	\$2,400,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: In general, when a “discharge of indebtedness” occurs, the forgiven debt is considered income to the taxpayer. An exception is allowed for the discharge of qualified real property business indebtedness. This qualified indebtedness must generally be connected with real property used in a trade or business.

Due to a 2007 expansion of this provision, debt discharged through 2013 up to \$2 million (\$1 million if married filing separately) may generally be excluded from gross income if the debt was incurred to acquire, construct, or substantially improve

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the taxpayer’s principal residence. Most of the estimated revenue impact is due to this discharge of mortgage debt.

See also: 1.039, Cancellation of Debt for Farmers.

- PURPOSE:** To reduce the tax burden on insolvent taxpayers or those facing severe economic difficulty.
- WHO BENEFITS:** Taxpayers who have had debt discharged.
- EVALUATION:** Not evaluated.

1.023 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
2013-15 Revenue Impact:	Less than \$100,000	\$4,700,000	\$4,700,000
2015-17 Revenue Impact:	Less than \$100,000	\$5,300,000	\$5,300,000

DESCRIPTION: For debt instruments that pay less than the market rate of interest, the Internal Revenue Service imputes a market rate to them to estimate interest payments 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 this general 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 was “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: 2012.*)

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

EVALUATION: Not evaluated.

1.024 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
2013-15 Revenue Impact:	\$7,600,000	\$2,400,000	\$10,000,000
2015-17 Revenue Impact:	\$8,000,000	\$2,400,000	\$10,400,000

DESCRIPTION: A taxpayer that 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 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, “...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*: 2012.)

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

EVALUATION: Not evaluated.

1.025 EMPLOYER PAID GROUP LIFE INSURANCE PREMIUMS

Internal Revenue Code Sections: 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
2013-15 Revenue Impact:	Not Applicable	\$26,700,000	\$26,700,000
2015-17 Revenue Impact:	Not Applicable	\$29,000,000	\$29,000,000

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.

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PURPOSE: 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: Not evaluated.

1.026 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
2013-15 Revenue Impact:	Not Applicable	\$33,900,000	\$33,900,000
2015-17 Revenue Impact:	Not Applicable	\$36,300,000	\$36,300,000

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: Not evaluated.

1.027 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
2013-15 Revenue Impact:	Not Applicable	\$14,100,000	\$14,100,000
2015-17 Revenue Impact:	Not Applicable	\$16,000,000	\$16,000,000

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:** To promote the provision of dependent care benefits by employers and to reduce the costs of dependent care for employees.
- WHO BENEFITS:** Employees receiving employer paid dependent care benefits.
- EVALUATION:** Not evaluated.

1.028 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
2013-15 Revenue Impact:	Not Applicable	\$62,900,000	\$62,900,000
2015-17 Revenue Impact:	Not Applicable	\$65,600,000	\$65,600,000

- DESCRIPTION:** Certain fringe benefits are exempt from personal income tax. These benefits include no-additional-cost services (such as free stand by 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 and provision of on premises athletic facilities. The provision of these fringe benefits must meet certain nondiscrimination 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:** Not evaluated.

1.029 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
2013-15 Revenue Impact:	Not Applicable	\$17,200,000	\$17,200,000
2015-17 Revenue Impact:	Not Applicable	\$18,200,000	\$18,200,000

- 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

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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.

- 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:** Not evaluated.

1.030 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
2013-15 Revenue Impact:	\$4,700,000	\$200,000	\$4,900,000
2015-17 Revenue Impact:	\$4,700,000	\$200,000	\$4,900,000

DESCRIPTION: An Employee Stock Ownership Plan (ESOP) is a defined contribution plan (similar to a 401K plan) that is required to primarily invest 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:** Not evaluated.

1.031 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
2013-15 Revenue Impact:	Not Applicable	\$2,600,000	\$2,600,000
2015-17 Revenue Impact:	Not Applicable	\$2,600,000	\$2,600,000

DESCRIPTION: Awards given 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: Not evaluated.

1.032 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
2013-15 Revenue Impact:	Not Applicable	\$10,200,000	\$10,200,000
2015-17 Revenue Impact:	Not Applicable	\$10,200,000	\$10,200,000

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; it excludes items such as meals, lodging, and transportation. The

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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. Employers benefit from a better educated and trained work force.
- EVALUATION:** Not evaluated.

1.033 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
2013-15 Revenue Impact:	Not Applicable	\$3,100,000	\$3,100,000
2015-17 Revenue Impact:	Not Applicable	\$3,100,000	\$3,100,000

- 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, a stock option or purchase plan allows an employee to buy the 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.
- 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*: 2012.)
- WHO BENEFITS:** Taxpayers who receive stock options as a form of compensation.
- EVALUATION:** Not evaluated.

1.034 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
2013-15 Revenue Impact:	Not Applicable	\$8,900,000	\$8,900,000
2015-17 Revenue Impact:	Not Applicable	\$10,700,000	\$10,700,000

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 50 percent for qualified stock issued after August 10, 1993.

Temporary provisions have increased the exclusion to 75 percent for stock acquired after February 17, 2009 through September 27, 2010; and 100 percent for stock acquired after September 27, 2010 and before January 1, 2013.

Stock qualifying for this exemption 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: 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.

For corporations with 50 percent of their income and 35 percent of their employees in empowerment zones, a 60 percent exclusion applies for stock acquired between December 22, 2000 and December 31, 2014.

PURPOSE: “The partial exclusion for gains on the sale of qualified small business stock seems intended to increase the flow of equity capital to new ventures, small firms, and specialized small business investment companies that are having difficulty raising capital from traditional sources”. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2012.*)

WHO BENEFITS: Individuals that 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: Not evaluated.

1.035 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
2013-15 Revenue Impact:	Not Applicable	\$282,400,000	\$282,400,000
2015-17 Revenue Impact:	Not Applicable	\$336,100,000	\$336,100,000

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: To promote home ownership by increasing the after-tax proceeds available when homeowners sell their home at a gain. The provision also simplifies income tax administration and record keeping.

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

EVALUATION: Not evaluated.

1.036 VETERANS' BENEFITS AND SERVICES

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
2013-15 Revenue Impact:	Not Applicable	\$85,100,000	\$85,100,000
2015-17 Revenue Impact:	Not Applicable	\$96,700,000	\$96,700,000

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.

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*: 2012.)

WHO BENEFITS: Veterans, their survivors, and dependents and their families receiving benefits from the VA. In addition to the on going benefits described above, the Oregon Department of Veterans' Affairs manages a veterans' nursing care facility, the Oregon Veterans' Home, which opened in November 1997 in The Dalles.

EVALUATION: Not evaluated.

1.037 MILITARY AND DEPENDENTS CHAMPUS/TRICARE INSURANCE

Internal Revenue Code Section: 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
2013-15 Revenue Impact:	Not Applicable	\$32,400,000	\$32,400,000
2015-17 Revenue Impact:	Not Applicable	\$32,700,000	\$32,700,000

DESCRIPTION: Military personnel are provided with a variety of in-kind benefits that are not taxed, such as medical and dental benefits. These benefits are also provided to active duty dependents, retired military, and their dependents. Some medical care for such dependents is provided in military facilities and by military doctors on a space available basis.

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, formerly known as CHAMPUS.

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.

PURPOSE: A 1925 court case, *Jones v. United States* [60 CT. CL. 552 (1925)] drew a distinction between the pay and allowances provided for military personnel. The court found that housing and other housing allowances were reimbursements similar to other nontaxable expenses authorized by the executive branch. This exclusion is consistent with the court's reasoning and extends it to military health benefits.

WHO BENEFITS: The families and dependents of military personnel.

EVALUATION: Not evaluated.

1.038 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
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

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: Not evaluated.

1.039 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
2013-15 Revenue Impact:	Not Applicable	\$700,000	\$700,000
2015-17 Revenue Impact:	Not Applicable	\$700,000	\$700,000

DESCRIPTION: In general, when a “discharge of indebtedness” occurs the forgiven debt is considered 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 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.

See also: 1.022, Cancellation of Debt for Nonfarmers.

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: Not evaluated.

1.040 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
2013-15 Revenue Impact:	Not Applicable	\$200,000	\$200,000
2015-17 Revenue Impact:	Not Applicable	\$200,000	\$200,000

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.

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 install energy saving devices.

EVALUATION: Not evaluated.

1.041 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
2013-15 Revenue Impact:	\$100,000	Not Applicable	\$100,000
2015-17 Revenue Impact:	\$100,000	Not Applicable	\$100,000

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

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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 during the eligible period.
- EVALUATION:** Not evaluated.

1.042 NONPROFIT’S GAIN FROM BROWNFIELD

Internal Revenue Code Sections: 512 & 514
Oregon Statute: 317.013 (Connection to federal corporation taxable income)
Federal Law Sunset Date: 12-31-2010
Year Enacted in Federal Law: 2004

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$100,000	Not Applicable	\$100,000
2015-17 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000

- DESCRIPTION:** This exclusion applies to nonprofit organizations that have gains that are unrelated to their tax-exempt purpose and would otherwise 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 transaction occurred on or before December 31, 2010. 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 from the tax reduces the cost of remediating and reselling brownfields by tax-exempt organizations using debt finance.
- EVALUATION:** Not evaluated.

1.043 PASS-THROUGH STATUS OF CERTAIN PUBLICLY TRADED PARTNERSHIPS

Internal Revenue Code Section: 7704

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

Federal Law Sunset Date: None

Year Enacted in Federal Law: 1987

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$9,600,000	\$9,600,000
2015-17 Revenue Impact:	Not Applicable	\$10,100,000	\$10,100,000

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 is an exception to general rules that subject publicly traded partnerships (those traded on established securities or secondary 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. The federal Joint Committee on Taxation classifies this as a tax expenditure affecting personal income taxpayers.

PURPOSE: The purposes for the exemptions are not explicit in federal law. The exemption of passive income may be to exempt passive income from the additional tax, while the exemption for energy and natural resources related activities is presumably an attempt to promote those activities through publicly traded partnerships.

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

EVALUATION: Not evaluated.

1.044 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

Year Enacted in Federal Law: 1992

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$31,500,000	\$31,500,000
2015-17 Revenue Impact:	Not Applicable	\$33,900,000	\$33,900,000

DESCRIPTION: Employer payments for employee parking, transportation in a commuter highway vehicle, and transit passes are excluded from the personal taxable income of the employees. 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.

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For 2012, the maximum exclusion for parking is \$240 per month and the maximum exclusion for transit and commuter transportation is \$125 per month. The maximum exclusion for qualified bicycle commuting expenses is \$20 per month for employees that regularly use a bicycle for commuting and don't receive other commuting benefits.

PURPOSE: To codify the established practice of not treating parking benefits as taxable income. The ceiling was established for parking benefits in 1992 in order to limit the subsidy. The exclusions for mass transit and commuter transportation were introduced to encourage mass commuting.

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: Not evaluated.

1.045 LIFE INSURANCE INVESTMENT INCOME

Internal Revenue Code Sections: 72, 101, 7702 and 7702A

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: 1913

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$12,800,000	\$214,800,000	\$227,600,000
2015-17 Revenue Impact:	\$13,200,000	\$224,600,000	\$237,800,000

DESCRIPTION: The investment income of life insurance contracts typically is not included in corporation or personal taxable income as it accrues or when it is received by beneficiaries upon the death of the insured. However, this investment income may be taxed as corporation or personal income if it accumulates much faster than is needed to fund the promised benefits. Amounts paid to policy holders as dividends or when policies are cashed out are taxed to the extent the payments to the policy holder exceed the total premiums paid for the policy.

The investment income from annuity policies is free from taxation as it accumulates, but tax is due on the investment component of the annuity when it is paid.

PURPOSE: To defer or reduce the tax burden on the investment income of life insurance contracts and annuity policies.

WHO BENEFITS: Policyholders who purchase life insurance and annuities for financial security for their families and themselves. "Middle income taxpayers, who make up the bulk of the life insurance market, reap most of this provision's benefits. Higher income taxpayers, once their life insurance requirements are satisfied, generally obtain better after-tax yields from tax-exempt State and local obligations or tax-deferred capital gains." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2012.*)

EVALUATION: Not evaluated.

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
2013-15 Revenue Impact:	Not Applicable	\$22,400,000	\$22,400,000
2015-17 Revenue Impact:	Not Applicable	\$24,800,000	\$24,800,000

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 1.047, 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 1.010, Compensatory Damages, for more information.

WHO BENEFITS: Workers or their families (in cases of work related death) receiving workers' compensation benefits.

EVALUATION: Not evaluated.

1.047 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
2013-15 Revenue Impact:	Not Applicable	\$42,300,000	\$42,300,000
2015-17 Revenue Impact:	Not Applicable	\$42,700,000	\$42,700,000

DESCRIPTION: Employees are not taxed on the value of insurance contributions for workers' compensation medical benefits made on their behalf by employers or on the medical benefits or reimbursements they actually receive. 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 1.010, Compensatory Damages, for more information.

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

EVALUATION: Not evaluated.

1.048 CREDIT UNION INCOME

Internal Revenue Code Section: 501(c)(14)
Section 122 Fed. Credit Act (RVSC Sec. 1768)
Oregon Statute: 317.080(1)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1951

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$9,700,000	Not Applicable	\$9,700,000
2015-17 Revenue Impact:	\$11,400,000	Not Applicable	\$11,400,000

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.

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*: 2012.)

WHO BENEFITS: Credit unions and their members.

EVALUATION: Not evaluated.

1.049 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
2013-15 Revenue Impact:	\$2,400,000	Not Applicable	\$2,400,000
2015-17 Revenue Impact:	\$2,400,000	Not Applicable	\$2,400,000

DESCRIPTION: This tax expenditure is a departure 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 percent 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 (ARRA, P.L. 111-5) modified these rules for small issuers to encourage public infrastructure investment generally and to assist state and local governments issue debt."

WHO BENEFITS: Banks that have small investments in tax-free bonds, or have larger investments in qualified tax-free bonds.

EVALUATION: Not evaluated.

1.050 STRUCTURED SETTLEMENT ACCOUNTS

Internal Revenue Code Sections: 72(u)(3)(C) and 130

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

Federal Law Sunset Date: None

Year Enacted in Federal Law: 1982

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000

DESCRIPTION: Individuals who are liable for damages to compensate for causing personal injury or sickness can make a payment to a settlement company rather than making a lump sum payment to the injured party. The settlement company invests in an annuity and then makes periodic payments to the injured party. This allows the responsible party to pay a smaller total settlement. The interest on the annuity or bond is not included in the taxable income of the settlement company. Likewise, the periodic annuity payments, which contain both principal and interest components, are not included in personal taxable income for the injured party—see tax expenditure 1.010, Compensatory Damages, for more information.

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PURPOSE: The purpose for exempting investment income from structures settlement accounts is not clear and may have been inadvertent. The intent of the federal legislation that exempts periodic payments for damages was to make the tax treatment consistent with that of lump sum compensatory damages payments.

WHO BENEFITS: The individual who is liable for damage payments benefits by paying a smaller total settlement, even though the tax benefit accrues to the annuity company.

EVALUATION: Not evaluated.

1.051 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
2013-15 Revenue Impact:	Less than \$100,000	\$200,000	\$200,000
2015-17 Revenue Impact:	Less than \$100,000	\$200,000	\$200,000

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: Not evaluated.

1.052 CONTRIBUTIONS IN AID OF CONSTRUCTION FOR UTILITIES

Internal Revenue Code Section: 118(c) and (d)
Oregon Statute: 317.013 (Connection to federal corporation taxable income)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1996

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$200,000	Not Applicable	\$200,000
2015-17 Revenue Impact:	\$200,000	Not Applicable	\$200,000

DESCRIPTION: Contributions in aid of construction received by regulated water and sewage disposal utilities are not included in the utilities' gross income if the contributions are spent for the construction of new facilities within two years. Contributions in aid of construction are charges paid by utility customers, usually builders or developers, to cover the cost of expanding, improving, or replacing water or sewage disposal facilities. Contributions that are an advance of funds and require repayment are also

excluded from the utilities' income. Connection fees charged to customers for installing lines cannot be excluded from income unless the lines will serve multiple customers.

This tax treatment allows the utility to treat the contribution as a tax-free addition to its capital rather than treating it as taxable income.

PURPOSE: To encourage the modernization of water and sewage facilities.

WHO BENEFITS: Oregon water or sewage disposal utilities benefit because the utilities are able to attract capital through contributions in aid of construction in addition to debt or equity financing sources. Builders, developers and ultimately customers may benefit through lower charges resulting from a lack of need by utilities to markup contributions in aid charges to cover taxes.

EVALUATION: Not evaluated.

1.053 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
2013-15 Revenue Impact:	\$32,600,000	\$19,200,000	\$51,800,000
2015-17 Revenue Impact:	\$32,000,000	\$12,700,000	\$44,700,000

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*: 2012.)

EVALUATION: Not evaluated.

1.054 GAIN ON LIKE-KIND EXCHANGES

Internal Revenue Code Section: 1031
Oregon Statute: 316.048 and 317.013 (Connections to federal personal and corporation taxable incomes.)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1921

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$57,600,000	\$59,500,000	\$117,100,000
2015-17 Revenue Impact:	\$65,700,000	\$67,900,000	\$133,600,000

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. 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: Not evaluated.

1.055 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
2013-15 Revenue Impact:	Not Applicable	\$5,700,000	\$5,700,000
2015-17 Revenue Impact:	Not Applicable	\$6,300,000	\$6,300,000

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: To offset the extra living costs of working abroad and to encourage employees to accept these assignments.

WHO BENEFITS: Federal civilian employees working abroad.

EVALUATION: Not evaluated.

1.056 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
2013-15 Revenue Impact:	Not Applicable	\$78,500,000	\$78,500,000
2015-17 Revenue Impact:	Not Applicable	\$85,400,000	\$85,400,000

DESCRIPTION: Oregon excludes interest income from Oregon state or local government obligations in personal taxable income (it is included in corporation taxable income). 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 1.308, 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.

PURPOSE: To lower the cost of borrowing for Oregon state and local governments.

WHO BENEFITS: In 2011, about 61,000 Oregon taxpayers reported nontaxable interest income from Oregon state or local government debt obligations, saving a total of about \$37.5 million in tax.

EVALUATION: Not evaluated.

1.057 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
2013-15 Revenue Impact:	Not Applicable	\$355,300,000	\$355,300,000
2015-17 Revenue Impact:	Not Applicable	\$383,500,000	\$383,500,000

DESCRIPTION: A capital gains tax is generally imposed on the increased value of property when it is sold or exchanged. However, when property is transferred upon 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) 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. Income from redemption of stock represents a very small part of this tax expenditure.

PURPOSE: To provide tax relief to heirs who inherit assets that yield capital gains.

WHO BENEFITS: Individuals, and their heirs, who have assets that yield capital gains. Beneficiaries tend to be high income individuals and their heirs.

EVALUATION: Not evaluated.

1.058 GAIN ON INVOLUNTARY CONVERSIONS IN DISASTER AREAS

Internal Revenue Code Section: 1033(h)
Oregon Statute: 316.048 (Connection to federal personal taxable income)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1996

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

DESCRIPTION: When a taxpayer is reimbursed for damaged property, it is possible for the recovery to exceed the taxpayer’s basis in the property. In those cases the property is involuntarily converted into cash and is generally taxed unless the proceeds are used to replace the damaged property with similar property within a specified period.

This deferral of gain provides special rules for a taxpayer’s principal residence or any of its contents when involuntarily converted if the property is located in a presidentially declared disaster area. In the case of unscheduled personal property (property that is not specified but is insured), no gain is recognized as a result of any insurance proceeds. In this case, the taxpayer generally has four years to replace the damaged property with similar property to avoid immediate taxation on the gain.

PURPOSE: To defer or reduce the tax burden for taxpayers who experience large losses due to a natural disaster.

WHO BENEFITS: Taxpayers in presidentially declared disaster areas that experience an involuntary gain as a result of being reimbursed for damaged property.

EVALUATION: Not evaluated.

1.059 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
2013-15 Revenue Impact:	Not Applicable	\$9,300,000	\$9,300,000
2015-17 Revenue Impact:	Not Applicable	\$10,000,000	\$10,000,000

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: Not evaluated.

1.060 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
2013-15 Revenue Impact:	Not Applicable	\$24,200,000	\$24,200,000
2015-17 Revenue Impact:	Not Applicable	\$25,000,000	\$25,000,000

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 upon 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: Not evaluated.

1.061 RENTAL ALLOWANCES FOR CLERGY HOUSING

Internal Revenue Code Sections: 107 & 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
2013-15 Revenue Impact:	Not Applicable	\$5,700,000	\$5,700,000
2015-17 Revenue Impact:	Not Applicable	\$6,200,000	\$6,200,000

DESCRIPTION: Clergy members can exclude from personal taxable income the fair rental value of a church owned or church rented home furnished as part of their compensation 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, it is generally understood that these exclusions apply to clergy in all religions.

PURPOSE: "The provision of tax-free housing allowances for ministers was first included in the Internal Revenue Code by passage of the Revenue Act of 1921...With this legislation, Congress may have intended to recognize clergy as an economically deprived group due to their relatively low incomes." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2012.)

WHO BENEFITS: Clergy members who receive a housing allowance or who live in a church provided home.

EVALUATION: Not evaluated.

1.062 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

Year Enacted in Federal Law: 1984

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$1,600,000	\$1,600,000
2015-17 Revenue Impact:	Not Applicable	\$1,600,000	\$1,600,000

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). This provision also excludes repayment of loans on behalf of graduates made under the National Health Service Corps repayment program for 2004 and after.

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. Also, industries and professions that are able to attract employees (or more desirable employees) due to this exclusion.

EVALUATION: Not evaluated.

1.063 MILITARY DISABILITY BENEFITS

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
2013-15 Revenue Impact:	Not Applicable	\$2,400,000	\$2,400,000
2015-17 Revenue Impact:	Not Applicable	\$3,000,000	\$3,000,000

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. The amount of disability pay is calculated as the greater of:

- The percentage of disability multiplied by the terminal monthly basic pay

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- 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 a combat related injury.

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.

- 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 benefit from this exclusion.
- EVALUATION:** Not evaluated.

1.064 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
2013-15 Revenue Impact:	Not Applicable	\$20,200,000	\$20,200,000
2015-17 Revenue Impact:	Not Applicable	\$22,500,000	\$22,500,000

- 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.
- Compensation received by active members of the Armed Forces is excluded from taxation for any month the service member served in a combat zone or was hospitalized as the result of an injury or illness sustained while serving in a combat zone.

PURPOSE: “For some benefits, the rationale was a specific desire to reduce tax burdens of military personnel during wartime (as in the use of combat pay provisions); other allowances were apparently based on the belief that certain types of benefits were not strictly compensatory, but rather intrinsic elements in the military structure.”...“Compensation paid to active military personnel in a combat zone is increased to reflect the hazards inherent to duty in a combat zone. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions: 2012.*)

WHO BENEFITS: People serving in the U.S. military.

EVALUATION: Not evaluated.

1.065 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
2013-15 Revenue Impact:	Not Applicable	\$-19,500,000	\$-19,500,000
2015-17 Revenue Impact:	Not Applicable	\$144,000,000	\$144,000,000

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 realized gains deferred in prior years. Over some periods of time the tax expenditure can result in increased taxes (due to lower taxes in prior periods), which is displayed as a negative revenue impact.

Beginning in tax year 2013, the federal gift tax rate increased. The increase caused an acceleration of gift returns filed in 2011 that may otherwise have been made later causing a negative revenue impact in 2013-15.

PURPOSE: To allow the transfer of property as a gift without imposing a tax burden on the donor who, without selling the property, may not be able to pay the tax.

WHO BENEFITS: Donors and recipients of gifts.

EVALUATION: Not evaluated.

Income Tax
Federal Exclusions

1.066 RESTITUTION PAYMENTS FOR HOLOCAUST SURVIVORS

Internal Revenue Code Sections: P.L. 107-36 and Sec 803
Oregon Statute: 316.048 (Connection to federal personal taxable income)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2001

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

DESCRIPTION: Payments received by an individual from Germany, Austria, and the Netherlands because of Nazi persecution that caused damage to life, body, health, liberty, or to professional or economic advancement, are not considered taxable income. The exclusion also applies to the individual's heirs or estate.

PURPOSE: To formalize in policy historical rulings made by the IRS that pertained to specific individuals.

WHO BENEFITS: Holocaust survivors or family members who receive restitution payments.

EVALUATION: Not evaluated.

1.067 PUBLIC SAFETY OFFICER SURVIVOR ANNUITIES

Internal Revenue Code Sections: 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
2013-15 Revenue Impact:	Not Applicable	\$200,000	\$200,000
2015-17 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: Not evaluated.

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: 12-31-2013

Year Enacted in Federal Law: 2002

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$700,000	\$700,000
2015-17 Revenue Impact:	Not Applicable	\$0	\$0

NOTE: The revenue impact estimate includes the effect of the federal sunset.

DESCRIPTION: Eligible elementary or secondary school employees were allowed to deduct up to \$250 per year for unreimbursed expenses incurred in connection with books, supplies, computer equipment, and supplementary materials used in the classroom through tax year 2013. This deduction could have been taken without itemizing (known as an adjustment or above the line deduction). Eligible employees include kindergarten through grade 12 teachers, instructors, counselors, or principals in a school for at least 900 hours during a school year.

PURPOSE: To mitigate the expenses incurred by teachers who buy school supplies for students who can't afford them or to supplement those provided by the school.

WHO BENEFITS: In 2012, about 37,000 school employees saved an average of \$20 in Oregon tax due to this provision. The table below shows usage of this adjustment for tax year 2012.

2012 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 \$12,400	780	\$202	\$0.2	<\$0.1	1%
\$12,400 - \$26,000	1,940	\$203	\$0.4	<\$0.1	4%
\$26,000 - \$46,400	4,400	\$224	\$1.0	\$0.1	12%
\$46,400 - \$81,800	11,330	\$236	\$2.7	\$0.2	34%
Above \$81,800	14,600	\$258	\$3.8	\$0.3	49%
All Full-Year Filers	33,050	\$241	\$8.0	\$0.7	100%
Part-Year and Nonresident Filers	4,430	\$93	\$0.4	<\$0.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: Not evaluated.

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
2013-15 Revenue Impact:	Not Applicable	\$28,200,000	\$28,200,000
2015-17 Revenue Impact:	Not Applicable	\$31,400,000	\$31,400,000

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 2014 returns, the deduction is phased out for taxpayers with income between \$65,000 and \$80,000 (single) or \$130,000 and \$160,000 (married). Prior to 2002, the deduction was only available for interest paid within the first 60 months of interest payments.

PURPOSE: To encourage higher education by reducing the borrowing costs.

WHO BENEFITS: Taxpayers who incurred indebtedness to pay qualified higher education expenses for themselves, their spouse, or their dependents. In 2012, approximately 174,000 Oregon taxpayers benefited from this adjustment, saving an average of \$75 in Oregon tax. The table below shows usage of this adjustment for tax year 2012.

2012 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 \$12,400	10,010	\$835	\$8.4	\$0.3	3%
\$12,400 - \$26,000	21,950	\$834	\$18.3	\$1.5	12%
\$26,000 - \$46,400	35,930	\$966	\$34.7	\$3.0	25%
\$46,400 - \$81,800	43,840	\$989	\$43.4	\$3.9	32%
Above \$81,800	34,990	\$1,058	\$37.0	\$3.3	28%
All Full-Year Filers	146,710	\$966	\$141.7	\$12.0	100%
Part-Year and Nonresident Filers	27,250	\$487	\$13.3	\$1.0	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: Not evaluated.

1.103 QUALIFIED HIGHER EDUCATION EXPENSES

Internal Revenue Code Sections: 222

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

Federal Law Sunset Date: 12-31-2013

Year Enacted in Federal Law: 2001

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$4,200,000	\$4,200,000
2015-17 Revenue Impact:	Not Applicable	\$0	\$0

DESCRIPTION: A deduction is allowed for qualified higher education expenses paid by the taxpayer during tax years 2002 through 2013. Qualified expenses included tuition and fees paid as a condition of enrollment or attendance at a postsecondary educational institution.

The deduction can be taken without itemizing (known as an adjustment or above-the-line deduction). The maximum deduction is \$4,000 per taxpayer with income not more than \$65,000 (\$130,000 on a joint return) or \$2,000 if the taxpayer's income was above \$65,000 (\$130,000 on a joint return) but not more than \$80,000 (\$160,000 for joint returns). If adjusted gross income exceeded the limits, then no deduction is allowed. These income limits are not adjusted for inflation and there is no phase out of the deduction based upon income.

The deduction may not be allowed if distributions from certain tax exempt or tax deferred accounts were used to pay the expenses.

PURPOSE: To reduce the cost of higher education.

WHO BENEFITS: College students or their parents who paid qualified education expenses. In 2012, about 32,000 Oregon returns included this deduction. The average Oregon tax savings was \$123. The table below shows usage of this adjustment for tax year 2012.

2012 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 \$12,400	8,910	\$2,945	\$26.2	\$0.9	24%	■
\$12,400 - \$26,000	3,570	\$2,204	\$7.9	\$0.5	15%	■
\$26,000 - \$46,400	3,170	\$1,861	\$5.9	\$0.5	13%	■
\$46,400 - \$81,800	4,490	\$1,590	\$7.1	\$0.6	17%	■
Above \$81,800	7,260	\$1,689	\$12.3	\$1.1	30%	■
All Full-Year Filers	27,390	\$2,168	\$59.4	\$3.6	100%	
Part-Year and Nonresident Filers	5,000	\$1,175	\$5.9	\$0.3		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: Not evaluated.

1.104 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
2013-15 Revenue Impact:	Not Applicable	\$72,300,000	\$72,300,000
2015-17 Revenue Impact:	Not Applicable	\$79,800,000	\$79,800,000

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: To promote the purchase of health insurance by the self-employed and provide some degree of equity between the self-employed and employees covered by employer-sponsored health care insurance.

WHO BENEFITS: Self-employed individuals that paid for health and/or long term care insurance, and their immediate family. In 2012, about 79,000 Oregon taxpayers used this adjustment with an average tax savings of \$425. The table below shows usage of this adjustment for tax year 2012.

2012 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 \$12,400	8,700	\$3,740	\$32.5	\$0.5	1%	
\$12,400 - \$26,000	7,990	\$3,844	\$30.7	\$1.8	6%	
\$26,000 - \$46,400	9,900	\$4,467	\$44.2	\$3.5	11%	
\$46,400 - \$81,800	13,260	\$5,419	\$71.9	\$6.3	20%	
Above \$81,800	26,980	\$8,122	\$219.2	\$20.1	62%	
All Full-Year Filers	66,840	\$5,963	\$398.5	\$32.2	100%	
Part-Year and Nonresident Filers	12,170	\$1,407	\$17.1	\$1.3		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: Not evaluated.

1.105 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
2013-15 Revenue Impact:	Not Applicable	\$12,500,000	\$12,500,000
2015-17 Revenue Impact:	Not Applicable	\$17,400,000	\$17,400,000

DESCRIPTION:	<p>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.</p> <p>The accounts are used to pay medical costs incurred until an insurance deductible amount is met. To qualify for 2012, individuals must have high deductible (at least \$1,200 for individual coverage and \$2,400 for families) health insurance with limited maximum out-of-pocket expenses. Contributions are limited to \$3,100 for individual coverage and \$6,250 for a family. Individuals who are 55 or older and not yet covered by Medicare may contribute an additional \$1,000 in each year.</p> <p>Unused HSA account balances can accrue over years without limit. Both the deductible amounts and maximum out-of-pocket expenses amount are adjusted annually.</p>
PURPOSE:	<p>To slow the growth of health care costs by reducing reliance on insurance, to encourage more cost consciousness in obtaining health care services, and to help individuals and families finance future health care costs (Congressional Research Service, <i>Tax Expenditures: Compendium of Background Material on Individual Provisions:2012</i>).</p>
WHO BENEFITS:	<p>Taxpayers who use health savings plans.</p>
EVALUATION:	<p>Not evaluated.</p>

1.106 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
2013-15 Revenue Impact:	Not Applicable	\$126,200,000	\$126,200,000
2015-17 Revenue Impact:	Not Applicable	\$150,400,000	\$150,400,000

DESCRIPTION: There are two types of Individual Retirement Accounts (IRAs) from which taxpayers may enjoy 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).

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: Not evaluated.

1.107 MOVING EXPENSES

Internal Revenue Code Section: 217
Oregon Statute: 316.048 (Connection to federal personal taxable income)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1964

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$4,700,000	\$4,700,000
2015-17 Revenue Impact:	Not Applicable	\$5,600,000	\$5,600,000

DESCRIPTION: Taxpayers may take qualified moving expenses as an adjustment to personal taxable income. This deduction can be 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 move must be in conjunction with a new job or business at least 50 miles farther from one’s former home than one’s old job location was from their former home. For example, if the old job location was 3 miles from the former home, the new job location must be at least 53 miles from that former home.

PURPOSE: To reduce employment related moving costs.

WHO BENEFITS: Employees incurring moving expenses related to a new job or business. The number of taxpayers claiming this adjustment in 2012 was about 16,500. The number of claimants peaked at over 19,000 in 2005. The average tax savings from this provision in 2012 was \$126. The table below shows usage of this adjustment for tax year 2012.

2012 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 \$12,400	750	\$1,662	\$1.2	<\$0.1	4%
\$12,400 - \$26,000	1,360	\$1,463	\$2.0	\$0.1	14%
\$26,000 - \$46,400	1,760	\$1,546	\$2.7	\$0.2	21%
\$46,400 - \$81,800	1,640	\$1,897	\$3.1	\$0.3	26%
Above \$81,800	1,390	\$2,775	\$3.8	\$0.3	34%
All Full-Year Filers	6,900	\$1,873	\$12.9	\$1.0	100%
Part-Year and Nonresident Filers	9,590	\$2,912	\$27.9	\$1.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: Not evaluated.

1.108 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
2013-15 Revenue Impact:	Not Applicable	\$300,000	\$300,000
2015-17 Revenue Impact:	Not Applicable	\$300,000	\$300,000

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: Not evaluated.

1.201 CHARITABLE CONTRIBUTIONS: EDUCATION

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

Year Enacted in Federal Law: 1917 (personal) and 1935 (corporation)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$1,400,000	\$58,700,000	\$60,100,000
2015-17 Revenue Impact:	\$1,800,000	\$65,600,000	\$67,400,000

DESCRIPTION: Contributions to educational organizations are allowed as itemized deductions from personal taxable income of amounts up to 50 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. See tax expenditure 1.301, Land Donated to Schools, for the related Oregon subtraction.

Due to the passage of HB 2060 in 2013, a 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.

This is one of three categories of charitable contributions. The others are 1.202, Charitable Contributions: Health and 1.238, Charitable Contributions: Other.

PURPOSE: To encourage donations to qualifying educational organizations.

WHO BENEFITS: In 2011, approximately 588,000 Oregon personal income tax returns had a deduction for charitable contributions in one or more of the three categories. The average tax savings for taxpayers who claimed a donation to any charity was about \$300. See the table below for details on the use of the deduction by income level.

2011 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 \$12,000	15,300	\$1,240	\$18.9	\$0.1	<1%
\$12,000 - \$25,200	32,500	\$1,890	\$61.5	\$2.0	1%
\$25,200 - \$44,800	67,000	\$2,000	\$134.1	\$8.6	5%
\$44,800 - \$78,800	148,300	\$2,320	\$344.2	\$28.1	17%
Above \$78,800	250,800	\$5,430	\$1,361.0	\$129.0	77%
All Full-Year Filers	513,900	\$3,740	\$1,919.6	\$167.8	100%
Part-Year and Nonresident Filers	74,100	\$1,530	\$113.6	\$9.7	

*Each income group contains 20 percent of the full-year filers (approximately 320,000)

EVALUATION: Not evaluated.

1.202 CHARITABLE CONTRIBUTIONS: HEALTH

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

Year Enacted in Federal Law: 1917 (personal) and 1935 (corporation)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$8,700,000	\$29,800,000	\$38,500,000
2015-17 Revenue Impact:	\$9,100,000	\$33,600,000	\$42,700,000

DESCRIPTION: Contributions to health organizations are allowed as itemized deductions from personal taxable income of amounts up to 50 percent of adjusted gross income. Corporations can deduct from corporate taxable income contributions up to 10 percent of pretax income. Taxpayers who donate property may deduct the current market value of the property and do not need to pay tax on any capital gains realized on the property.

Due to the passage of HB 2060 in 2013, a 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.

This is one of three categories of charitable contributions. The others are 1.201, Charitable Contributions: Education; and 1.238, Charitable Contributions: Other.

PURPOSE: To encourage donations to designated health organizations.

WHO BENEFITS: In 2011, approximately 588,000 Oregon personal income tax returns had a deduction for charitable contributions in one or more of the three categories. The average tax savings for taxpayers who claimed a donation to any charity was about \$300. See the table displayed in 1.201, Charitable Contributions: Education, for detailed on beneficiaries by income level.

EVALUATION: Not evaluated.

1.203 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
2013-15 Revenue Impact:	Not Applicable	\$205,500,000	\$205,500,000
2015-17 Revenue Impact:	Not Applicable	\$231,800,000	\$231,800,000

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 tax filers 65 and older (increasing to 10 percent in 2017)

Income Tax
Federal Deductions

- 10 percent of AGI for tax filers under the age of 65

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.

See 1.305, Medical Subtraction for Elderly; which provides a description of Oregon’s provision allowing certain taxpayers to subtract medical and dental expenses depending upon qualification criteria.

PURPOSE: To compensate for large medical expenses that are viewed as involuntary expenses that reduce the ability of the person to pay taxes.

WHO BENEFITS: In 2011, approximately 207,000 individual taxpayers took a deduction for medical expenses. The average tax savings was about \$400. The total tax savings was \$83.2 million. The table below shows the use of this deduction for 2011.

2011 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 \$12,000	26,800	\$8,940	\$239.7	\$1.2	1%
\$12,000 - \$25,200	32,100	\$8,030	\$257.7	\$8.0	10%
\$25,200 - \$44,800	41,500	\$7,380	\$306.4	\$16.9	21%
\$44,800 - \$78,800	52,700	\$7,340	\$387.0	\$27.2	34%
Above \$78,800	38,300	\$8,730	\$334.4	\$27.4	34%
All Full-Year Filers	191,400	\$7,970	\$1,525.1	\$80.7	100%
Part-Year and Nonresident Filers	15,700	\$3,240	\$50.9	\$2.5	

*Each income group contains 20 percent of the full-year filers (approximately 320,000)

EVALUATION: Not evaluated.

1.204 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
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 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 both employees and customers who are disabled or age 65 and over.

WHO BENEFITS: The taxpayers incurring the costs of making the structural changes and the elderly and disabled who have access to areas they may not have had without the deduction.

EVALUATION: Not evaluated.

1.205 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

Year Enacted in Federal Law: 1954

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$3,100,000	\$4,200,000	\$7,300,000
2015-17 Revenue Impact:	\$2,400,000	\$2,700,000	\$5,100,000

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, 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 1.212, Accelerated Depreciation of Rental Housing.

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 revenue cash flow gain from this provision in the years following accelerated depreciation of the building(s) (reported as a negative revenue impact).

Oregon law differed from federal law for property acquired in 2009 or 2010. For property acquired after January 1, 2011, treatment of property acquisitions is the same under Oregon and Federal law.

PURPOSE: To promote investment in buildings.

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

EVALUATION: Not evaluated.

1.206 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

Year Enacted in Federal Law: 1954

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$-35,400,000	\$-28,200,000	\$-63,600,000
2015-17 Revenue Impact:	\$22,700,000	\$10,300,000	\$33,000,000

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.

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 revenue cash flow gain from this provision in the years following accelerated depreciation of the equipment (reported as a negative revenue impact).

Oregon law differed from federal law for property acquired in 2009 or 2010. For property acquired after January 1, 2011, treatment of property acquisitions is the same under Oregon and Federal law.

PURPOSE: To promote investment in business equipment.

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

EVALUATION: Not evaluated.

1.207 DEFERRAL OF CERTAIN FINANCING INCOME OF FOREIGN CORPORATIONS

Internal Revenue Code Section: 953 and 954

Oregon Statutes: 317.013 (Connection to federal corporate taxable income)

Federal Law Sunset Date: 12-31-2013

Year Enacted in Federal Law: 1997

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$11,700,000	Not Applicable	\$11,700,000
2015-17 Revenue Impact:	\$0	Not Applicable	\$0

DESCRIPTION: When a U.S. firm earns income through a foreign subsidiary, the income is exempt from U.S. corporate taxes as long as it is in the hands of the foreign subsidiary (see 1.021, Income of Controlled Foreign Corporations). Although U.S. tax laws generally exclude income from passive activities from this deferral, this tax expenditure expands the deferral principle to financial corporations. Income of companies derived

in the active conduct of banking, financing, or similar business operations overseas may defer taxes on income earned abroad until that income is repatriated to the U.S.

Following a corporate inversion, taxes on foreign subsidiary income may be avoided by essentially repatriating income to the new foreign parent corporation rather than the U.S. corporation (which post inversion becomes a subsidiary of the foreign parent). Loss due to inversions represents a small proportion of the overall revenue estimate.

- PURPOSE:** To give financial and manufacturing businesses operating abroad similar tax benefits.
- WHO BENEFITS:** U.S. firms conducting financial business abroad. These firms are not liable for Oregon corporate income tax until they actually repatriate taxable income back to the United States.
- EVALUATION:** Not evaluated.

1.208 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

Year Enacted in Federal Law: 1954

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$22,100,000	\$700,000	\$22,800,000
2015-17 Revenue Impact:	\$27,900,000	\$700,000	\$28,600,000

- 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 two alternative ways in which research and development costs may be deducted. The first way allows research and development expenditures to be fully expensed in the first year for purposes of computing corporation and personal taxable income. The second allows a company to amortize eligible research expenses over ten years beginning with the tax year in which research and development costs are incurred.
- PURPOSE:** To encourage investment in research and development and to avoid the difficulty of determining the length of useful life of any assets created through the research and development process.
- WHO BENEFITS:** Firms with certain research and development expenditures.
- EVALUATION:** Not evaluated.

1.209 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
2013-15 Revenue Impact:	\$1,000,000	\$14,600,000	\$15,600,000
2015-17 Revenue Impact:	\$500,000	\$7,500,000	\$8,000,000

DESCRIPTION: In general, the cost of business property must be deducted from personal and corporation income as it depreciates over its useful life. This provision allows a taxpayer to take an immediate deduction subject to specific limits.

The limits for Oregon differed from federal limits in 2009 and 2010, but are the same for property acquired in 2011 or later. For 2013, an immediate deduction is allowed up to \$500,000 and is phased out for expenditures exceeding \$2 million and unavailable for expenditures exceeding \$2.5 million. Under current law (at time of publication) the limits beginning in 2014 will be \$25,000 and \$200,000 respectively.

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 revenue cash flow gain from this provision (reported as a negative revenue impact).

PURPOSE: To promote investment in equipment, specifically by smaller businesses.

WHO BENEFITS: Businesses with qualified property purchases.

EVALUATION: Not evaluated.

1.210 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
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	\$200,000	\$500,000	\$700,000

DESCRIPTION: This provision allows a taxpayer to deduct from personal or corporation taxable income eligible start-up expenditures of up to \$10,000 and to amortize any remaining amount 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: Not evaluated.

1.211 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: 12-31-2013
 Year Enacted in Federal Law: 2004

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	\$0	\$0	\$0

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.

PURPOSE: To encourage film production in the United States.

WHO BENEFITS: Any film or television production company that pays U.S. and Oregon corporate taxes. The size of the benefit will depend on the lag time between production and earning income; the longer the lag time, the greater the benefit of immediate depreciation.

EVALUATION: Not evaluated.

1.212 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
2013-15 Revenue Impact:	\$2,400,000	\$31,000,000	\$33,400,000
2015-17 Revenue Impact:	\$2,400,000	\$31,300,000	\$33,700,000

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 allowed under 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: Not evaluated.

1.213 PROPERTY 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
2013-15 Revenue Impact:	Not Applicable	\$397,700,000	\$397,700,000
2015-17 Revenue Impact:	Not Applicable	\$424,900,000	\$424,900,000

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 assessed value of the property and be charged uniformly across all property in the jurisdiction of the governing entity.

PURPOSE: To promote home ownership by reducing the after-tax cost.

WHO BENEFITS: In 2011, approximately 670,000 filers saved a total of \$172 million in Oregon tax because of this itemized deduction. The average tax savings was about \$257.

2011 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 \$12,000	26,800	\$3,330	\$89.2	\$0.2	<1%
\$12,000 - \$25,200	37,800	\$2,650	\$100.3	\$3.3	2%
\$25,200 - \$44,800	81,100	\$2,560	\$207.4	\$14.4	9%
\$44,800 - \$78,800	172,600	\$2,780	\$480.3	\$40.4	25%
Above \$78,800	269,200	\$4,270	\$1,150.5	\$104.3	64%
All Full-Year Filers	587,500	\$3,450	\$2,027.7	\$162.6	100%
Part-Year and Nonresident Filers	80,900	\$1,500	\$121.2	\$8.9	

*Each income group contains 20 percent of the full-year filers (approximately 320,000)

EVALUATION: Not evaluated.

1.214 HOME MORTGAGE INTEREST

Internal Revenue Code Section: 163(h)

Oregon Statute: 316.695 (Connection to federal personal deductions)

Federal Law Sunset Date: 12-31-13 (mortgage insurance premiums portion)

Year Enacted in Federal Law: 1913

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$929,600,000	\$929,600,000
2015-17 Revenue Impact:	Not Applicable	\$962,400,000	\$962,400,000

DESCRIPTION: Mortgage interest paid by owner-occupants on their primary and secondary residences is deductible from the personal taxable income for taxpayers who itemize deductions. Interest may be deducted on loans up to \$1 million (\$500,000 if married filing separately) for the purchase of the residence and on loans up to \$100,000 (\$50,000 if married filing separately) for home equity loans.

For 2007 through 2013, mortgage insurance premiums were also deductible as interest for insurance contracts issued after 2006. Taxpayers with adjusted gross income under \$100,000 (\$50,000 if married filing separately) could have deducted 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. Deductible mortgage insurance premiums are a small part of this expenditure in 2013-15.

PURPOSE: To promote home ownership by lowering the cost of mortgages.

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Federal Deductions

WHO BENEFITS: The benefit peaked in 2007, when about 660,000 Oregon taxpayers lowered their taxes by a total of about \$588 million using this itemized deduction. In 2011, the numbers had dropped to about 595,000 Oregon taxpayers saving about \$460 million, as shown in the table below.

2011 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 \$12,000	20,000	\$9,150	\$183.0	\$0.6	<1%
\$12,000 - \$25,200	28,600	\$7,340	\$209.9	\$8.8	2%
\$25,200 - \$44,800	71,500	\$7,660	\$547.8	\$42.3	10%
\$44,800 - \$78,800	158,100	\$8,610	\$1,361.3	\$118.3	27%
Above \$78,800	242,700	\$11,840	\$2,874.2	\$262.2	61%
All Full-Year Filers	520,800	\$9,940	\$5,176.2	\$432.2	100%
Part-Year and Nonresident Filers	74,300	\$4,470	\$332.3	\$26.5	

*Each income group contains 20 percent of the full-year filers (approximately 320,000)

EVALUATION: Not evaluated.

1.215 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
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: For income tax purposes, cash accounting typically results in a deferral of taxes relative to the accrual method, which is considered the standard. Most farmers, with the exception of some 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 farms 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.

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*: 2012.)

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

EVALUATION: Not evaluated.

1.216 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
2013-15 Revenue Impact:	Less than \$100,000	\$500,000	\$500,000
2015-17 Revenue Impact:	Less than \$100,000	\$500,000	\$500,000

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: Not evaluated.

1.217 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
2013-15 Revenue Impact:	Less than \$100,000	\$500,000	\$500,000
2015-17 Revenue Impact:	Less than \$100,000	\$500,000	\$500,000

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.

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WHO BENEFITS: Farmers who invest in projects to fertilize and condition their soil.

EVALUATION: Not evaluated.

1.218 COSTS OF RAISING DAIRY AND BREEDING CATTLE

Internal Revenue Code Section: 263A(d)(1)(A)(i)

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: 1916

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$400,000	\$1,100,000	\$1,500,000
2015-17 Revenue Impact:	\$400,000	\$1,100,000	\$1,500,000

DESCRIPTION: Costs incurred in the raising of dairy and breeding cattle can be expensed rather than depreciated in calculating taxable income. Generally, expenses that provide benefits over a number of years must be depreciated. This approach includes dairy and breeding cattle because they generate income over an extended period of time. 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. Producers generally borrow funds to purchase these animals and expenses accrue from the date of purchase for feed, care, etc. Breeding stock and dairy cattle are generally kept for five to eight years or longer. Income is generated from the sale of byproduct (milk) or offspring rather than from the original stock. This expenditure enables producers to expense the purchase along with the costs associated with the animal rather than waiting until the animal is sold.

PURPOSE: To simplify record keeping for farmers and ranchers.

WHO BENEFITS: Farmers who raise dairy or breeding cattle.

EVALUATION: Not evaluated.

1.219 SALE OF STOCK TO FARMERS' COOPERATIVES

Internal Revenue Code Section: 1042(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: 1998

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: The sale of stock of qualified agricultural refiners and food processors to eligible farm cooperatives are exempt from long term capital gains taxes if the taxpayer (seller) purchases replacement property. If the replacement property value is less than the sale price of the original property, then long term capital gains will be recognized only to the extent that the original sale price exceeds the replacement cost.

PURPOSE: To encourage the purchase of food processing facilities by farm cooperatives.
 WHO BENEFITS: Both the buyer and the seller of qualified food processing facilities.
 EVALUATION: Not evaluated.

1.220 EXTENDED CARRYBACK OF FARMING LOSS

Internal Revenue Code Sections: 172(G)
 Oregon Statute: 316.048 (Connection to federal personal taxable income)
 Federal Law Sunset Date: None
 Year Enacted in Federal Law: 1999

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$600,000	\$600,000
2015-17 Revenue Impact:	Not Applicable	\$600,000	\$600,000

DESCRIPTION: This tax expenditure is an exception to a general limit imposed on loss carrybacks. When an individual taxpayer has a net operating loss (operating expenses exceed revenue), the taxpayer may generally elect to subtract the loss amount from income that was taxed in up to two previous years. This provision allows farming losses to be carried back up to five years.

Oregon does not allow net operating loss carrybacks for Oregon corporate taxpayers.

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 large enough to carry back more than the standard two years.

EVALUATION: Not evaluated.

1.221 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
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 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 as usual. 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 transfer recycled materials do not qualify.

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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 Congressional Research Service reports that bills intended to enact this provision referred to the energy savings of recycling as their purpose.
- WHO BENEFITS:** Owners of reuse or recycling property that use the special depreciation rules.
- EVALUATION:** Not evaluated.

1.222 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
2013-15 Revenue Impact:	\$2,400,000	Less than \$100,000	\$2,400,000
2015-17 Revenue Impact:	\$2,700,000	Less than \$100,000	\$2,700,000

- 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.
- PURPOSE:** To encourage development of petroleum, natural gas, and geothermal wells.
- WHO BENEFITS:** The owners incurring the specified expenses for qualified activities.
- EVALUATION:** Not evaluated.

1.223 TERTIARY INJECTANTS

Internal Revenue Code Section: 193

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

Federal Law Sunset Date: None

Year Enacted in Federal Law: 1980

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: A deduction for qualified tertiary injection expenses is allowed for enhanced recovery of natural petroleum deposits. Tertiary injectants are substances such as carbon dioxide injected into oil bearing geological formations to enhance oil recovery from declining reserves.

PURPOSE: To provide incentives to increase oil recovery from declining reserves.

WHO BENEFITS: Owners of nearly depleted oil wells, which require enhanced recovery methods to provide any remaining production.

EVALUATION: Not evaluated.

1.224 DEFERRAL OF CAPITAL GAINS FROM FERC RESTRUCTURING REQUIREMENTS

Internal Revenue Code Section: 451(i)

Oregon Statute: 317.013 (Connection to federal corporate taxable income)

Federal Sunset Date: 12-31-2013

Year Enacted in Federal Law: 2004

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$5,000,000	Not Applicable	\$5,000,000
2015-17 Revenue Impact:	\$-900,000	Not Applicable	\$-900,000

DESCRIPTION: In general, the sale of a depreciable asset for more than the depreciated value creates a taxable capital gain in the year of the sale. This provision allowed the gain from sale of qualified electric transmission property to an independent transmission company to be taken in equal amounts over eight years. This deferral of taxes was available if the sale resulted from a Federal Energy Regulatory Commission (FERC) restructuring policy. Sale proceeds must have been reinvested in other electricity assets within four years.

Deferral of capital gains does not change the cumulative amount of capital gains to be recognized over all years. Therefore, this provision allows a taxpayer to realize a smaller gain in the year of the sale and subsequently larger gains in later years resulting in potentially increased taxes from this provision (reported as a negative revenue impact).

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PURPOSE: “The deferral of gain on the sale of transmission assets was enacted in order to encourage energy transmission infrastructure reinvestment and assist those in the industry who are restructuring. It is intended to foster a more competitive industry by facilitating the unbundling of transmission assets held by vertically integrated utilities.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2012).

WHO BENEFITS: Corporations that sold electricity property to comply with FERC requirements.

EVALUATION: Not evaluated.

1.225 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
2013-15 Revenue Impact:	\$1,200,000	\$500,000	\$1,700,000
2015-17 Revenue Impact:	\$1,600,000	\$500,000	\$2,100,000

DESCRIPTION: Most of the production costs (e.g. interest, property taxes, 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 the 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: Not evaluated.

1.226 EXPENSING AND AMORTIZATION OF REFORESTATION COSTS

Internal Revenue Code Section: 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
2013-15 Revenue Impact:	\$600,000	\$900,000	\$1,500,000
2015-17 Revenue Impact:	\$600,000	\$900,000	\$1,500,000

DESCRIPTION: Qualified reforestation costs incurred after October 31, 2004, 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: Not evaluated.

1.227 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
2013-15 Revenue Impact:	\$200,000	Less than \$100,000	\$200,000
2015-17 Revenue Impact:	\$200,000	Less than \$100,000	\$200,000

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: Not evaluated.

1.228 MINING 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
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 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

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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:** Not evaluated.

1.229 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: 12-31-2013
Year Enacted in Federal Law: 2006

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$800,000	\$1,200,000	\$2,000,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

- DESCRIPTION:** For commercial building owners or leaseholders, a deduction is available for expenditures made on energy efficient commercial property after December 31, 2005 and before January 1, 2014. 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:** Not evaluated.

1.230 ADVANCED MINE SAFETY EQUIPMENT

Internal Revenue Code Section: 179E
Oregon Statute: 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
Federal Law Sunset Date: 12-31-2013
Year Enacted in Federal Law: 2006

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	\$0	\$0	\$0

- DESCRIPTION:** Fifty percent of the cost of qualified mine safety equipment for underground mines may be expensed in the taxable year in which the property is placed in service. This provision is available through December 31, 2013.

PURPOSE: To encourage investment in advanced mine safety equipment.

WHO BENEFITS: There are relatively few Oregon beneficiaries because mining is a relatively small part of Oregon’s economy.

EVALUATION: Not evaluated.

1.231 LIFE INSURANCE COMPANY RESERVES

Internal Revenue Code Sections: 803(a)(2), 805(a)(2) and 807

Oregon Statute: 317.655(2)(f) and (g)

Federal Law Sunset Date: None

Year Enacted in Federal Law: 1984

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$13,000,000	Not Applicable	\$13,000,000
2015-17 Revenue Impact:	\$15,100,000	Not Applicable	\$15,100,000

DESCRIPTION: In calculating corporation taxable income, most businesses cannot deduct expenses until the business becomes liable for paying them. Life insurance companies, however, can deduct additions to reserve accounts for future liabilities. In any year there is a reduction to the reserve account, a corresponding addition to income is required. This effectively allows them to offset current income (in years there is an addition to the reserve) with expenses that will not actually be paid until some future time period. This means that in some years life insurance companies may reduce the amount of reserves and that would actually add to their tax liability. However, most years insurance companies add to reserves.

PURPOSE: To make tax rules consistent with standard industry accounting practices. In the insurance industry, it is common practice to use some form of reserve accounting in estimating net income, and these methods were adopted into the tax code when life insurance companies first became taxable in 1909.

WHO BENEFITS: Life insurance companies.

EVALUATION: Not evaluated.

1.232 ADDITION TO BAD DEBT RESERVES OF SMALL FINANCIAL INSTITUTIONS

Internal Revenue Code Sections: 585 (b) and 593 (b)
Oregon Statute: 317.310
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1947

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000

DESCRIPTION: Financial institutions with an average adjusted asset basis of up to \$500 million are allowed a deduction for a reasonable addition to reserves for bad debts. The amount should not exceed the value determined under the experience method as defined in Internal Revenue Code § 585 (b)(2).

Oregon law requires the amount of reserve addition to bear a reasonable relationship to the actual current loss experience and allows that it be based on a 5, 10, 15, or 20-year moving average.

PURPOSE: To provide tax relief to small financial institutions.

WHO BENEFITS: Small financial institutions.

EVALUATION: Not evaluated.

1.233 PROPERTY AND CASUALTY INSURANCE COMPANY RESERVES

Internal Revenue Code Sections: 832(b)(5) and 846
Oregon Statute: 317.655(2)(f) and (g)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$10,100,000	Not Applicable	\$10,100,000
2015-17 Revenue Impact:	\$11,900,000	Not Applicable	\$11,900,000

DESCRIPTION: In calculating corporation taxable income, most businesses cannot deduct expenses until the business becomes liable for paying them. Property and casualty insurance companies, however, can deduct additions to reserve accounts for future liabilities. In any year there is a reduction to the reserve account, a corresponding addition to income is required. This effectively allows insurers to offset current income (in years there is an addition to the reserve) with expenses that will not actually be paid until some future time period. This means that in some years insurers may reduce the amount of reserves, increasing their tax liability. However, most years insurance companies add to reserves.

PURPOSE: To make tax rules consistent with standard industry accounting practices. For most regulated industries, the tax code was written to be consistent with the accounting rules already used in those industries (in most cases dictated by state regulation). In

the insurance industry it is common practice to use some form of reserve accounting in estimating net income, and those methods were adopted for tax purposes when property and casualty insurance companies first became taxable in 1909.

WHO BENEFITS: Property and casualty insurance companies.

EVALUATION: Not evaluated.

1.234 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
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$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: Not evaluated.

1.235 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
2013-15 Revenue Impact:	\$4,000,000	Less than \$100,000	\$4,000,000
2015-17 Revenue Impact:	\$4,200,000	Less than \$100,000	\$4,200,000

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

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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: According to the Congressional Research Service, 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*: 2012).

WHO BENEFITS: Residential construction contractors are the main beneficiaries.

EVALUATION: Not evaluated.

1.236 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

Year Enacted in Federal Law: 1913

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$2,200,000	\$2,200,000
2015-17 Revenue Impact:	Not Applicable	\$2,400,000	\$2,400,000

DESCRIPTION: Taxpayers who itemize deductions may deduct from personal taxable income nonbusiness casualty and theft losses that are not reimbursed through insurance. 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).

PURPOSE: To reduce the tax burden for taxpayers who experience large casualty and theft losses.

WHO BENEFITS: Approximately 1,100 taxpayers had their taxes reduced by a total of about \$1 million due to reported casualty and theft losses that were not covered by insurance in 2011 as shown in the table below.

2011 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 \$12,000	130	\$22,350	\$2.9	<\$0.1	<1%	
\$12,000 - \$25,200	160	\$11,590	\$1.9	<\$0.1	3%	
\$25,200 - \$44,800	230	\$13,830	\$3.2	\$0.1	12%	■
\$44,800 - \$78,800	250	\$16,360	\$4.1	\$0.3	30%	■
Above \$78,800	210	\$31,030	\$6.5	\$0.5	54%	■
All Full-Year Filers	970	\$19,120	\$18.5	\$0.9	100%	
Part-Year and Nonresident Filers	170	\$9,140	\$1.6	\$0.1		

*Each income group contains 20 percent of the full-year filers (approximately 320,000)

EVALUATION: Not evaluated.

1.237 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
2013-15 Revenue Impact:	Not Applicable	\$200,000	\$200,000
2015-17 Revenue Impact:	Not Applicable	\$200,000	\$200,000

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.

The Arts Tax imposed by the City of Portland qualifies for this deduction. Taxes paid to local governments in other states may also qualify.

PURPOSE: To avoid taxing income that is obligated to another government.

WHO BENEFITS: Taxpayers that pay income taxes to local governments.

EVALUATION: Not evaluated.

1.238 CHARITABLE CONTRIBUTIONS: OTHER

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

Year Enacted in Federal Law: 1917 (personal) and 1935 (corporation)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$4,700,000	\$344,500,000	\$349,200,000
2015-17 Revenue Impact:	\$5,100,000	\$384,500,000	\$389,600,000

DESCRIPTION: Contributions to charitable, religious and certain other nonprofit organizations are allowed as itemized deductions from personal taxable income of amounts up to 50 percent of adjusted gross income. Corporations can deduct from corporate taxable income contributions up to 10 percent of pre-tax income. Taxpayers who donate property may deduct the current market value of the property and do not need to pay tax on any capital gains realized on the property.

Due to the passage of HB 2060 in 2013, a 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.

This is one of three categories of charitable contributions. The others are 1.201, Charitable Contributions: Education; and 1.202, Charitable Contributions: Health.

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- PURPOSE:** To encourage donations to designated charitable organizations.
- WHO BENEFITS:** In 2011, approximately 588,000 Oregon personal income tax returns had a deduction for charitable contributions in one or more of the three categories. The average tax savings for taxpayers who claimed a donation to any charity was about \$300. See the table displayed in 1.201, Charitable Contributions: Education, for detail on beneficiaries by income level.
- EVALUATION:** Not evaluated.

1.301 LAND DONATED TO SCHOOLS

Oregon Statute: 316.852 and 317.488

Sunset Date: 12-31-2007

Year Enacted: 1999

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: The Land Donated to Schools subtraction expired as of December 31, 2007; however, there are revenue impacts for the 2013-15 and 2015-17 biennia due to unused subtraction amounts carried forward to succeeding years. 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.

This program has expired, but carryforward of unused amounts in excess of the limitations may be subtracted from taxable income for up to 15 succeeding years. So a taxpayer who made a donation in 2007 could carryforward unused amounts through 2022.

Oregon law was more generous than federal law in that federal law specified 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 1.201, Charitable Contributions: Education.

PURPOSE: The statutes that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to help schools meet the challenge of providing facilities when faced with rapid student enrollment growth by encouraging developers to donate land.

WHO BENEFITS: Taxpayers who donated land to educational institutions receive the main benefit. For tax year 2012, fewer than ten personal income taxpayers claimed this subtraction.

EVALUATION: Not evaluated.

1.302 OREGON 529 COLLEGE SAVINGS NETWORK

Oregon Statute: 316.699

Sunset Date: None

Year Enacted: 1999

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$18,300,000	\$18,300,000
2015-17 Revenue Impact:	Not Applicable	\$22,400,000	\$22,400,000

DESCRIPTION: A subtraction is allowed from individual taxable income for contributions made to Oregon 529 College Savings Network accounts. The maximum allowable subtraction amount for 2014 is \$4,530 on a joint return or \$2,265 on all other returns and is annually adjusted for inflation. Before 2008, the subtraction amount was limited to \$1,000 for married filing separate returns or \$2,000 for all other filers.

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 are allowed up to the amount necessary to cover the qualified higher education expenses of the beneficiary or limits specified by the Oregon 529 College Savings Board. Contributions over the annual limit may be carried forward for up to four years. Beginning with tax year 2012, taxpayers may 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, 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 1.003, Qualified Education Savings (Federal).

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to increase the ability of families and individuals to save for higher education.

WHO BENEFITS: Oregon personal income taxpayers that contribute to Oregon 529 College Savings Network accounts. The table below shows usage of this subtraction for tax year 2012.

2012 Personal Income Tax Filers						
Income Group	Number of Filers Taking Subtraction	Average Subtraction (\$ millions)	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group	
Below \$12,400	360	\$1,891	\$0.7	<\$0.1	<1%	
\$12,400 - \$26,000	460	\$1,629	\$0.7	<\$0.1	<1%	
\$26,000 - \$46,400	1,200	\$1,650	\$2.0	\$0.1	2%	
\$46,400 - \$81,800	4,810	\$1,832	\$8.8	\$0.8	10%	
Above \$81,800	23,730	\$2,978	\$70.7	\$6.5	87%	
All Full-Year Filers	30,560	\$2,713	\$82.9	\$7.4	100%	
Part-Year and Nonresident Filers	820	\$2,660	\$2.2	\$0.1		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Higher Education Coordinating Commission*

This tax expenditure is a fiscally effective method of achieving its purpose, which is to increase the ability of families and individuals to save for higher education. The program facilitates spreading the cost of higher education over a longer payment period that may extend prior to the student's enrollment. This expenditure contributes to higher education access and affordability by providing an additional funding mechanism for Oregonians of all income levels.

1.303 SCHOLARSHIP AWARDS USED FOR HOUSING EXPENSES

Oregon Statute: 316.846

Sunset Date: None

Year Enacted: 1999

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$1,300,000	\$1,300,000
2015-17 Revenue Impact:	Not Applicable	\$1,400,000	\$1,400,000

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 2012.

2012 Personal Income Tax Filers						
Income Group	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted	Revenue Impact	Percent of Revenue Impact	by Income Group
of Full-Year Filers*		(\$ millions)	(\$ millions)	(\$ millions)		
Below \$12,400	1,210	\$2,610	\$3.1	\$0.1	19%	
\$12,400 - \$26,000	890	\$3,706	\$3.3	\$0.2	40%	
\$26,000 - \$46,400	380	\$3,967	\$1.5	\$0.1	22%	
\$46,400 - \$81,800	190	\$3,887	\$0.7	\$0.1	12%	
Above \$81,800	80	\$5,663	\$0.4	<\$0.1	7%	
All Full-Year Filers	2,740	\$3,327	\$9.1	\$0.6	100%	
Part-Year and Nonresident Filers	210	\$3,370	\$0.7	<\$0.1		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

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EVALUATION: *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. It makes more funding available to these students, allowing them to complete their education with less debt or need to extend the time in school. The economic and societal returns on the investment are very high.

1.304 ADDITIONAL DEDUCTION FOR ELDERLY OR BLIND

Oregon Statute: 316.695(7)

Sunset Date: None

Year Enacted: 1989

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$14,700,000	\$14,700,000
2015-17 Revenue Impact:	Not Applicable	\$16,500,000	\$16,500,000

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 additional amount is \$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, which replaced the former Oregon Additional Medical Deduction for Elderly in 2013 and required taxpayers to itemize their Oregon deductions to be eligible for the deduction.

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 2012.

2012 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 \$12,400	26,620	\$1,371	\$36.5	\$0.7	15%	█
\$12,400 - \$26,000	15,850	\$1,407	\$22.3	\$1.4	33%	█
\$26,000 - \$46,400	10,210	\$1,404	\$14.3	\$1.0	23%	█
\$46,400 - \$81,800	7,850	\$1,431	\$11.2	\$0.8	19%	█
Above \$81,800	3,040	\$1,501	\$4.6	\$0.4	9%	█
All Full-Year Filers	63,570	\$1,399	\$88.9	\$4.3	100%	
Part-Year and Nonresident Filers	5,800	\$565	\$3.3	\$0.2		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

Since both taxpayers can claim this deduction on a joint return, the 69,370 filers taking the subtraction in the above table represent approximately 89,000 personal

income tax payers claiming the additional deduction. The majority, about 87,000, are elderly individuals.

EVALUATION: *by the 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.

1.305 MEDICAL SUBTRACTION FOR ELDERLY

Oregon Statute: 316.693

Sunset Date: None

Year Enacted: 2013 (HB 3601), Modified in 2014 (SB 1534)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$82,000,000	\$82,000,000
2015-17 Revenue Impact:	Not Applicable	\$117,000,000	\$117,000,000

DESCRIPTION: For tax years beginning on or after January 1, 2013, the amount paid for medical care of an individual and not compensated for by insurance or otherwise may be subtracted from federal taxable income for purposes of calculating Oregon personal income tax liability.

This subtraction is only available if the individual taxpayer has attained the age of:

- 62 before the end of the tax year for 2013
- 63 before the end of the tax year for 2014 and 2015
- 64 before the end of the tax year for 2016 and 2017
- 65 before the end of the tax year for 2018 and 2019
- 66 before the end of the tax year for 2020 and later.

The maximum allowable subtraction of medical expenses attributable to each individual taxpayer meeting the age requirement depends on filing status and income:

Filing status	Federal adjusted gross income	Maximum allowable subtraction per taxpayer
Single, married or Registered	Below \$25,000	\$1,800
Domestic Partner filing separately	\$25,000 - \$49,999 \$50,000 - \$99,999 Above \$100,000	\$1,400 \$1,000 \$0
Married or Registered Domestic Partner filing jointly, Head of household, or qualifying widow(er)	Below \$50,000 \$50,000 - \$99,999 \$100,000 - \$199,999 Above \$200,000	\$1,800 \$1,400 \$1,000 \$0

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Legislation in 2013 (HB 3601) created this expenditure to replace the former Oregon Additional Medical Deduction for Elderly, which, when combined with the federal deduction, allowed taxpayers age 65 and older to deduct the full amount of, and taxpayers age 62 through 65 to deduct most of their medical and dental expenses from Oregon taxable income. For tax year 2012, over 250,000 personal income taxpayers benefitted from the deduction. The 2013 legislation included a graduated increase the age threshold of this provision.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to older taxpayers with medical and dental expenses. 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 260,000 taxpayers used the subtraction for tax year 2013. The average subtracted amount per tax return was approximately \$1,600, resulting in a tax savings of about \$100 per taxpayer.

EVALUATION: *by the 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 SOCIAL SECURITY BENEFITS (OREGON)

Oregon Statute: 316.054
Sunset Date: None
Year Enacted: 1985

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$578,800,000	\$578,800,000
2015-17 Revenue Impact:	Not Applicable	\$650,900,000	\$650,900,000

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 1.016, Social Security Benefits (Federal).

PURPOSE: To comply with Oregon’s Constitution.

WHO BENEFITS: Oregon taxpayers who receive federally taxable Social Security or Railroad Retirement Board benefits. For tax year 2012, more than 3,400 personal income taxpayers claimed an average subtraction of about \$14,800 using the Railroad Retirement Board benefit portion of this provision. The table below shows usage of the Social Security portion of this subtraction for tax year 2012.

2012 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 \$12,400	1,010	\$3,920	\$3.9	\$0.1	<1%
\$12,400 - \$26,000	29,990	\$1,814	\$54.4	\$2.9	1%
\$26,000 - \$46,400	58,670	\$5,972	\$350.4	\$24.8	10%
\$46,400 - \$81,800	74,600	\$14,369	\$1,071.9	\$87.8	35%
Above \$81,800	73,580	\$20,799	\$1,530.4	\$135.6	54%
All Full-Year Filers	237,850	\$12,659	\$3,011.0	\$251.1	100%
Part-Year and Nonresident Filers	22,390	\$4,331	\$97.0	\$7.5	

**Each income group contains 20 percent of the full-year filers (approximately 322,500)*

EVALUATION: *by the 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.

1.307 ARTIST'S CHARITABLE CONTRIBUTION

Oregon Statute: 316.838

Sunset Date: None

Year Enacted: 1979, Modified in 2013 (HB 2060)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$100,000	\$100,000
2015-17 Revenue Impact:	Not Applicable	\$100,000	\$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, as 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.

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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, the charitable organizations themselves, and the organizations' patrons all benefit. For tax year 2012, approximately 690 personal income taxpayers claimed an average subtraction of about \$780 using this provision.

EVALUATION: *by the Oregon Business Development Department*

This tax expenditure has benefited both artists and charitable organizations. It is plainly evident that artworks carry a value beyond the cost of materials. As producers of that value, artists benefit when their donations reflect the "fair market value" of their work. The policy encourages the donation of artworks to charitable organizations and some donations of artists' work to nonprofits may not be made without this tax incentive.

While establishing a fair market value for artworks is more subjective than with mass produced goods, the industry has a known set of best practices that guide artists and organizations to fairly value specific works. Using prior sales of work from the donating or similarly recognized artist is a reasonable test for "market value." As with any rare or unique object, there is some possibility of inflated values being placed on donated works of art for the purpose of obtaining larger income tax subtractions. However, the benefits of this tax expenditure outweigh those potential risks.

1.308 INTEREST FROM STATE AND LOCAL GOVERNMENT BONDS

Oregon Statute: 316.056
Sunset Date: None
Year Enacted: 1987

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$300,000	\$300,000
2015-17 Revenue Impact:	Not Applicable	\$300,000	\$300,000

DESCRIPTION: Interest and/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 bonds.

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 and/or dividends that are taxed at the federal level but not by Oregon. See tax expenditure 1.056, Interest on Oregon State and

Local Debt, for information related to interest and/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 Oregon state 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 2012, approximately 680 personal income taxpayers claimed an average subtraction of about \$2,200 using this provision. The State of Oregon and local governments also benefit because this provision reduces the costs of borrowing.

EVALUATION: *by the Oregon Business Development Department*

Nearly every state provides an interest income exemption for bonds of in-state municipal issuers. This allows municipal issuers to benefit from lower than market interest rates. In addition, the subtraction encourages state residents to purchase bonds of in-state issuers, which helps to create a market for the bonds and provide liquidity.

Very few nonqualified private activity bonds are issued in Oregon. Without the federal tax exemption, most projects do not find this source of funding attractive relative to conventional funding sources. In addition, private activity bonds are more likely to be privately placed with institutional investors rather than sold to individual investors, who would benefit from a personal tax subtraction.

When private activity bonds are issued on behalf of individuals or businesses, it is typically for projects that are expected to result in the creation or retention of jobs, which in turn increases income. For private activity bonds issued through the Oregon Business Development Commission, the department performs a cost effectiveness analysis to ensure that the public benefits of a project exceed the public costs. Projects must meet this cost effectiveness test to be eligible for the program, unless the projects are 'exempt facility' projects under the Federal Internal Revenue Code such as solid waste disposal/recycling facilities."

1.309 OREGON INVESTMENT ADVANTAGE

Oregon Statutes: 316.778 and 317.391

Sunset Date: None (partial sunset 6/30/2016 of expanded county eligibility criteria)

Year Enacted: 2001

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$1,400,000	\$3,400,000	\$4,800,000
2015-17 Revenue Impact:	\$1,400,000	\$2,600,000	\$4,000,000

NOTE: The revenue impact estimate includes the effect of the partial sunset.

DESCRIPTION: Income from qualifying business operations may be subtracted from Oregon taxable personal and corporate income. To claim the subtraction, the business firm must receive preliminary certification from the Oregon Business Development Department (OBDD) before hiring or any construction work is done. To qualify for preliminary certification, all of the following must be true:

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- The proposed facility site is in an eligible location, generally within an urban growth boundary of a city of 15,000 or fewer residents, or on industrially zoned land in a larger city or unincorporated area.
- The proposed facility is intended to operate for at least 10 years.
- The firm intends to hire five or more full-time year-round employees at a wage that is at least 50 percent higher than the per capita personal income for the county, or at the per capita personal income for the county and provide health insurance (wage and benefit requirements do not apply if preliminary certification was issued before 2011).
- The proposed operations at the facility constitute new business operations, unlike what the firm does anywhere else in Oregon.
- These operations do not compete with existing employers in the city or county where the facility is located.

In order to claim the exemption in a tax year once facility operations have begun, the business applies annually to OBDD for certification in order to claim the exemption, indicating compliance each year with the above hiring and compensation requirements. If a firm does not comply in a particular year of application, it is disqualified from the program for that year and all subsequent years.

Legislation in 2011 (HB 3672) created a delay of the first annual certification application until not less than 24 months after facility operations commenced, effectively reducing the maximum duration of the subtraction from ten to eight years. Depending on the timing of operations relative to the business firm's tax year, a firm may be able to claim the subtraction for nine years.

Legislation in 2005 introduced temporary adjustments to the unemployment and income criteria that resulted in a broader base since additional counties qualified for this provision. These unemployment and income criteria reverted back to the original, more restrictive definition after calendar year 2010. Legislation in 2011 then reinstated the broader county eligibility criteria for July 1, 2011 through June 30, 2016.

As of July 1, 2014, business firms may apply to receive preliminary certification for locations in the following nineteen eligible counties: Baker, Coos, Crook, Curry, Deschutes, Douglas, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Linn, Malheur, Polk, Umatilla, Wallowa and Wheeler. When the expanded county eligibility criteria sunsets on June 30, 2016, fewer counties are expected to be eligible.

Exempt corporate income of a business firm is determined by multiplying the firm's taxable income by the sum of:

- Fifty percent of the ratio of the payroll of the business firm from employment at the certified facility over total statewide payroll of the business firm
- Fifty percent of the ratio of the average value of the property of the business firm at the certified facility over the average value of the property of the business firm statewide.

For a personal income taxpayer who receives exempt income from a firm that owns the certified facility, the taxpayer's Oregon-based federal taxable income is prorated

based upon the amount of adjusted gross income the taxpayer reported on the federal return attributable to this firm relative to the firm's overall income.

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.

WHO BENEFITS: Businesses investing in new facilities in areas with low income or high unemployment rates. In tax year 2012, thirty-three personal income taxpayers saved approximately \$86,500, on average, using this subtraction. Fewer than five corporate income taxpayers used the subtraction for tax year 2012. During the 2013-14 fiscal year, OBDD issued annual certifications for 15 businesses.

EVALUATION: *by the Oregon Business Development Department*

In 2005, the broader eligibility definitions allowed for substantially more counties across the state to be eligible. This improved marketing efficiency and contributed to local appreciation of the program, which led to a diverse pool of applicants who so far have created around 1,000 new, good jobs, notably in parts of the state that struggle economically, although one facility accounts for half of the department.

Depending on a business firm's state income tax situation and the nature of the facility, this exemption can be quite enticing for developments ranging from small business owners to very large corporate projects in many parts of rural Oregon. It is, however, a complex incentive, requiring sophisticated tax knowledge to identify the benefit in any given case.

The 2011 reinstatement of the broader eligibility definitions does not necessarily increase the relative number of participating counties as much as it once did. In addition, the concurrent legislative change to delay and reduce the years in which the exemption can be used has significantly complicated and compromised marketing of the program. Since the change took effect, only four preliminary certifications have been issued.

1.310 INVESTMENT OF SEVERANCE PAY

Oregon Statute: 316.856(2)

Sunset Date: 12-31-2013

Year Enacted: 2010

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Not Applicable	\$0	\$0

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: For tax years beginning January 1, 2010 through December 31, 2013, an individual was allowed to subtract severance pay that the individual received and invested in a new or existing small business in Oregon if all of the following conditions were met:

- The investment occurred on or before the due date for the return for the tax year or the expiration of the extension period for filing that return
- The investment continued for at least 24 months following termination of employment

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- The taxpayer materially participated in the small business
- The small business was not the employer that paid the severance pay and did not have any owner in common with the employer that paid the severance pay.

The subtraction was limited to the lesser of \$500,000, or the amount that remained “invested by the taxpayer in the small business at the close of any month during the 24 months following termination of employment,” and could be claimed only once by the taxpayer. (ORS 316.856)

The Department of Revenue had authority to disallow the subtraction and collect the resulting taxes if a taxpayer was not in compliance with any conditions of this provision.

PURPOSE: The statute that allowed this expenditure did not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3627 (2010), the purpose of this subtraction was “... to encourage entrepreneurship and provide additional working capital to new and small Oregon businesses.”

WHO BENEFITS: Taxpayers who invested their severance pay in an Oregon small business. Approximately ten taxpayers received benefit from this provision.

EVALUATION: Not evaluated.

1.311 DIVIDEND RECEIVED FROM AN IC-DISC

Oregon Statute: 316.749, Oregon Laws 2014, Chapter 114, Section 3
Sunset Date: None
Year Enacted: 2013 (HB 3601), Modified in 2014 (SB 1534)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not applicable	\$7,000,000	\$7,000,000
2015-17 Revenue Impact:	Not applicable	\$10,000,000	\$10,000,000

DESCRIPTION: Legislation in 2013 (HB 3601) created new provisions for the tax treatment of interest charge - domestic international sales corporations (IC-DISCs). An IC-DISC is defined in section 992 of the Internal Revenue Code and is not subject to federal income taxation. For tax years beginning on or after January 1, 2013, a taxpayer may subtract from Oregon taxable income any dividend received from an IC-DISC that was formed on or before January 1, 2014.

The IC-DISC has to be subject to the tax imposed under ORS 317.283(2)(a) for the taxpayer receiving a dividend to qualify for the Oregon subtraction. Prior to 2013, Oregon did not recognize transactions between a taxpayer and a related foreign sales corporation, so IC-DISCs were not taxed. For tax years beginning on or after January 1, 2013, an IC-DISC formed on or before January 1, 2014 is subject to a 2.5 percent tax on commission income received. These IC-DISCs are exempt from the corporate minimum tax. IC-DISCs formed after January 1, 2014 are not taxed.

Through another related provision, taxpayers may deduct commission payments made to an IC-DISC from federal taxable income. Prior to 2013, commission payments made to a related IC-DISC were “added back” to Oregon taxable income. However, taxpayers are allowed an Oregon deduction of commission payments made

to IC-DISCs that were formed on or before January 1, 2014. Commission payments made to IC-DISCs formed after this date are added back to Oregon taxable income.

Although this tax expenditure reduces revenue through a subtraction from personal income, as indicated in the revenue impact figures above, the tax on IC-DISCs generates a revenue gain by increasing corporate tax revenue. This gain, taking into account the impact of commission payments that are subtracted from Oregon taxable income, is estimated to be approximately \$2M for the 2013-15 biennium, and approximately \$3M for 2015-17 biennium. The net impact of the revenue gain through the increase in corporate taxes and the revenue loss through the decrease in personal income taxes is an overall decrease in Oregon’s General Fund.

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 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.

EVALUATION: *by the Oregon Business Development Department*

There is insufficient data available at this time for an analysis of this tax expenditure; this provision applies to tax years beginning on or after January 1, 2013.

1.312 INDIVIDUAL DEVELOPMENT ACCOUNTS (EXCLUSION AND SUBTRACTION)

Oregon Statute: 316.848
Sunset Date: None
Year Enacted: 1999

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 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 the Neighborhood Partnership Fund, 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

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residence; certain improvements and repairs to a primary residence; purchase of equipment or training needed to obtain or maintain employment; and capitalization of a small business. Account holders may not accrue more than \$3,000 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. See 1.302, Oregon 529 College Savings Network.

There are two other tax expenditures closely related to this program: 1.426, Individual Development Account Donation (Credit), provides a credit for individuals or businesses that make contributions to the Oregon IDA Initiative through Neighborhood Partnerships to support IDA programs; and 1.427, Individual Development Account Withdrawal (Credit), provides a credit for IDA withdrawals that are used to fund closing costs associated with the purchase of a primary residence.

- 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:** For tax year 2012, approximately 230 personal income taxpayers claimed an average subtraction of about \$1,100 using this provision.
- EVALUATION:** Not evaluated.

1.313 MOBILE HOME PARK CAPITAL GAIN

Oregon Statute: Note following 317.401
Sunset Date: 12-31-2019
Year Enacted: 2005, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: For tax years beginning January 1, 2006 through December 31, 2019, individuals or corporations that sell a manufactured dwelling park may subtract the taxable gain from Oregon taxable income if the sale was made to one of the following:

- A tenants’ association (ORS 90.820)
- A facility purchase association (ORS 90.100(15), 90.820)
- A tenants’ association supported nonprofit organization (ORS 90.820)
- A community development corporation (ORS 458.210)
- A housing authority (ORS 456.005).

Legislation in 2013 extended the sunset for this expenditure to December 31, 2019.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage sales of manufactured dwelling parks to one of the listed organizations as an alternative to closure.

WHO BENEFITS: Owners of manufactured dwelling parks that sell to one of the listed organizations and have a gain as a result of the sale. Few taxpayers have used this expenditure.

EVALUATION: Not evaluated.

1.314 MOBILE HOME TENANT PAYMENT

Oregon Statute: 316.795 and 317.092
Sunset Date: None
Year Enacted: 2007

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: Under state law, an owner of a manufactured dwelling park is required to pay each manufactured dwelling homeowner between \$5,000 and \$9,000 if the homeowner is forced to relocate or abandon their property due to the park's closure. This subtraction allows the homeowner to subtract the payment from Oregon taxable income.

The payment amount depends on the size of the dwelling. The owner of a single-wide manufactured dwelling will receive \$5,000; the owner of a double-wide manufactured dwelling will receive \$7,000; and the owner of a triple-wide manufactured dwelling will receive \$9,000.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide tax relief 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 2012, very few personal income taxpayers claimed this subtraction.

EVALUATION: Not evaluated.

1.315 FILM PRODUCTION LABOR REBATE

Oregon Statute: 316.698 and 317.394

Sunset Date: Taxpayers must receive certification by 12-31-2017

Year Enacted: 2005

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$600,000	Less than \$100,000	\$600,000
2015-17 Revenue Impact:	\$600,000	Less than \$100,000	\$600,000

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. 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 2011 extended the scheduled sunset of the provision from December 31, 2011 to December 31, 2017.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose of this expenditure is to encourage more film, television and television commercial production in the state of Oregon.

WHO BENEFITS: Persons and businesses engaging in film production with expenses over \$1 million. The Department transferred more than \$4.4 million to the GOLRF in both fiscal year 2013 and fiscal year 2014.

EVALUATION: *by the Oregon Film and Video Office*

This tax expenditure achieves its purpose of 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 Greenlight Oregon Labor Rebate, in tandem with the Oregon Production Investment Fund, is integral in Oregon's ability to compete with the 40 other US states that offer production incentives and is directly responsible for the \$275 million of out-of-state film, television and commercial production spending that was recorded in calendar year 2013-2014. This number was the highest number to date.

In addition to helping recruit out-of-state productions into Oregon, this program also supports Oregon's indigenous commercial production industry. Combined, these two production sectors account for over \$425 million in direct production output and impact nearly 9,000 jobs. Perhaps the most important result of the Greenlight program and the Oregon Production Investment fund is that the two programs have made it possible for Oregon to maintain a deep and talented workforce as well as necessary infrastructure.

1.316 ENERGY CONSERVATION SUBSIDIES (OREGON)

Oregon Statutes: 316.744 and 317.386

Sunset Date: None

Year Enacted: 1981

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Not Applicable	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 Residential Energy Conservation Act (ORS 469.631–469.687) can be subtracted from corporate and personal taxable income.

For personal income taxpayers, federal law already exempts these payments for residential energy customers from personal taxable income; see 1.040, Energy Conservation Subsidies (Federal). Therefore, under current federal law this tax expenditure does not apply to personal income tax. These cash payments to corporations are not exempt at the federal level and therefore can be excluded from their Oregon taxable income.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to promote energy conservation by encouraging corporate owners of rental housing to participate in conservation programs sponsored by utilities, and to install energy-conserving devices.

WHO BENEFITS: Owners of rental housing who receive cash payments from utilities as part of energy conservation programs.

EVALUATION: Not evaluated.

1.317 DEPLETION COSTS FOR METAL MINES

Oregon Statute: ORS 317.374

Sunset Date: None

Year Enacted: Pre-1953

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

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 receipts from the metal

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mine. Up to 50 percent of the net income from the metal mine may be deducted using the depletion allowance based on gross receipts 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:** Metal mining companies using the percentage depletion method.
- EVALUATION:** Not evaluated.

1.318 WET MARINE AND TRANSPORTATION POLICIES

Oregon Statute: 317.080(8)
Sunset Date: None
Year Enacted: 1995

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$300,000	Not Applicable	\$300,000
2015-17 Revenue Impact:	\$300,000	Not Applicable	\$300,000

DESCRIPTION: Foreign or alien insurers (those formed under the laws of a state other than Oregon or a country other than the United States) that write wet marine and transportation (often referred to as ocean marine) insurance are exempt from the corporate excise tax and the retaliatory tax related to this line of business. However, insurers that write wet marine and transportation insurance pay a tax based upon underwriting profits (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.

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: Foreign or alien insurers who sell wet marine and transportation policies and potentially their policyholders who include ports and interstate transportation carriers, including marine, railroad, and aircraft, benefit by reducing the cost of providing these transportation services.

IN LIEU: A 5 percent tax is imposed on the average wet marine insurance underwriting profit during the previous three years. For calendar year 2013, 66 ocean marine insurers had premiums; 35 of these insurers paid about \$67,000 in tax based on underwriting profits from writing wet marine and transportation insurance.

EVALUATION: *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 was eliminated, Oregon would have a unique tax structure compared to other states. If the tax subtraction was repealed, it could potentially put the policy holders at a competitive disadvantage with other states.

1.319 HYDROELECTRIC DAM AND WATERWAY WORKERS

Federal Law: USC 46, Sect. 11108 (P.L. 106-489), USC 4 sect. 111 (P.L. 105-261)

Oregon Statute: 316.127(8)(10)

Sunset Date: None

Year Enacted: 1997

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Not Available	Not Available
2015-17 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 operated dams on the Columbia River. In 2001, compensation earned by all nonresident dam workers on the Columbia, not just the federal employees working at the dams was made nontaxable.

Under federal law enacted in 2001 (P.L. 106-489), Oregon cannot tax nonresidents working on ships that operate on navigable waters of more than one state.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to comply with federal law and simplify tax compliance for 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 boats operated on navigable waters of more than one state.

EVALUATION: *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.

1.320 OREGON STATE LOTTERY PRIZES

Oregon Statute: 461.560
Sunset Date: None
Year Enacted: 1985

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$400,000	\$400,000
2015-17 Revenue Impact:	Not Applicable	\$300,000	\$300,000

DESCRIPTION: Oregon State Lottery (Lottery) prizes up to \$600 are exempt from Oregon personal income tax. 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 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 2012, approximately 400 personal income taxpayers claimed an average subtraction of about \$13,000 using this provision. Most of the benefit is derived from individuals subtracting winnings where the winning ticket was purchased prior to January 1, 1998. The table below shows usage of this subtraction for tax year 2012.

2012 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 \$12,400	60	\$648	<\$0.1	<\$0.1	<1%	
\$12,400 - \$26,000	100	\$1,145	\$0.1	<\$0.1	3%	
\$26,000 - \$46,400	100	\$1,003	\$0.1	<\$0.1	4%	
\$46,400 - \$81,800	100	\$916	\$0.1	<\$0.1	3%	
Above \$81,800	80	\$33,447	\$2.5	<\$0.1	90%	
All Full-Year Filers	420	\$6,803	\$2.8	\$0.2	100%	
Part-Year and Nonresident Filers	20	\$2,240	<\$0.1	<\$0.1		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *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 85percent of all Traditional Lottery prizes won are less than \$600 and are paid to winners by a Statewide 3,200 retailer network. The remaining prizes above \$600 are subject to reporting and taxation and/or withholding. 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 2013 (based on the number of prizes awarded above \$600) 19,422 W2G's were sent to DOR resulting in the remittance of \$603,734 in tax withholding. As with Traditional prizes, the majority of 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 Salem to claim smaller prizes and would be a burden for both winners and the Lottery.

It stands to reason that many consumers would no longer play games if the tax exemption on prizes of \$600 were eliminated, thereby significantly reducing sales and profits for the public purpose. Based on 2014 sales levels, if the subtraction were eliminated and the result was a 2 percent drop in sales, the impact on Video product sales alone would be a reduction in funds transferred to the Economic fund of more than \$2 million for the 2015-17 biennium. Combined with a similar estimated loss of Traditional product sales, the impact of the elimination of the exemption far exceeds the projected revenue benefit that may result from elimination of the \$600 exemption. In addition, there would be significant costs to program Lottery gaming systems, to send out reporting and withholding documents for the vast majority of prizes paid by the Lottery, and to process payments to players.

1.321 INCOME EARNED IN INDIAN COUNTRY

Oregon Statute: 316.777

Sunset Date: None

Year Enacted: 1977

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$6,100,000	\$6,100,000
2015-17 Revenue Impact:	Not Applicable	\$6,700,000	\$6,700,000

DESCRIPTION: Income earned within the boundaries of federally recognized Indian country (as defined in 18 USC 1151) in Oregon by members of federally recognized 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.

PURPOSE: To comply with federal law.

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WHO BENEFITS: Tribal members who earn income in Indian country. The table below shows usage of this subtraction for tax year 2012.

2012 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 \$12,400	430	\$6,023	\$2.6	<\$0.1	1%	
\$12,400 - \$26,000	540	\$16,193	\$8.8	\$0.3	11%	■
\$26,000 - \$46,400	520	\$29,580	\$15.4	\$0.8	29%	■
\$46,400 - \$81,800	280	\$42,313	\$12.0	\$0.8	28%	■
Above \$81,800	170	\$66,823	\$11.3	\$0.9	31%	■
All Full-Year Filers	1,950	\$25,748	\$50.1	\$2.8	100%	
Part-Year and Nonresident Filers	30	\$11,567	\$0.3	<\$0.1		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

1.322 FEDERAL PENSION INCOME

Oregon Statute: 316.680(1)(f)
Sunset Date: None
Year Enacted: 1998

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$129,200,000	\$129,200,000
2015-17 Revenue Impact:	Not Applicable	\$129,700,000	\$129,700,000

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 vs. Michigan*).

PURPOSE: To comply with federal law.

WHO BENEFITS: The table below shows usage of this subtraction for tax year 2012.

2012 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction (\$ millions)	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$12,400	1,720	\$7,775	\$13.4	\$0.1	<1%
\$12,400 - \$26,000	6,360	\$13,797	\$87.8	\$3.0	5%
\$26,000 - \$46,400	9,310	\$20,172	\$187.7	\$9.4	15%
\$46,400 - \$81,800	13,140	\$25,975	\$341.4	\$22.0	35%
Above \$81,800	11,640	\$30,098	\$350.2	\$28.8	45%
All Full-Year Filers	42,170	\$23,251	\$980.5	\$63.4	100%
Part-Year and Nonresident Filers	960	\$21,451	\$20.7	\$1.0	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

1.323 LEGISLATIVE PER DIEM AND ALLOWANCE

Oregon Statute: 171.072(7)

Sunset Date: None

Year Enacted: 1967

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$100,000	\$100,000
2015-17 Revenue Impact:	Not Applicable	\$100,000	\$100,000

DESCRIPTION: Members of the Oregon Legislature are allowed to subtract from income a legislative per diem and/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. A deduction may be claimed for reimbursements of actual expenses related to legislative work, as well as ordinary and necessary business expenses in excess of the reimbursements. 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 increase the benefits available to members serving in Oregon's Legislature.

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WHO BENEFITS: Members of the Oregon Legislative Assembly. For tax year 2012, 69 taxpayers claimed an average subtraction of about \$5,500.

EVALUATION: Not evaluated.

1.324 FEDERAL INCOME TAX SUBTRACTION

Oregon Statutes: 316.680(1)(b), 316.685, and 316.695
Sunset Date: None
Year Enacted: 1929, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$715,700,000	\$715,700,000
2015-17 Revenue Impact:	Not Applicable	\$730,900,000	\$730,900,000

DESCRIPTION: Taxpayers are allowed a limited subtraction for their current year’s federal income liability after credits. The subtraction limit is \$6,350 for 2014 (indexed to inflation). Legislation in 2013 reduced the subtraction limit for married/register domestic partnership filing separately taxpayers to 50 percent of the amount allowed for single taxpayers.

In 2009, the Legislature modified the Federal Income Tax Subtraction, so that the maximum allowable subtraction is reduced for high income filers. Filers with a filing status of single or married/register domestic partnership filing separately with an adjusted gross income of \$125,000 to \$145,000 have a reduced limit. Filers with other filing statuses with an adjusted gross income of \$250,000 to \$290,000 also have a reduced limit. For filers with an adjusted gross income above their respective upper limit, the subtraction is zero.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide tax relief to taxpayers with a federal tax liability, whose income is below a certain threshold.

WHO BENEFITS: The table below shows usage of this subtraction for tax year 2012.

2012 Personal Income Tax Filers					
Income Group of Full-Year Filers*	Number of Filers Taking Subtraction	Average Subtraction (\$ millions)	Total Subtracted (\$ millions)	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$12,400	51,290	\$208	\$10.7	\$0.8	<1%
\$12,400 - \$26,000	174,470	\$864	\$150.8	\$13.0	4%
\$26,000 - \$46,400	246,840	\$2,335	\$576.3	\$49.9	15%
\$46,400 - \$81,800	300,140	\$4,477	\$1,343.6	\$117.5	36%
Above \$81,800	288,520	\$5,771	\$1,665.2	\$148.6	45%
All Full-Year Filers	1,061,260	\$3,530	\$3,746.5	\$329.7	100%
Part-Year and Nonresident Filers	140,770	\$1,898	\$267.1	\$21.3	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

Single filers will generally benefit the most, as their subtraction limit is the same as joint filers (below the phase-out limits). Joint filers with dependents will generally

benefit the least, as they typically have relatively lower federal tax liability due to more exemptions and child credits. For tax year 2012, full-year single filers were able to reduce their Oregon taxable income by 8.0 percent on average, joint filers without dependents by 5.7 percent on average, and joint filers with one or more dependents by 3.4 percent on average, using this subtraction

EVALUATION: *by the Department of Revenue*

This provision achieves its purpose by providing tax relief to taxpayers with a federal tax liability, whose income is below a certain threshold.

1.325 MILITARY ACTIVE DUTY AND RELATED PAY

Oregon Statutes: 316.792

Sunset Date: None

Year Enacted: 1969

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$53,000,000	\$53,000,000
2015-17 Revenue Impact:	Not Applicable	\$58,400,000	\$58,400,000

DESCRIPTION: Typically, taxpayers 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
 - 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.

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.

Income Tax
Oregon Subtractions

In 2007, the Legislature added language to the statutes allowing employees of the Oregon Military Department (who may or may not be members of the military) to subtract up to \$6,000 of income earned while performing duties for the Oregon National Guard Youth Challenge Program. This provision applied to tax years 2008 through 2011.

PURPOSE: The statutes that allow this tax expenditure do not explicitly state a purpose. Presumably, the purpose is to provide additional compensation for military personnel for service to their country.

WHO BENEFITS: Military members who are Oregon residents or domiciled in Oregon. The table below shows usage of this subtraction for tax year 2012.

2012 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 \$12,400	1,550	\$6,584	\$10.2	\$0.3	2%	
\$12,400 - \$26,000	3,930	\$14,423	\$56.7	\$3.0	20%	■
\$26,000 - \$46,400	3,420	\$20,911	\$71.5	\$4.2	28%	■
\$46,400 - \$81,800	2,370	\$25,995	\$61.7	\$3.9	27%	■
Above \$81,800	1,490	\$30,999	\$46.2	\$3.5	23%	■
All Full-Year Filers	12,760	\$19,294	\$246.3	\$14.8	100%	
Part-Year and Nonresident Filers	5,280	\$27,274	\$144.0	\$9.5		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the 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.

1.326 INTEREST AND DIVIDENDS ON U.S. OBLIGATIONS

Oregon Statute: 316.680

Sunset Date: None

Year Enacted: 1970

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$47,400,000	\$47,400,000
2015-17 Revenue Impact:	Not Applicable	\$47,800,000	\$47,800,000

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 purchase U.S. government bonds. The table below shows usage of this subtraction for tax year 2012.

2012 Personal Income Tax Filers						
Income Group	Number of Filers Taking Subtraction	Average Subtraction	Total Subtracted	Revenue Impact	Percent of Revenue Impact	
of Full-Year Filers*		(\$ millions)	(\$ millions)	(\$ millions)	by Income Group	
Below \$12,400	5,900	\$788	\$4.6	\$0.1	1%	
\$12,400 - \$26,000	5,770	\$1,078	\$6.2	\$0.3	5%	
\$26,000 - \$46,400	7,010	\$1,328	\$9.3	\$0.5	9%	
\$46,400 - \$81,800	11,180	\$1,511	\$16.9	\$1.2	20%	
Above \$81,800	19,260	\$2,294	\$44.2	\$3.8	65%	
All Full-Year Filers	49,110	\$1,654	\$81.2	\$5.9	100%	
Part-Year and Nonresident Filers	6,110	\$27,042	\$165.3	\$15.3		

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

1.401 CONTRIBUTIONS OF COMPUTER EQUIPMENT

Oregon Statute: 317.151
Sunset Date: 12-31-2013
Year Enacted: 1985

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000

DESCRIPTION: The Contributions of Computer Equipment credit expired as of December 31, 2013; however, there are revenue impacts for the 2013-15 and 2015-17 biennia due to unused credit amounts carried forward to succeeding years. A credit against corporation 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. 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 was still allowed.

This credit was in lieu of any deduction based on the contribution. This program has expired, but unused credit amounts due to insufficient tax liability may be used in later years, for up to five years. So a taxpayer who made a donation in 2013 could carry forward unused amounts through 2018.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage firms to donate computers and scientific equipment to educational institutions.

WHO BENEFITS: The use of this credit varies from year to year, but in most years fewer than five corporations benefit from this credit. The schools receiving contributions also benefit.

EVALUATION: Not evaluated.

1.402 EMPLOYER PROVIDED SCHOLARSHIPS

Oregon Statute: 315.237

Sunset Date: 12-31-2019

Year Enacted: 2001, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 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. Nonresidents and part-year residents multiply their credit by their Oregon percentage. 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 and 250 employees, and have their scholarship program and credit amount certified by the Oregon Student Assistance Commission. There is a \$1 million cap on the total amount of credits that can be certified by the commission per calendar year, and the total lifetime amount of credits an employer may claim is limited to \$1 million.

Legislation in 2013 extended the scheduled sunset of the provision from December 31, 2013 to December 31, 2019.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage businesses to fund a greater share of the education costs of their employees using a program they can tailor to their specific needs.

WHO BENEFITS: Employers benefit directly through reduced taxes. Students receiving scholarships benefit as well to the extent that additional scholarship money becomes available. As of May 2014, the Student Assistance Commission had approved fewer than five employer programs for tax year 2013.

EVALUATION: Not evaluated.

1.403 EARNED INCOME CREDIT

Oregon Statute: 315.266

Sunset Date: 12-31-2019

Year Enacted: 1997, Modified in 2013 (HB 3601 and HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$85,200,000	\$85,200,000
2015-17 Revenue Impact:	Not Applicable	\$104,800,000	\$104,800,000

NOTE: The revenue impact estimate includes both the refundable and nonrefundable portions.

DESCRIPTION: Taxpayers eligible for the federal earned income credit, a refundable federal income tax credit for low income working individuals and families, may claim an Oregon credit equal to 8 percent of the federal credit. At inception, the Oregon credit was 5 percent of the federal earned income credit and increased to 6 percent in 2008. Beginning January 1, 2014, the Oregon credit increased from 6 percent to 8 percent of the federal earned income credit.

In 2006 the Oregon earned income credit became a refundable credit. To the extent that the state credit exceeds a taxpayer’s liability (reduced by any nonrefundable credits), the taxpayer is entitled to a payment of the excess.

In 2009 the American Recovery and Reinvestment Act (ARRA) provided a temporary expansion in the federal credit for married couples and families with three or more children. This expansion was first extended through December 2012 by the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 and later extended through December 2017 by the American Taxpayer Relief Act of 2012. Changes to the federal credit directly affect the Oregon credit. For more details on the federal credit, see IRS Publication 596: Earned Income Credit at [www.irs.gov/uac/Publication-596,-Earned-Income-Credit-\(EIC\)](http://www.irs.gov/uac/Publication-596,-Earned-Income-Credit-(EIC)).

Legislation in 2013 extended the scheduled sunset of the Oregon earned income credit from December 31, 2013 to December 31, 2019.

PURPOSE:

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to increase after-tax incomes of low-income working families and individuals, to offset the burden of Social Security taxes, and to provide an incentive to work for those with little or no earned income.

WHO BENEFITS:

The table below shows usage of this credit for tax year 2012.

2012 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 \$12,400	102,220	\$69	\$7.1	22%
\$12,400 - \$26,000	87,010	\$197	\$17.2	54%
\$26,000 - \$46,400	66,780	\$111	\$7.4	23%
\$46,400 - \$81,800	2,250	\$21	<\$0.1	<1%
Above \$81,800	0	\$0	\$0.0	0%
All Full-Year Filers	258,260	\$123	\$31.7	100%
Part-Year and Nonresident Filers	27,660	\$75	\$2.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

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 \$33.8 million claimed for 2012, almost \$18.8 million was used to reduce tax liability, while the remaining \$15 million exceeded tax liability and was paid directly to taxpayers.

EVALUATION:

by the Department of Human Services

This tax credit allows low-income families to retain needed income to meet needs that otherwise may go unmet or cause them to return to public assistance. By providing this credit, families will retain more resources to better ensure their continued self-sufficiency.

This is a fiscally effective means of assisting low-income families to maintain their self-sufficiency. It costs less to administer the credit than a means test program designed to assist families with little or no earned income.

1.404 CHILD WITH A DISABILITY

Oregon Statute: 316.099

Sunset Date: 12-31-2015

Year Enacted: 1985, Modified in 2013 (HB 3601), 2014 (SB 1534)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$9,300,000	\$9,300,000
2015-17 Revenue Impact:	Not Applicable	\$5,200,000	\$5,200,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: An additional personal exemption credit is allowed for each qualifying dependent child who is disabled. Every nondependent taxpayer in Oregon is allowed one personal exemption credit for himself or herself, one for a spouse, and one for each dependent; this credit is in addition to those. "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 serious 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. The amount of the personal exemption credit and the child with a disability credit is \$191 in 2014, indexed to inflation.

In 2013 the Legislature eliminated all personal exemption credits for joint filers with adjusted gross income above \$200,000, and for single filers with adjusted gross income above \$100,000. But in 2014 the Legislature reinstated the additional personal exemption credits for dependent disabled children, retroactive to tax year 2013.

The amount of the credit is prorated for nonresidents and part-year residents.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to the families of disabled children.

WHO BENEFITS The table below shows usage of this credit for tax year 2012.

2012 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 \$12,400	2,540	\$7	<\$0.1	1%
\$12,400 - \$26,000	4,890	\$111	\$0.6	16%
\$26,000 - \$46,400	5,700	\$166	\$1.1	27%
\$46,400 - \$81,800	5,840	\$176	\$1.2	30%
Above \$81,800	5,230	\$182	\$1.1	27%
All Full-Year Filers	24,200	\$144	\$3.9	100%
Part-Year and Nonresident Filers	2,180	\$84	\$0.2	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the 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.

1.405 RURAL MEDICAL PRACTICE

Oregon Statute: 315.613, 315.616, and 315.619

Sunset Date: 12-31-2015 (for new certifications); 12-31-2023 (for those that qualify in 2013)

Year Enacted: 1989, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$17,100,000	\$17,100,000
2015-17 Revenue Impact:	Not Applicable	\$16,800,000	\$16,800,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A nonrefundable credit of up to \$5,000 against personal income taxes is allowed to certain rural medical providers. They cannot carry forward any unused portion, and the amount of the credit is prorated for nonresidents and part-year residents.

Providers must be certified by the Office of Rural Health. No new certifications are allowed after 2015. Providers that were first certified for tax years 2014 or 2015 may not claim a credit after 2015. Providers that were certified in 2013 or earlier and are eligible for tax year 2013 have an extended sunset date. They can claim the credit for any tax year that they meet the eligibility requirements through 2023. The original statute covered physicians, physician assistants, and nurse practitioners. Certified registered nurse anesthetists were added in 1991, podiatrists and dentists in 1995, and optometrists in 1997.

The credit may be claimed each year as long as the health practitioners maintain their eligibility. Before 1999, there was a 10-year limit for claiming this credit.

For tax years beginning before January 1, 2014, at least 60 percent of the provider’s practice, in terms of time, must be spent in a qualifying rural area to receive the credit. Legislation in 2013 replaced this requirement. Effective for tax years beginning on or after January 1, 2014, the provider must be engaged for at least 20 hours per week, averaged over the month.

Legislation in 2013 also required that, effective January 1, 2014, providers must be willing to serve patients with Medicare coverage and patients receiving medical assistance in at least the same proportion to the provider’s total number of patients as the Medicare and medical assistance populations represent of the total number of persons determined by the Office of Rural Health to be in need of care in the county served by the practice, not to exceed 20 percent Medicare patients or 15 percent medical assistance patients.

Other requirements for eligibility vary by type of provider. For this provision, rural is defined as any area at least ten 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, physicians on staff of a hospital in a metropolitan statistical area (MSA) are not eligible, with the exception of Florence in Lane County and Dallas in Polk County (2001 legislation).

PURPOSE:

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to encourage the establishment and continuation of medical practices in underserved rural areas.

WHO BENEFITS:

Medical professionals who qualify for this \$5,000 tax credit. For the 2013 tax year, 2,032 practitioners were certified by the Office of Rural Health for the credit. The table below shows usage of this credit for tax year 2012. 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 is above the \$5000 credit limit for individuals for the group of filers with income above \$81,800.

2012 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 \$12,400	<10	\$55	<\$0.1	<1%
\$12,400 - \$26,000	10	\$227	<\$0.1	<1%
\$26,000 - \$46,400	20	\$1,438	<\$0.1	<1%
\$46,400 - \$81,800	130	\$3,360	\$0.4	5%
Above \$81,800	1,510	\$5,087	\$7.7	94%
All Full-Year Filers	1,680	\$4,838	\$8.1	100%
Part-Year and Nonresident Filers	180	\$3,290	\$0.6	

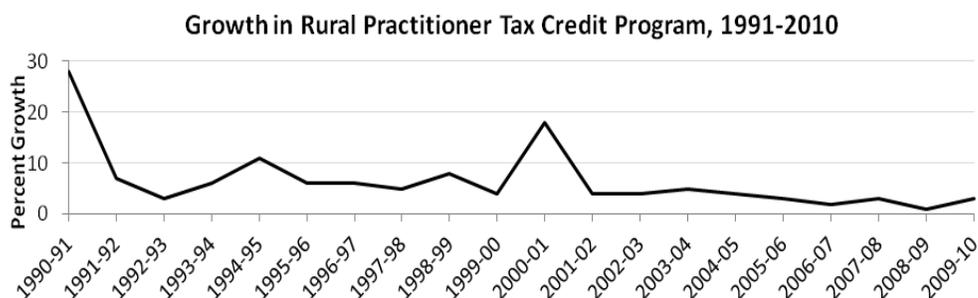
*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION:

by the Office of Rural Health

This tax credit appears to have originally achieved its purpose by attracting new practitioners to rural communities and retaining existing practitioners. A year-by-year analysis of the Office of Rural Health's tax credit data base shows an impressive net gain of 1,494 practitioners in rural areas eligible for the tax credit since 1990.

The tax credit has been most successful in attracting new nurse practitioners to rural areas, and their figures have grown from 61 in 1990 to 463 for tax year 2013. Initially, Oregon experienced a remarkable gain in rural physicians and other practitioners, but that growth is slowing:



Reasons for the decreasing growth rate may include (1) a general shortage in health care workforce statewide; (2) aging of the overall workforce (the greatest concentration of physicians is now in the 51-60 age group — much higher than the rest of the population); and (3) perhaps most significantly, the tax credit has not increased for 20 years, while the medical consumer price index has risen substantially.

The marginal increases in recent years does not in any way indicate that adequate numbers of health care practitioners have been recruited to serve the needs of rural Oregonians. According to 2013 licensure data, urban Oregon had 323 physicians per 100,000 population. In rural Oregon, the measure was 141 per 100,000.

The program was devised to operate with a minimum of administrative burden and appears to be an efficient means of accomplishing its goal. A 1996 audit by the Secretary of State’s office concluded that the program is fulfilling the purpose for which it was created in an efficient and exemplary manner. Administrative costs are negligible and are covered by charging each applicant a \$45 processing fee.

Without incentives such as this program, a decline in rural practitioners similar to that experienced in the 1980s will inevitably repeat itself. However, the relative value of this incentive decreases as the costs of medical practice increase. In order to prevent a crisis in the availability of health care to rural Oregonians, the state should consider increasing the tax credit, e.g., indexing it to the medical consumer price index.

1.406 VOLUNTEER RURAL EMERGENCY MEDICAL TECHNICIANS

Oregon Statute: 315.622

Sunset Date: 12-31-2019

Year Enacted: 2005, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$300,000	\$300,000
2015-17 Revenue Impact:	Not Applicable	\$300,000	\$300,000

DESCRIPTION: A nonrefundable credit of \$250 against personal income taxes is allowed to certain rural emergency medical technicians 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. At least 20 percent of the services provided by the emergency medical technician (EMT) must be volunteer hours spent in a qualifying rural area, to receive the credit. For this provision, rural means any area at least 25 miles from a city with a population of 30,000 or more.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage emergency medical technicians to volunteer their services in rural areas.

WHO BENEFITS: Certified emergency medical technicians that volunteer at least 20 percent of their services in rural areas. For tax year 2012, over 600 personal income taxpayers saved an average of \$240 in Oregon tax using this credit. The table below shows usage of this credit for tax year 2012. 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.

2012 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 \$12,400	50	\$101	<\$0.1	4%
\$12,400 - \$26,000	70	\$216	<\$0.1	11%
\$26,000 - \$46,400	120	\$247	<\$0.1	21%
\$46,400 - \$81,800	210	\$258	\$0.1	37%
Above \$81,800	150	\$273	<\$0.1	28%
All Full-Year Filers	610	\$241	\$0.1	100%
Part-Year and Nonresident Filers	20	\$190	<\$0.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Office of Rural Health*

Certified Emergency Medical Services Providers (EMTs) include the following classifications: Emergency Medical Responder, EMT Basic, Advanced EMT, and EMT-Intermediate or Paramedic. For tax year 2006, 568 EMTs were certified as eligible, 525 EMTs have been certified to date as eligible for tax year 2007, 565 EMTs for tax year 2008, 529 for tax year 2009 and 527 for tax year 2010. For tax year 2011, 556 EMS Providers were eligible, 559 in 2012 and 531 in 2013.

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 in 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.

1.407 COSTS IN LIEU OF NURSING HOME CARE

Oregon Statutes: 316.147 – 316.149

Sunset Date: 12-31-2015

Year Enacted: 1979

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A nonrefundable tax credit is allowed against personal income taxes for expenses incurred for the care of an individual who otherwise would be placed in a nursing home. The amount of the credit is the lesser of \$250 or eight percent of expenses paid. Unused credit cannot be carried forward. Taxpayers providing the care and

Income Tax
Oregon Credits

claiming the credit cannot have annual household income in excess of \$17,500. The person receiving the care must:

- Be certified by the Department of Human Services
- Not be in a nursing home, rehabilitation facility, or other long-term skilled care facility during the period of time that the expenses are incurred
- Have an annual household income of \$7,500 or less
- Be eligible for but not receive home care services under Oregon Project Independence
- Receive no medical assistance from the state Seniors and Peoples with Disabilities Division
- Be at least 60 years of age.

Legislation in 2009 set the December 31, 2015 sunset date for this provision.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide tax relief for low income taxpayers who incur expenses caring for individuals with little to no income and who would otherwise be placed in a nursing home.

WHO BENEFITS: Taxpayers who care for elderly citizens in their homes. For tax year 2012, 30 personal income taxpayers saved an average of \$120 in Oregon taxes using this credit.

EVALUATION: *by the Department of Human Services*

This tax credit does not achieve the presumed purpose, and has limited efficacy due partially to scope. The Department encourages opportunities that supports individuals and caregivers, including family, in supporting choice for consumers and avoiding unnecessary institutionalization of individuals. To this extent this allows some compensation through a tax credit to support individuals that are not eligible for other areas of support and who may be supported by family or through their own income in a home or community based care setting. With the expansion of medical services through the ACA and increased opportunities within Oregon to provide support in a myriad of options outside of nursing facilities, the effectiveness of this tax credit ongoing in supporting the diversion of individuals from institutional settings will be minimal if not negligible.

1.408 LONG TERM CARE INSURANCE

Oregon Statute: 315.610

Sunset Date: 12-31-2015

Year Enacted: 1999

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$18,900,000	\$18,900,000
2015-17 Revenue Impact:	Less than \$100,000	\$10,000,000	\$10,000,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A credit based upon premiums paid for long term care insurance (as defined in ORS 743.652) is allowed against personal and corporate income tax.

The credit is available for individuals purchasing long term care insurance policies that provide coverage for the taxpayer, dependents, or parents of the taxpayer. The maximum income tax credit is the lesser of: 15 percent of the total amount of long term care insurance premiums paid by the taxpayer, or \$500.

The credit is also available to employers who provide long term care insurance on behalf of their Oregon-based employees. The maximum income tax credit for employers is the lesser of: 15 percent of the total amount of long term care insurance premiums provided by the taxpayer, or \$500 per insured employee.

The credit used cannot exceed the tax liability of the taxpayer, and any unused portion of the credit cannot be carried forward. The amount of the credit is prorated for nonresidents and part-year residents. If the amount paid for these premiums is taken as an itemized deduction on the federal return, then it must be added to income on the Oregon return to take the credit.

Legislation in 2009 set the December 31, 2015 sunset date for this provision.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage younger individuals to prepare for potential long term care needs and to encourage businesses to provide insurance coverage for employees.

WHO BENEFITS: Taxpayers who purchase long term care insurance. Typically, fewer than 10 corporations claim this credit. As the following table illustrates, over 35,000 personal income tax filers benefited from this provision for tax year 2012.

2012 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 \$12,400	2,010	\$12	<\$0.1	<1%
\$12,400 - \$26,000	2,880	\$112	\$0.3	4%
\$26,000 - \$46,400	4,670	\$186	\$0.9	10%
\$46,400 - \$81,800	9,320	\$243	\$2.3	26%
Above \$81,800	16,380	\$318	\$5.2	60%
All Full-Year Filers	35,260	\$247	\$8.7	100%
Part-Year and Nonresident Filers	1,800	\$102	\$0.2	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION:

by the Department of Human Services

It is still too early to understand the full effect of LTC insurance on the system in Oregon. There is no ability to track whether policies sold after January 1, 2000 have begun to make payments, and the effect of LTC Insurance on possible savings is still not fully captured today. However, if each of the 35,260 people who claimed the tax credit in 2012 were able to delay having to rely on publicly funded long term care by three months, the total savings to Oregon would be \$297,241,800 based on the 2013–2015 average monthly Medicaid cost of \$2,810 for long term care.

"As the nation's primary payment source for LTC, Medicaid is putting enormous pressures on state budgets—with no relief expected from federal health care reform", says the 2010 report, *Medicaid Long Term Care: The Ticking Time Bomb*, from Deloitte's Center for Health Solutions. If current trends in long term care expenditures go on, Medicaid budgets would almost double by the year 2030 as a percentage of state operating budgets—close to 40 percent in some cases, Deloitte estimates.

As noted in our 2010 report on aging, "A Report On: Long Term Care in Oregon," the demographic of buyers nationally for long-term care insurance has continued to shift to younger populations, reflecting a trend change that shows more individuals planning for long term care needs through insurance policies.

This tax credit appears to be working in that it is encouraging people to purchase long term care insurance and will, in turn, alleviate some Medicaid costs in the future.

1.409 ELDERLY OR PERMANENTLY DISABLED

Oregon Statute: 316.087
Sunset Date: 12-31-2015
Year Enacted: 1969

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$100,000	\$100,000
2015-17 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: Taxpayers are allowed a credit against Oregon personal income taxes of up to 40 percent of the federal elderly or disabled credit. For details on the federal credit, see IRS Publication 524, *Credit for the Elderly or the Disabled* at www.irs.gov/uac/Publication-524.-Credit-for-the-Elderly-or-the-Disabled--1. Taxpayers claiming the state Retirement Income credit (1.458) are ineligible to claim this Oregon credit.

The amount of the credit is prorated for nonresidents and part-year residents.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief for lower income seniors and disabled persons with little tax-exempt retirement or disability income.

WHO BENEFITS: For tax year 2012, more than 850 personal income taxpayers saved an average of \$53 in Oregon taxes using this credit.

EVALUATION: *by the Department of Human Services*

This tax credit meets the presumed purpose of the credit. It allows individuals to keep more of their finances which may allow them to remain more independent and self-reliant.

1.410 LOSS OF LIMBS

Oregon Statute: 316.079
Sunset Date: 12-31-2015
Year Enacted: 1973

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A personal income tax credit of \$50 is allowed for taxpayers with permanent and complete loss of function of at least two limbs. If both taxpayers on a joint return meet the criteria, the credit is \$100. All taxpayers eligible for this credit are also eligible for the severe disability credit. See tax expenditure 1.411, Severe Disability credit, for more information.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to taxpayers disabled by the loss of the use of two limbs.

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WHO BENEFITS: For tax year 2012, more than 415 personal income taxpayers saved an average of \$30 using this credit.

EVALUATION: *by the Department of Human Services*

This tax credit seems to meet its presumed purpose in allowing individuals who are disabled by the loss of two limbs to keep additional funds. This credit is able to be combined with additional credits providing additional support for these individuals. The Department supports the continued use of tax credits to assist individuals in remaining more independent and if possible divert or lessen the need for other State assistance.

1.411 SEVERE DISABILITY

Oregon Statute: 316.758 and 316.765

Sunset Date: 12-31-2015

Year Enacted: 1985, Modified in 2013 (HB 3601), 2014 (SB 1534)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$9,600,000	\$9,600,000
2015-17 Revenue Impact:	Not Applicable	\$5,300,000	\$5,300,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: Every nondependent taxpayer in Oregon is allowed one personal exemption credit for himself or herself, one for a spouse, and one for each dependent. An additional personal exemption credit is allowed for taxpayers with severe disabilities. Two additional personal exemptions may be claimed on a joint return if both spouses qualify. The amount of the personal exemption credit (and hence the severe disability credit) is indexed each year to account for inflation. The credit is \$191 in 2014.

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.

Some of the taxpayers eligible for this credit are also eligible for the loss of limbs credit. See tax expenditure 1.410, Loss of Limbs, for more information.

In 2013, the Legislature eliminated all personal exemption credits for joint filers with adjusted gross income above \$200,000, and for single filers with adjusted gross income above \$100,000. But in 2014 the Legislature reinstated the personal exemption credits for severe disability, retroactive to tax year 2013.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide tax relief to severely disabled taxpayers and their spouses.

WHO BENEFITS: The number of taxpayers claiming this credit increased from approximately 7,800 in 1990 to almost 41,000 in 2012. The table below shows usage of this credit for tax year 2012.

2012 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 \$12,400	9,780	\$28	\$0.3	7%
\$12,400 - \$26,000	8,270	\$100	\$0.9	20%
\$26,000 - \$46,400	7,160	\$137	\$1.0	24%
\$46,400 - \$81,800	7,380	\$157	\$1.2	28%
Above \$81,800	4,930	\$173	\$0.9	21%
All Full-Year Filers	37,510	\$109	\$4.2	100%
Part-Year and Nonresident Filers	2,980	\$68	\$0.2	

**Each income group contains 20 percent of the full-year filers (approximately 322,500)*

EVALUATION: *by the 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.

1.412 FILM PRODUCTION DEVELOPMENT CONTRIBUTIONS

Oregon Statute: 315.514

Sunset Date: 12-31-2017

Year Enacted: 2003, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$19,500,000	\$19,500,000
2015-17 Revenue Impact:	Less than \$100,000	\$19,500,000	\$19,500,000

DESCRIPTION: A credit against corporation or personal income taxes is available to taxpayers for certified contributions to the Oregon Production Investment Fund. Each year the Department of Revenue, in cooperation with the Oregon Film and Video Office (OFVO), conducts an auction of the available tax credits. The department must announce a reserve bid prior to conducting the auction. The reserve amount must be at least 95 percent of the total amount of the tax credit. There is no maximum credit per taxpayer, but only \$10 million in credits can be issued annually. The donation limit was \$1 million for 2005 and 2006, \$5 million for 2007 and 2008, \$7.5 million for 2009 through 2011, and \$6 million for 2012. The limit increased to \$10 million in 2013 with the passage of HB 3367.

The transition to selling the tax credits through the online auction system has allowed for a decrease in the discount given on the sale of the credits. The OFVO decreased the discount from the original 10 percent determined by legislation in 2005 to 5 percent in 2009 through 2011. As a result of switching to an auction system for the

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Oregon Credits

2012 through 2014 tax credit sales, the most recent discount was just less than 1 percent.

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 of contribution is claimed as a deduction for federal tax purposes, the contribution amount is added to federal taxable income for Oregon tax purposes to claim the credit.

Contributions to the Oregon Production Investment Fund are used to reimburse qualifying filmmakers or local media production services companies for a portion of their Oregon expenses.

In general, filmmakers are eligible for a 20 percent cash rebate on production-related goods and services paid to Oregon vendors and a 10 percent cash rebate of wages paid for work done in Oregon including both Oregon and non-Oregon residents. A production must directly spend at least \$1 million in Oregon to qualify.

However, local filmmakers are eligible for part or all of their actual Oregon expenses if they spend a least \$75,000 in this state, 80 percent of payroll costs are for Oregon residents, and they contract with a certified public accountant. A local filmmaker is a person who owns a television or film production company that has its principal place of business in Oregon.

PURPOSE: “The Oregon Film and Video Office shall adopt rules for determining the amount of tax credit to be certified ... in order to achieve the following goals: (A) ... generate contributions for which \$10 million in tax credits are certified each fiscal year, (B) maximize income and excise tax revenues ... for state operations, and (C) provide the necessary financial incentives for taxpayers to make contributions” (ORS 315.514(2)(b)).

WHO BENEFITS: Taxpayers who receive a tax credit for contributing to the Oregon Production Investment Fund benefit. Television and film production companies who receive reimbursements from the Oregon Production Investment Fund benefit as well. The table below shows usage of this credit for tax year 2012.

2012 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 \$12,400	<10	\$0	\$0.0	0.0%
\$12,400 - \$26,000	0	\$0	\$0.0	0.0%
\$26,000 - \$46,400	<10	\$991	<\$0.1	<0.1%
\$46,400 - \$81,800	10	\$1,674	<\$0.1	0.4%
Above \$81,800	260	\$22,741	\$5.9	99.6%
All Full-Year Filers	280	\$21,426	\$5.9	100%
Part-Year and Nonresident Filers	<10	\$7,301	<\$0.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Oregon Film and Video Office*

This tax expenditure achieves its purpose of recruiting film production in the state and generating associated spending and employment.

The Oregon Production Investment Fund has been integral in Oregon’s ability to compete with the 40 other U.S. states that offer production incentives. OPIF is directly responsible for the record of \$275 million of out-of-state film, television and commercial production spending in the calendar years 2013-2014. Of the \$275 million, \$225 million was spent on film and television productions that qualified for OPIF. According to the recent Northwest Economic Research Center (NeRC) study conducted in 2012, Oregon's film and video industry has "rebounded from its decline in the mid-2000s, and has already recovered from mild job losses during and after the 2008 recession.." NeRC's report states that the total Oregon Film and Video Production Jobs are back at pre-recession levels (4,542). This is in spite of the fact that the advertising and corporate video industry continues to lag with lower budgets resulting in lower film and video employment. Another benefit is the impact the larger film and television productions have with the local small business community. On a show like "Grimm", over 1,000 local small businesses are impacted every season.

At the current annual allocation of \$10 million of credits, the program is not only fully subscribed, but is under pressure to maintain the current level of film and television production in the state.

1.413 QUALIFIED LOW INCOME COMMUNITY INVESTMENTS

Oregon Statutes: 315.533(2)

Sunset Date: 06-30-2016

Year Enacted: 2011, Modified in 2013 (HB 2763)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$8,000,000	\$2,000,000	\$10,000,000
2015-17 Revenue Impact:	\$21,800,000	\$5,500,000	\$27,300,000

DESCRIPTION: Taxpayers who make a qualified low income community investment are 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 is an equity investment in, or long-term debt security issued by, a qualified community development entity (CDE) which meets specified conditions and obtains certification from the Oregon Business Development Department. The investment must be acquired with cash after July 1, 2012, and the CDE must use 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 are located in census tracts that have a poverty rate of 20 percent or more, or where the median income is below 80 percent of either the statewide median income or the metropolitan median income, whichever is 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 have been allocated Federal New Market Tax Credits may apply to use this tax credit.

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Oregon Credits

The credit applies to qualified investments made between July 1, 2012 and June 30, 2016. The credit is 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 subsequent four tax years. This credit is 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 may 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 may not be transferred or sold.

A taxpayer claiming this credit may not 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, is reserved for clean energy projects that produce goods that directly reduce emissions of greenhouse gases or are designed as environmentally sensitive replacements for products in current use, or projects which have a primary purpose of improving the environment or reducing emissions of greenhouse gases.

- PURPOSE:** The statute that allows 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 is "to increase private capital investments in Oregon small businesses operating in low-income communities."
- WHO BENEFITS:** Investors of qualified equity investments benefit directly through reduced taxes. Business owners in low-income communities benefit from increased investment.
- EVALUATION:** *by the Oregon Business Development Department*
There is insufficient data at this time for an analysis of this year tax expenditure as the program only has one year of data to report.

1.414 QUALIFIED RESEARCH ACTIVITIES

Oregon Statute: 317.152

Sunset Date: 12-31-2017

Year Enacted: 1989

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$14,300,000	Not Applicable	\$14,300,000
2015-17 Revenue Impact:	\$15,500,000	Not Applicable	\$15,500,000

DESCRIPTION: If qualified research expenses in Oregon exceed a base amount, then Oregon corporations may take a credit equal to 5 percent of the excess amount. Computation of the base amount, definitions of basic research and qualified research expenses, and the determination of the excess follow the calculations of the equivalent federal research credit (IRC §41) except that only research conducted in Oregon is considered.

The base amount is 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 is being determined (the credit year). The minimum base amount is 50 percent of the qualified research expenses for the credit year.

The fixed-base percentage is 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 is calculated based upon a formula with the simplest case being a firm with a fixed-base percentage equaling 3 percent of the of gross receipts for each of the taxpayer’s first five taxable years beginning after December 31, 1993 for which the taxpayer has qualified research expenses.

Qualified research activities include “research expenses” either in-house or by contract, and “basic research payments” to colleges, universities, and certain other nonprofit organizations. The amounts have to be paid or incurred by the sunset date.

The credit is limited to \$1 million per taxpayer. The limit was increased from \$750,000 to \$2 million by the 2005 Legislature and was subsequently reduced to \$1 million by the 2011 Legislature. Credits that cannot be used because of insufficient tax liability in the current year can be carried forward for up to five years.

Taxpayers have the option of claiming this credit or the credit described in tax expenditure 1.415, Qualified Research Activities Alternative. The revenue impact reported here includes any credits received under both tax expenditures.

Legislation in 2011 extended the scheduled sunset of the provision from December 31, 2011 to December 31, 2017.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote and increase research activities in Oregon.

WHO BENEFITS: Corporations undertaking qualified research activities in Oregon. For tax year 2011, approximately 265 taxpayers benefited from the credit. These taxpayers reduced their tax liability by \$29,000, on average. Other taxpayers claiming this credit were unable to use it due to insufficient tax liability.

EVALUATION: *by the Oregon Business Development Department*

This expenditure appears to achieve its purpose. The estimated revenue impacts above equate to about \$0.7 billion of research activity in Oregon over the four-year period. Some of this spending in Oregon is likely attributable to this provision’s existence, so that the probable employment and other income from such spending suggest ample grounds for a strong return to public revenues. Moreover, this type of tax credit is common and often more generous in other states than tax corporate income, in terms of credit size, ability to monetize the credit, or other aspects.

The benefits of this incentive can be identified as follows:

- The credit may have convinced companies about relocating to Oregon.
- The credit encourages existing companies to put more effort into research and development (R&D).
- The credit encourages small companies to explore new niche technology opportunities and enhances their ability to attract joint R&D capital.
- The credit encourages companies to use existing state research institutes to assist with R&D activities.

This expenditure has advantages over a direct spending program, in that individual companies determine if and how much R&D is *efficient* under the current tax structure. The expenditure does favor one group of industries in Oregon over another—*i.e.*, sectors substantially and directly oriented to R&D efforts in general — but this is a rather broad, diverse group, the members of which would tend to anyway use the federal tax credit. Furthermore, the Governor and the Legislature have consistently identified innovation as a critical strategic priority for Oregon’s economy.

Limitations of this program as a business development incentive are that: 1) It is inherently unavailable to personal income taxpayers, who may face high tax rates on some of their Oregon income, but who might like to invest in a non-corporate business that undertakes equivalent forms of research in Oregon, and 2) as with any tax credit, usability depends on timely tax liability, as may be contrasted with monetizing options like those found with such credits in other states.

1.415 QUALIFIED RESEARCH ACTIVITIES (ALTERNATIVE)

Oregon Statute: 317.154
Sunset Date: 12-31-2017
Year Enacted: 1989

	Corporation	Personal	Total
2013-15 Revenue Impact:	Included in 1.414	Not Applicable	Included in 1.414
2015-17 Revenue Impact:	Included in 1.414	Not Applicable	Included in 1.414

DESCRIPTION: A credit against corporation income taxes is allowed for qualified research expenses in Oregon that exceed 10 percent of Oregon sales. The credit is equal to 5 percent of the excess amount.

The credit is 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 qualify for the credit are the same as those that qualify under the expenditure 1.414, Qualified Research Activities, except that basic research is not included.

Taxpayers have the option of claiming this credit or the credit described in tax expenditure 1.414, Qualified Research Activities. Some companies may not qualify for the standard credit because they do not have the necessary increase in research activities. This alternative still allows them to qualify for the credit if they conduct a large proportion of their research activities in Oregon relative to the proportion of their sales in Oregon.

Credits that cannot be used because of insufficient tax liability in the current year can 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 allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote research activities in Oregon.
- WHO BENEFITS:** See 1.414, Qualified Research Activities.
- EVALUATION:** *by the Oregon Business Development Department*
See evaluation for 1.414, Qualified Research Activities.

1.416 LONG TERM RURAL ENTERPRISE ZONE FACILITIES (INCOME TAX)

Oregon Statute: 317.124
Sunset Date: 06-30-2018 (to obtain certification)
Year Enacted: 1997

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Available*	Not Applicable	Not Available*
2015-17 Revenue Impact:	Not Available*	Not Applicable	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 corporate income tax credit, if approved by the Governor. The investment must be locally approved for the related property tax expenditure, 2.011 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.

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The corporate income tax credit is equal to 62.5 percent of the taxpayer's gross payroll costs at the facility. The credit applies only against liabilities of over a threshold amount of \$1 million. The amount of the threshold may be lower, depending on the facility's location and workforce size. The credit may be received 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, 2.011 Long Term Rural Enterprise Zone (Property Tax).

Corporate tax payments made by taxpayers 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:

By June 2014, the Governor had granted approval for four facilities to potentially benefit from this provision, though the credit has not been used for all approved facilities.

EVALUATION:

by the Oregon Business Development Department

The credit appears to be a major point of interest, incentivizing investments in particular places, which is the intended effect, in conjunction with the primary inducement, the long term exemption on the new facility from property taxes—see 2.011, Long Term Rural Enterprise Zone (Property Tax).

Experience suggests that the notably significant contingent value of this added incentive might help to further justify the business investment. In claiming the credit, the corporate taxpayer may delay starting the 15-year period by three years, and each year's unused credit amount is deferrable for five years. Theoretically, then, these hefty credit amounts could be in play for nearly 25 years after new facility operations commence. Therefore, the business might potentially have sufficient Oregon tax liability to use them for a number of years, eventually, given general price inflation and unpredictably great profits in the future.

In addition, the technical size of the notional or tentative credit – at 62.5 percent of gross payroll – furthers interest in this incentive for both initial communications and ongoing discussions with prospective investors, even once the limitations on using it are fully appreciated.

1.417 RESERVATION ENTERPRISE ZONE (INCOME TAX)

Oregon Statute: 285C.309

Sunset Date: 12-31-2017

Year Enacted: 2001

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 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 zone may claim an income tax credit for the amount of tribal property tax paid. The tax credit may equal all tribal taxes paid if the eligible business has never operated before within the reservation enterprise zone or reservation partnership zone.

The amount of the credit is prorated for nonresidents and part-year residents. The credit must be used in the same year that taxes are 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 off-reservation land held in trust 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 an area of up to 12 square miles. A reservation partnership zone includes lands within the jurisdiction of a cosponsoring city, county, or port and may 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 cosponsored on or after January 1, 2010, 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 2.010, Enterprise Zone Business, or 2.011, Long Term Rural Enterprise Zone (Property Tax). These expenditures do not sunset for purposes of these tribally based designations.

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 zones. Residents of reservations who benefit from enhanced development opportunities. Currently the Oregon Business Development Department has designated one reservation enterprise zone on the Confederated Tribes of the Umatilla Indian Reservation.

EVALUATION: Not evaluated.

1.418 ELECTRONIC COMMERCE ENTERPRISE ZONE (INCOME TAX)

Oregon Statute: 315.507

Sunset Date: 12-31-2017

Year Enacted: 2001, Modified in 2014 (HB 4005)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$300,000	\$200,000	\$500,000
2015-17 Revenue Impact:	\$400,000	\$300,000	\$700,000

DESCRIPTION: Qualified business firms may claim an income tax credit for investment in electronic commerce (e-commerce) operations under certain circumstances. Such a firm must be engaged or preparing to engage in e-commerce within an enterprise zone specially designated for e-commerce or in the one electronic commerce city. The taxpayer must also be locally authorized and qualify for the enterprise zone exemption from property taxes, see exemption 2.010, Enterprise Zone Business.

As outlined 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 equals 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 is the lesser of \$2 million or the tax liability of the taxpayer per year. A firm may carry unused credits forward for up to five years.

The director of the Oregon Business Development Department grants e-commerce status to enterprise zones. In order to be designated for e-commerce, the enterprise zone must already be designated, its zone sponsor must adopt resolutions requesting e-commerce designation, and a sponsor should demonstrate that the designation is likely to be used. As of July 2014, the City of North Plains is the designated electronic commerce city, and there are ten designated electronic commerce zones.

Current law allows a maximum of fifteen existing enterprise zones to be designated for e-commerce. In 2002, four enterprise zones received this special designation. In 2005 law changes provided for six more e-commerce enterprise zones. Legislation in 2014 increased the number of zones from ten to fifteen. When an underlying enterprise zone terminates, the e-commerce designation also ceases, although redesignation may occur with the same or another enterprise zone.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development of electronic commerce in specified zones and cities.

WHO BENEFITS: E-commerce businesses operating in one of the state’s electronic commerce enterprise zones or in the electronic commerce city of North Plains. For tax year 2011, fourteen personal and corporate taxpayers claimed the credit.

EVALUATION: *by the Oregon Business Development Department*

Since 2002, this income tax credit has been a critical, final element in influencing investments in most of the applicable enterprise zones, some of which have seen the type of hoped for proliferation of e-commerce activity or industry agglomeration. Among designated enterprise zones, however, activity in using this program has varied tremendously at times—a reflection of both efforts and opportunities with

marketing. In any event, the tax credit appears to be fulfilling its purpose in the context of other marketing factors—not only by inducing the e-commerce sector to grow in Oregon, but also by spurring additional enterprise zone investments and job creation.

Businesses identified as having e-commerce operations for the standard property tax exemption for Enterprise Zone Businesses continue to invest in the relevant enterprise zones, including data centers especially due to more favorable property tax treatment in such zones (see exemption 2.010, Enterprise Zone Business).

A limitation of this program as a business development incentive, as with any tax credit, is that usability depends on timely income tax liability, as may be contrasted with monetizing options like those found with certain credits in other states. This expenditure offers advantages over a direct spending program, in that individual companies determine if and how much e-commerce activities are efficient under the current tax structure. The expenditure does favor one group of industries in Oregon over another—*i.e.*, sectors substantially and formally oriented to e-commerce in general—but this is now a rather broad, diverse group. They may also be otherwise deterred by the single sales factor’s treatment of intangible sales in the case of a C corporation or high personal income tax rates for other types of business organizations.

1.419 RENEWABLE RESOURCE EQUIPMENT MANUFACTURING FACILITIES

Oregon Statute: 315.341

Sunset Date: Taxpayers must have received preliminary certification by 12-31-2013

Year Enacted: 2011 (HB 2523)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$32,300,000	\$6,700,000	\$39,000,000
2015-17 Revenue Impact:	\$20,500,000	\$2,700,000	\$23,200,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: Renewable Resource Equipment Energy Manufacturing Facilities tax credit expired as of December 31, 2013; however, there are revenue impacts for the 2013-15 and 2015-2017 biennia due to certified credits taken over a five year period and unused tax credits carried forward to succeeding years. Credits were certified for businesses with investments in qualified facilities that manufacture renewable energy resource equipment in Oregon.

Legislation in 2007 (HB 3201B) 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 BETC from the Oregon Department of Energy to the Oregon Business Development Department (OBDD) and in the process made the manufacturing portion of the original BETC its own tax expenditure, the Renewable Resource Equipment Energy Manufacturing Facilities tax credit (Manufacturing BETC).

Eligible costs included buildings, equipment, machinery and other expenses related to the manufacturing of renewable energy products such as solar cells, wind turbines

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or components manufactured for the primary use in products using renewable energy, renewable energy storage devices, and the manufacture 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 and is still being 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.

Businesses claiming the Manufacturing BETC must have received preliminary and final certification from OBDD. The application for the tax credit was subject to detailed technical and financial review of the project and the applicant’s commitment to performance measures including job creation and retention requirements and other economic benchmarks. The credit was also subject to revocation and to penalties equal to paying back taxes should the performance measures not have been met. 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 in administrative rule (OAR 123-600-0135) in accordance with ORS 285C.549. The credit could be transferred or sold only once.

PURPOSE: The statute that allows this expenditure does 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. From calendar years 2008-2013 six corporations received nearly \$115 million dollars in tax credits. All of these credits have been transferred to 12 other corporate and 13 individual taxpayers.

EVALUATION: Not evaluated.

1.420 PUBLIC UNIVERSITY VENTURE DEVELOPMENT FUND

Oregon Statute: 315.521

Sunset Date: 12-31-2015

Year Enacted: 2005, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$700,000	\$700,000
2015-17 Revenue Impact:	Less than \$100,000	\$700,000	\$700,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION:	<p>Oregon universities may establish university venture development funds in order to provide capital for affiliate research and development of commercially viable products and services. Either the university or its affiliate organizations may accept donations, issue credits and manage the monies in the funds. Typically, the university foundation has this role.</p> <p>Donors to these funds qualify for a credit equal to 60 percent of the amount donated to be claimed against their personal or corporate income taxes. The amount claimed in any one year may not exceed the lesser of \$50,000 or 20 percent of the total donated amount. In 2013, the Legislature clarified that the credit shall be claimed in three consecutive tax years beginning with the year in which the credit is initially allowed. 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.</p> <p>In 2007, the Legislature eliminated a total contribution cap of \$14 million and replaced it with limitations on the number of tax credit certificates that the public universities may issue. The university must transfer 20 percent of the income realized through its university venture development fund to the General Fund, up to the amount of tax credits issued by the university as a result of contributions. Whenever the outstanding amount owed to the General Fund by the Oregon University System reaches \$6 million, \$2.4 million in the case of the Oregon Health and Science University, the issuance of further tax credit certificate must cease. The university may issue new tax credits to equal the transferred amount immediately upon deposit into the General Fund.</p>
PURPOSE:	<p>The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage private investment and entrepreneurship in products and services developed through research at Oregon universities. This entails elements of what is frequently referred to as "technology transfer."</p>
WHO BENEFITS:	<p>Individuals and corporations that make donations to the funds. Typically, fewer than five corporations claim this credit each year. For tax year 2012, 65 personal income taxpayers saved an average of \$6,100 in Oregon taxes using this credit.</p>
EVALUATION:	<p><i>by the Oregon Business Development Department</i></p> <p>There is insufficient data for analysis. The above revenue impacts would equate to substantial annual donations to fund allowable efforts. In comparison with direct funding, this type of program permits especially interested members of the public (donors) to have a role in setting appropriate funding levels.</p>

1.421 CHILD AND DEPENDENT CARE

Oregon Statute: 316.078

Sunset Date: 12-31-2015

Year Enacted: 1975

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$16,000,000	\$16,000,000
2015-17 Revenue Impact:	Not Applicable	\$8,600,000	\$8,600,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A personal income tax credit for employment-related dependent care expenses is allowed to taxpayers who qualify for the federal child and dependent care credit. The Oregon credit amount is a percentage of eligible expenses based on federal taxable income (see chart). The amount of the credit is prorated for nonresidents and part-year residents. Unused credit amounts due to insufficient tax liability may be carried forward for up to five years.

Federal taxable income is:		Amount of eligible expenses allowed as a credit
Over:	But not over:	
---	\$5,000	30%
\$5,000	10,000	15%
10,000	15,000	8%
15,000	25,000	6%
25,000	35,000	5%
35,000	45,000	4%
45,000	---	No credit allowed

Eligible employment-related expenses are those necessary for the taxpayer to be gainfully employed and include expenses for household services and the care of qualifying dependents. Qualifying dependents are children under age 13, other dependents who are physically or mentally incapable of caring for themselves, or the taxpayer's spouse if incapable of caring for himself or herself. The eligible expenses are limited each year to \$3,000 for one qualifying dependent in the household and to \$6,000 for two or more qualifying dependents. In both cases, this limit is reduced by any nontaxable payments received from an employer under a dependent care assistance program. Eligible expenses are further limited to the individual's earned income (for unmarried individuals) or to the lower of either spouse's earned income (for married individuals filing jointly). For a spouse who is a qualifying student or disabled, an amount is designated as earned income for each month they qualify. Married individuals filing separately cannot claim this credit unless certain criteria are met.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to working taxpayers who incur dependent care expenses to stay in the workforce.

WHO BENEFITS: Lower income Oregon taxpayers who pay child care expenses while they work. The table below shows usage of this credit for tax year 2012. Note that in the table “income” is federal adjusted gross income. However, this credit is based on taxable income, or federal adjusted gross income minus itemized deductions (or the standard deduction) and the exemption amount.

2012 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 \$12,400	2,010	\$26	\$0.1	1%
\$12,400 - \$26,000	10,350	\$272	\$2.8	37%
\$26,000 - \$46,400	12,800	\$219	\$2.8	37%
\$46,400 - \$81,800	14,190	\$124	\$1.8	23%
Above \$81,800	750	\$170	\$0.1	2%
All Full-Year Filers	40,100	\$188	\$7.5	100%
Part-Year and Nonresident Filers	3,690	\$108	\$0.4	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Department of Education*

This tax expenditure achieves its purpose and meets a need when other forms of nontaxable care are not available through the employer. It contributes to the taxpayer’s ability to remain gainfully employed and, to an extent, to remain competitive with other members of the workforce. It also is likely to increase the number of children who receive high-quality pre-kindergarten services, which research has shown 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.

1.422 WORKING FAMILY CHILD CARE

Oregon Statute: 315.262

Sunset Date: 01-01-2016

Year Enacted: 1997

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$43,600,000	\$43,600,000
2015-17 Revenue Impact:	Not Applicable	\$21,800,000	\$21,800,000

NOTE: The revenue impact estimate includes the effect of the sunset. The revenue impact estimate includes both the refundable and nonrefundable portions.

DESCRIPTION: A refundable personal income tax credit is allowed for qualifying child care expenses for low-income working families. To qualify, a taxpayer must have a minimum amount of Oregon-sourced earned income and must not exceed the maximum allowable investment income (such as interest, dividends, and capital gains). For 2014, the minimum earned income is \$8,550; the maximum investment income is \$3,350. The credit is calculated as a percentage of qualified child care expenses. The credit is 40 percent for those with federal adjusted gross income (AGI) at or below

200 percent of the federal poverty level. It phases out with a declining percentage for taxpayers with AGI between 200 percent and 250 percent of the federal poverty level. The federal poverty level is based on the taxpayer's household size. For a household size of four in 2014, 200 percent of the federal poverty level is \$47,700 and 250 percent is \$59,650.

The amount of the credit is prorated for nonresidents and part-year residents.

Qualifying child care expenses are those necessary for the taxpayer (and spouse, if married) to be gainfully employed, seeking employment, or attending school part-time or full-time. The care must be for a child under age 13 or a child with a disability as defined in ORS 316.099 (1.404 Child with a Disability). Married individuals filing separately cannot claim this credit unless certain criteria are met.

A qualifying taxpayer may claim both this credit and the child and dependent care credit (1.421 Child and Dependent Care).

This credit became a refundable credit in 2003. 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.

In 2007, the credit was expanded to allow taxpayers to claim the credit if they need child care because they have a qualifying disabled spouse. To qualify, the spouse's disability must prevent the spouse from working, attending school, caring for children, and performing an activity of daily living without assistance.

PURPOSE:

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to low-income working taxpayers who must incur dependent care expenses to stay in the workforce.

WHO BENEFITS:

Low-income working taxpayers with employment-related dependent care expenses whose federal adjusted gross income is less than 250 percent of the federal poverty level. The table below shows usage of this credit for tax year 2012.

2012 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 \$12,400	1,560	\$612	\$1.0	4%
\$12,400 - \$26,000	8,920	\$824	\$7.3	34%
\$26,000 - \$46,400	10,780	\$948	\$10.2	48%
\$46,400 - \$81,800	3,800	\$746	\$2.8	13%
Above \$81,800	40	\$609	\$0.0	<1%
All Full-Year Filers	25,110	\$852	\$21.4	100%
Part-Year and Nonresident Filers	1,730	\$611	\$1.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

As 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 more than \$22 million claimed in total for 2012, approximately \$11 million was used to reduce tax liability, while the remaining \$11 million exceeded tax liability and was paid to taxpayers.

EVALUATION: *by the Department of Education*

This tax credit is effective because it assists low-income families with their child care expenses, which enables parents/guardians to stay in the workforce. The tax credit also provides a positive economic impact for the local community as the refunds received by low-income families are spent locally for goods and services. It also is likely to increase the number of children who receive high-quality pre-kindergarten services, which research has shown 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.

1.423 EMPLOYER PROVIDED DEPENDENT CARE ASSISTANCE

Oregon Statute: 315.204

Sunset Date: 12-31-2015

Year Enacted: 1987, Modified in 2013 (HB 3234)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$600,000	\$200,000	\$800,000
2015-17 Revenue Impact:	\$600,000	\$100,000	\$700,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: Employers providing dependent care assistance or dependent care information and referral services to their employees are allowed a credit to either personal or corporation tax. The credit equals 50 percent of the total costs the employer paid for dependent care, but no more than \$2,500 per employee, and 50 percent of the cost of providing information and referral services. The employer may not take the credit if the provision of dependent care services is part of a salary reduction plan. Credits unclaimed due to insufficient tax liability may be used in later years, for up to five years. Note the revenue impact figures include the impact of the dependent care facilities credit listed in tax expenditure 1.424, Employer Provided Dependent Care Facilities.

Employers must submit an application for certification to the Office of Child Care at the Oregon Department of Education each year they wish to receive this credit. Prior to the passage of HB 3234 in 2013, applications for certification were submitted to the Child Care Division of the Employment Department.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage employers to provide dependent care services and referrals to their employees.

WHO BENEFITS: Employers who provide child care facilities for their employees receive both the financial benefit of the tax credit and the additional benefit of more productive employees. For tax year 2011, 14 corporate taxpayers benefited from either 1.423, Employer Provided Dependent Care Assistance or 1.424, Employer Provided Dependent Care Facilities credit. These taxpayers reduced their tax liability by \$16,400, on average. Other corporate taxpayers claiming this credit were unable to use it due to insufficient tax liability. For tax year 2012, almost 70 personal income taxpayers saved an average of about \$1,600 in Oregon tax using this credit.

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EVALUATION: *by the Department of Education*

This tax credit is effective because it encourages employers to help their employees address the difficulties of balancing work with their needs for dependent care. Dependent care costs, as part of a menu of employer-provided benefits, stabilizes the workforce and increases productivity, which decreases recruitment, training, and lost work time costs for the employer. Utilization of this tax credit historically has been somewhat low, mostly due to lack of awareness by employers that it is available or, when aware, employers choose to offer other benefits to employees other than child care.

1.424 EMPLOYER PROVIDED DEPENDENT CARE FACILITIES

Oregon Statute: 315.208
Sunset Date: 12-31-2001
Year Enacted: 1987

	Corporation	Personal	Total
2013-15 Revenue Impact:	Included in 1.423	Included in 1.423	Included in 1.423
2015-17 Revenue Impact:	Included in 1.423	Included in 1.423	Included in 1.423

DESCRIPTION: The Employer Provided Dependent Care Facilities credit expired as of December 31, 2001; however, there are revenue impacts for the 2013-15 and 2015-2017 biennia due to unused tax credits carried forward to succeeding years. Employers providing dependent care facilities for their employees were allowed a credit to either personal or corporation income tax. The credit equaled the lesser of:

- 50 percent of the cost of the acquisition, construction, reconstruction, renovation, or other improvement
- An amount equal to \$2,500 multiplied by the number of full-time equivalent employees
- \$100,000.

The facility must have been certified by the Child Care Division of the Employment Department and must have been completed before January 1, 2002.

One-tenth of the credit could be claimed in each of 10 consecutive years beginning with the year the facility was completed. If facility use was discontinued before the 10-year period was completed, the credit was discontinued. Credits that were not used due to insufficient tax liability could be carried forward for up to five years.

This credit has expired, and the last year to claim potential carry forward amount is 2015.

PURPOSE: The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to encourage employers to provide child care facilities near the place of employment.

WHO BENEFITS: Use of this credit is limited to unused credit amounts carried forward from past years. Beneficiaries are included in 1.423, Employer Provided Dependent Care Assistance.

EVALUATION: Not evaluated.

1.425 CONTRIBUTIONS TO OFFICE OF CHILD CARE

Oregon Statute: 315.213

Sunset Date: 12-31-2015

Year Enacted: 2001, Modified in 2013 (HB 3234)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$1,000,000	\$1,000,000
2015-17 Revenue Impact:	Less than \$100,000	\$500,000	\$500,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A credit against corporation or personal income taxes is allowed for contributions made to the Office of Child Care (OCC) of the Oregon Department of Education. Prior to the passage of HB 3234 in 2013, contributions were made to the Child Care Division of the Employment Department. The OCC issues tax credit certificates to taxpayers who make contributions. The total value of tax credit certificates may not exceed \$500,000 per calendar year. The credit is equal to 75 percent of the contribution amount. Any credits that are not used due to insufficient tax liability may be carried forward for up to four years.

If a charitable contribution deduction is taken for federal tax purposes, only the credit amount needs to be added back to Oregon taxable income.

The OCC distributes the funds from the contributions according to rules established by the Early Learning Council.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide a funding pool for child care that will: 1) stabilize child care businesses and 2) improve the quality of care for the children of low and moderate income families throughout Oregon.

WHO BENEFITS: For tax year 2012, 130 personal income taxpayers saved on average more than \$4,800 in Oregon tax using this credit. Very few corporations claim this credit.

EVALUATION: *by the Department of Education*

Comprehensive evaluations conducted from 2005 to 2010 show this tax credit is effective because the funds stabilize childcare provider wages and encourage more professional development, decrease parent costs of care, and improves the quality of care children receive. In addition to receiving tax credits, contributors help Oregon by encouraging small business development, supporting the child care workforce, helping to create quality early learning programs, and assisting children to enter school ready to succeed.

1.426 INDIVIDUAL DEVELOPMENT ACCOUNT DONATION (CREDIT)

Oregon Statute: 315.271
Sunset Date: 12-31-2015
Year Enacted: 1999

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$14,300,000	\$14,300,000
2015-17 Revenue Impact:	Less than \$100,000	\$7,700,000	\$7,700,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: Individuals or businesses donating to the state selected nonprofit (currently the Neighborhood Partnership Fund) for individual development accounts (IDAs) are allowed a tax credit equal to the lesser of \$75,000 or 75 percent of the amount donated prior to January 1, 2016. Donations are applied toward matching IDA account holder savings and also toward program related expenses. The amount used to compute the credit must be added to Oregon taxable income if it was deducted when computing federal taxable income. Any credit not used due to insufficient tax liability may be carried forward for up to three years. The Housing and Community Services Department maintains a limit on the total of all donations made each year. The limit was \$4 million for 2006, \$6 million for 2007, and \$8 million for 2008. The limit increased to \$10 million in 2009 and will remain at \$10 million going forward.

There are two other tax expenditures closely related to this program: 1.312, Individual Development Accounts (Exclusion and Subtraction), provides that contributions to and earnings from IDAs are not taxed by Oregon if used for approved purposes; and 1.427, Individual Development Account Withdrawal (Credit), provides a credit for IDA withdrawals that are used to fund closing costs associated with the purchase of a primary residence.

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; certain improvements and repairs to a primary residence; purchase of equipment or training needed to obtain or maintain employment; and capitalization of a small business.

WHO BENEFITS: Individuals or businesses making donations to the Oregon IDA Initiative through Neighborhood Partnership Fund to support IDAs directly benefit from this credit. Low income participants in the Oregon Individual Development Account Initiative also benefit through financial education and asset purchases. The table below shows usage of this credit for tax year 2012.

2012 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 \$12,400	<10	\$209	<\$0.1	<1%
\$12,400 - \$26,000	20	\$360	<\$0.1	<1%
\$26,000 - \$46,400	30	\$755	<\$0.1	<1%
\$46,400 - \$81,800	40	\$818	<\$0.1	<1%
Above \$81,800	420	\$17,174	\$7.1	99%
All Full-Year Filers	510	\$14,230	\$7.2	100%
Part-Year and Nonresident Filers	20	\$11,635	\$0.2	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Housing and Community Services Department*

This expenditure achieves its purpose. Proceeds from donations are matched with savings from participants to build the financial resiliency of households. Further, because the credit remains at 75% 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 both 2012 and 2013, respectively. Between January 2008 and June 2014, more than 7,000 Oregon residents opened Individual Development Accounts (IDAs), setting aside savings of over \$15 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, or start a small business. The Oregon IDA Initiative has supported over 3,500 participants in purchasing those lifelong assets with their IDAs and has thousands more actively saving. Since 2008, the Oregon IDA Initiative has worked with the [Regional Research Institute at Portland State University](http://www.oregonidainitiative.org/impact-policy/evaluation/) to evaluate the impacts of its work. Copies of the evaluations may be found here: <http://www.oregonidainitiative.org/impact-policy/evaluation/>

1.427 INDIVIDUAL DEVELOPMENT ACCOUNT WITHDRAWAL (CREDIT)

Oregon Statute: 315.272
Sunset Date: 12-31-2015
Year Enacted: 2005

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$300,000	\$300,000
2015-17 Revenue Impact:	Not Applicable	\$200,000	\$200,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A personal income tax credit is available for withdrawals from individual development accounts (IDAs) that are used to fund closing costs associated with the purchase of a primary residence.

The amount of the credit is the lesser of:

- the amount of money withdrawn from the IDA for the purchase of a residence
- the amount of the usual and reasonable closing costs of the residence
- \$2,000.

The taxpayer must not have owned or held any interest in a residence during the three years prior to making the purchase, except for displaced homemakers or other individuals who lost home ownership as a result of divorce.

There are two other tax expenditures closely related to this program: 1.312, Individual Development Accounts (Exclusion and Subtraction), provides that contributions to and earnings from IDAs are not taxed by Oregon if used for approved purposes; and 1.426, Individual Development Account Donation (Credit), provides a credit for individuals or businesses that make contributions to fiduciary organizations to support IDA programs.

Legislation in 2009 set the December 31, 2015 sunset date for this provision.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to assist low income Oregonians to achieve homeownership, by allowing low income families to recover some of the closing costs of purchasing a first home.

WHO BENEFITS: IDA account holders who use the credit when purchasing a home are the beneficiaries. For tax year 2012, 73 personal income taxpayers benefitted from this provision.

EVALUATION: *by the Housing and Community Services Department*

This expenditure achieves its purpose. More than a third (35 percent) of IDA graduates bought a home using their savings plus IDA matching funds, often using those funds to leverage other resources. Research also supports that IDA homebuyers are two to three times less likely to lose their homes to foreclosure as a result of the extensive financial education provided.

1.428 OREGON AFFORDABLE HOUSING LENDER'S CREDIT

Oregon Statute: 317.097

Sunset Date: 12-31-2019

Year Enacted: 1989

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$9,800,000	Not Applicable	\$9,800,000
2015-17 Revenue Impact:	\$10,200,000	Not Applicable	\$10,200,000

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. A preservation project is housing that was previously developed as affordable housing with a contract for rent assistance from the United States Department of Housing and Urban Development or the United States Department of Agriculture.

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 was increased from \$6 million to \$11 million in 2005 and to \$13 million in 2007. The current limit of \$17 million per fiscal year was set in 2008 and applies to tax years beginning on or after January 1, 2009.

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.

The recipient of the loan is required to pass on the savings from the reduced interest rate to tenants in the form of reduced housing payments, regardless of other subsidies provided to the housing project.

Legislation in 2009 set a December 31, 2013 sunset date for this provision which was subsequently extended to December 31, 2019 by the 2011 legislature. To qualify for the credit, qualified loans must be made on or before December 31, 2019. Qualified loans may be certified to receive credits for up to 20 years.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote the construction and rehabilitation of housing units with affordable rent.

WHO BENEFITS: For tax year 2011, 19 corporation income taxpayers benefited from this credit, reducing tax liability by about \$400,000 on average. Since 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, low income households also benefit from this provision. In 2012, over 10,500 households received the indirect benefit of paying lower rent.

EVALUATION: *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 units available for low and very low income persons 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. The department continues to effectively use this program to preserve projects that have Project Based Housing Assistance Payment contracts and other federal rent subsidies.

1.429 AGRICULTURE WORKFORCE HOUSING CONSTRUCTION

Oregon Statute: 315.164
Sunset Date: 12-31-2019
Year Enacted: 1989, Modified 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$500,000	\$1,300,000	\$1,800,000
2015-17 Revenue Impact:	\$500,000	\$1,000,000	\$1,500,000

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. 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). A total of \$3,125,000 in credits can be approved in a single calendar year by OHCS.

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 agriculture 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. For tax years beginning on or after January 1, 2005, a taxpayer eligible to claim the credit may transfer the entire

amount of the credit to another taxpayer that contributed to the project. For tax years beginning on or after January 1, 2002 and before January 1, 2005, 80 percent of the credit is transferable. In 2013, the Legislature extended the sunset to December 31, 2019 (HB 3367).

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote construction and rehabilitation of safe and healthful housing for agriculture workers.
- WHO BENEFITS:** For tax year 2012, approximately 65 personal income taxpayers (including S-corporation taxpayers) saved on average \$10,700 in Oregon tax using this credit including the use of carry forward credits. For tax year 2012, approximately 10 corporate taxpayers saved on average \$15,100 in Oregon tax using this credit including the use of carry forward credits. About 45 corporations and 80 individuals (growers) benefited from this credit since its inception. In 2012, a total of 11 new projects were awarded agriculture workforce tax credits. Since 2001, the credit has been used to provide safe, affordable housing for more than 4,500 agriculture workers and family members who are the indirect beneficiaries of the credit.
- EVALUATION:** *by the Housing and Community Services Department*
- This expenditure achieves the purpose of promoting construction and rehabilitation of safe and healthful 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.
- The availability of agriculture worker housing enhances the health of Oregon's agricultural industry. 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.

1.430 FARMWORKER HOUSING LENDER’S CREDIT

Oregon Statute: 317.147
Sunset Date: 12-31-2013
Year Enacted: 1989

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Not Applicable	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 2013–15 and 2015–17 biennia due to possible tax credits being claimed for up to a ten year period. A credit against corporation income taxes was allowed for lending institutions financing construction or rehabilitation of farmworker housing projects. 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 be located in Oregon and the interest rate on the loan cannot be above 13.5 percent. The credit could be claimed over the term of the loan or for 10 years, whichever is less, and applies 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 are offered to the borrower. The selling bank retained the right to claim the credit if it continued to service the loan.

Credits that cannot be used because of insufficient tax liability in the current year could not be carried forward to later years.

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: The amount of credits claimed varies widely from year to year. For tax year 2011, fewer than five corporate taxpayers benefited from the credit.

EVALUATION: Not evaluated.

1.431 LIVESTOCK KILLED BY WOLVES

Oregon Statute: Oregon 315.174(2)
Sunset Date: 12-31-2018
Year Enacted: 2012

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: A credit is allowed against personal or corporation income taxes for the current market value of any livestock that belongs to the taxpayer and that is killed by a wolf

during the tax year. In order to qualify for the credit, the taxpayer must obtain written certification from the Oregon Department of Fish and Wildlife (ODFW). Before issuing certification ODFW must possess evidence that the livestock was killed by a wolf. The evidence must include a finding by ODFW or a law enforcement officer that a wolf kill was the probable cause of the death of the livestock.

ODFW may not issue certifications for more than \$37,500 in tax credits for any tax year. Certifications for the tax credits are issued in the order that completed applications are received. The tax credit is reduced by any amount that the taxpayer has already received as compensation for killed livestock. For personal income tax purposes the credit is refundable; any portion of the credit that exceeds the tax liability will be paid to the personal income taxpayer. For corporation tax purposes, any credit unused because of insufficient tax liability may be carried forward for up to three years.

The taxpayer cannot claim a tax credit for livestock killed after June 30, 2018 or in any tax year that ends after the date on which the Oregon Fish and Wildlife Commission has removed the wolf from the list of endangered species.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to compensate taxpayers who have livestock killed by wolves, since the taxpayers are unable to protect their livestock by killing wolves, as wolves are listed as endangered species by Oregon Fish and Wildlife Commission.
- WHO BENEFITS:** Farmers and ranchers who have livestock killed by wolves. In tax year 2012, fewer than ten personal income taxpayers claimed this credit.
- EVALUATION:** Not evaluated.

1.432 MOBILE HOME PARK CLOSURE

Oregon Statute: Note following 316.116
Sunset Date: 12-31-2019
Year Enacted: 2007, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000

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, 2019, 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.

Income Tax
Oregon Credits

This credit replaced a previous credit in 2007. The previous credit was for reimbursement of expenses for moving their manufactured dwelling out of a closing park, up to \$10,000. It was limited to those with a household income of \$60,000 or less.

Legislation in 2013 extended the scheduled sunset of the provision from December 31, 2013 to December 31, 2019.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to manufactured dwelling residents who are forced to relocate because of the closure of their manufactured dwelling park.
- WHO BENEFITS:** Manufactured dwelling owners who are forced to move due to the closure of their manufactured dwelling park. For tax year 2012, very few personal income taxpayers claimed this credit.
- EVALUATION:** Not evaluated.

1.433 CROP DONATION

Oregon Statute: 315.156
Sunset Date: 12-31-2019
Year Enacted: 1977, Modified in 2014 (SB 1541)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$400,000	\$400,000
2015-17 Revenue Impact:	Less than \$100,000	\$900,000	\$900,000

- DESCRIPTION:** The Crop Donation credit had expired as of December 31, 2011, but was reinstated beginning in 2014 with the passage of SB 1541. A credit is allowed against personal or corporation income taxes for crop donations to gleaning cooperatives, food banks, or qualifying charitable organizations located in Oregon. Beginning in 2001, the credit included donations to food banks or other charitable organizations that distribute food at no charge to children, homeless, unemployed, elderly, or low-income individuals.
- The definition of “crop” includes plants or orchard stock that produce food for human consumption and livestock animals (added in 2001) that may be processed into food for humans.
- Both harvest donations (gleaning) and post-harvest donations qualify. Before 2001, the charitable organization receiving the donation was responsible for picking (gleaning) the crop.
- Previously, the credit was 10 percent of the wholesale market price of the crop, but was increased to 15 percent when the credit was reinstated. 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.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1541, the purpose of this credit “...is to increase the amount of food donated by food producers to charities

that serve individuals and families experiencing hunger by offsetting expenses incurred during the collection, transportation, and storage of donated food.”

WHO BENEFITS: Farmers who donated crops to gleaning cooperatives, food banks, or charitable food distribution organizations. For tax year 2012, approximately 100 personal income tax payers carried forward unused credits from prior years and saved an average of about \$750 in Oregon tax. Few corporations claimed this credit. The recipient organizations were major beneficiaries of this incentive in the form of donated crops and livestock.

EVALUATION: *by the Department of Agriculture*

Without the credit, some farmers who want to donate surplus crops may not be able to afford to pay for the labor to harvest them. Labor costs can make up over 35 percent of a farmer's gross income from wholesale crop sales. Renewal of the credit at 15 percent of the wholesale crop value should help more farmers be able to afford the cost of labor to harvest and donate surplus crops.

1.434 ALTERNATIVES TO FIELD BURNING

Oregon Statute: 315.304

Sunset Date: 12-31-2007

Year Enacted: 1975

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: The Alternatives to Field Burning credit expired as of December 31, 2007; however there can be revenue impacts for the 2013–15 and 2015-17 biennia due to possible unused tax credits carried forward to succeeding years. 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. This provision was added as an expansion of tax expenditure 1.436, Pollution Control, in 1975 and sunset at the end of 2007.

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 life of the facility. The credit was allowed only for the fraction of use as an alternative to field burning, and the applicant must have demonstrated a reduction in acreage burned.

Note that tax expenditure 2.033, 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.

Income Tax
Oregon Credits

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 flammers, 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.

1.435 RIPARIAN LANDS REMOVED FROM FARM PRODUCTION

Oregon Statutes: 315.113
Sunset Date: 12-31-2011
Year Enacted: 2001

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: The Riparian Lands Removed From Farm Production credit expired as of December 31, 2011; however, there are revenue impacts for the 2013-15 and 2015-2017 biennia due to unused tax credits carried forward to succeeding years. A credit was allowed against personal or corporate income taxes for riparian farmland that was voluntarily taken out of agricultural production for conservation purposes. The statute defined riparian land as land that was formerly in agricultural production and within 35 feet of the bank of a natural watercourse. The credit was equal to 75 percent of the fair market value of the crops foregone for each year crops were not raised on the eligible land. Share-rent agreements, as defined in the statute, allowed both the lessor and the lessee to claim the credit in proportion to the amount of crops from the riparian land the share-rent agreement allocated to each party. Credits that were not used due to insufficient tax liability could be carried forward for up to five years.

This credit has expired, and the last year to claim any potential carry forward amount is 2016.

PURPOSE: “The purpose of [this tax credit] is to encourage taxpayers that have riparian land in farm production to voluntarily remove the riparian land from farm production and employ conservation practices applicable to the riparian land that minimize contributions to undesirable water quality, habitat degradation and stream bank erosion.” (ORS 315.111)

WHO BENEFITS: Taxpayers who voluntarily take riparian farmland out of production. For tax year 2012, fewer than 10 personal income tax payers saved an average of \$1,000 in Oregon tax using this credit. Few corporations claim this credit.

EVALUATION: Not evaluated.

1.436 POLLUTION CONTROL

Oregon Statute: 315.304

Sunset Date: 12-31-2007

Year Enacted: 1967

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$1,800,000	\$600,000	\$2,400,000
2015-17 Revenue Impact:	\$700,000	\$300,000	\$1,000,000

DESCRIPTION: The Pollution Control credit expired as of December 31, 2007; however, there are revenue impacts for the 2013–15 and 2015–17 biennia due to unused tax credits carried forward to succeeding years. 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 under one of the following categorizations:

- Air pollution control
- Water pollution control
- Noise pollution control
- Material recovery of solid waste, hazardous waste, or used oil control
- Hazardous waste pollution control
- Nonpoint source pollution control.

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.

Income Tax
Oregon Credits

Facilities were eligible for a 50 percent credit if certified under ORS 468.155 to 468.190 (1999 Edition) or construction or installation started before January 1, 2001 and ended before January 1, 2004.

A taxpayer may use any credit unclaimed in a particular year because of insufficient tax liability in later years, for up to three years. An additional three year carry forward is allowed provided credits had not expired as of the 2001 tax year and the facility remains in operation during the additional carry forward period.

The property tax expenditure 2.109, 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 2009, 29 corporate taxpayers benefited from the credit. These taxpayers reduced their tax liability by \$112,000, on average. Other corporate taxpayers claiming this credit were unable to use it due to insufficient tax liability. For tax year 2010, almost 320 personal income tax taxpayers saved an average of about \$4,600 in Oregon tax using this credit. Many 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.

1.437 FISH SCREENING DEVICES

Oregon Statute: 315.138

Sunset Date: 01-01-2018 (taxpayers must receive preliminary certification by 01-01-2018)

Year Enacted: 1989

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

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 shall not 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 the 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. However, the ODFW is responsible for major maintenance on diversions of less than 30 cubic feet per second.

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 2011, the statute was modified so that ODFW may not issue a preliminary certification after January 1, 2018.

- 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 2013, ODFW certified 31 screens and fishways, with a potential tax credit of \$25,117.
- EVALUATION:** Not evaluated.

1.438 DIESEL TRUCK ENGINES (NEW)

Oregon Statute: Note following ORS 315.356

Sunset Date: 12-31-2011 (DEQ certifications not issued after 06-30-2011)

Year Enacted: 2003

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION: The Diesel Truck Engine (New) credit expired as of December 31, 2011; however, there are revenue impacts for the 2013-15 and 2015-17 biennia due to unused tax credits carried forward to succeeding years. A credit was allowed against personal or corporate income taxes for the purchase of qualifying diesel truck engines purchased after September 27, 2007. The amount of the credit was based on the number of trucks the taxpayer owned prior to purchasing a qualifying engine, as follows:

- 1 to 10 trucks owned, the credit was \$925 per engine purchased
- 11 to 50 trucks owned, the credit was \$705 per engine purchased
- 51 to 100 trucks owned, the credit was \$525 per engine purchased
- More than 100 trucks owned, the credit was \$400 per engine purchased.

Income Tax
Oregon Credits

The maximum credit allowed per calendar year per taxpayer was \$80,000.

Taxpayers applied to the Oregon Department of Environmental Quality (DEQ) for credit certification. Certificates of credit approval were not issued by the DEQ after June 30, 2011. Eligibility requirements for the credit were:

- The taxpayer must have owned the truck registered in Oregon with combined weight of more than 26,000 pounds.
- The new diesel engine must have been of model year 2007 through 2011.
- The new diesel engine must have been certified by the Federal Environmental Protection Agency as emitting particulate matter at the rate of 0.01 grams per brake horsepower-hour or less.

The total credit certifications by the DEQ for all taxpayers were limited to \$500,000 per calendar year.

Any credit unclaimed in a particular year because of insufficient tax liability could be carried forward up to four years.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose was to encourage faster turnover of older heavy duty diesel trucks with newer, less polluting engines.

WHO BENEFITS: Businesses or individuals who owned trucks with new qualifying diesel engines benefited from this credit. For tax year 2011, fewer than ten 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 2012, fewer than 20 personal income taxpayers saved an average of about \$1,300 in Oregon tax using this credit, which was all carried forward from previous tax years.

EVALUATION: Not evaluated.

1.439 DIESEL TRUCK ENGINES (RETROFIT AND REPOWER)

Oregon Statute: Note following 315.356

Sunset Date: 12-31-2011

Year Enacted: 2007

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$200,000	Less than \$100,000	\$200,000
2015-17 Revenue Impact:	\$0	\$0	\$0

DESCRIPTION: The Diesel Truck Engine (Retrofit and Repower) credit expired as of December 31, 2011; however, there are revenue impacts for the 2013-15 biennia due to unused tax credits carried forward to succeeding years. Beginning with tax year 2008, taxpayers could claim a credit for certified costs incurred in repowering non-road diesel engines or retrofitting non-road and road diesel engines. The credit was equal to 25 percent of the certified cost of a qualifying diesel engine repower, or 50 percent of the certified cost of a qualifying diesel engine retrofit.

A qualifying diesel engine repower was the scrapping of an old diesel engine in a non-road vehicle or piece of equipment and replacing it with a new, used or

remanufactured engine; or with electric motors, electric drives or fuel cells with a minimum seven-year useful life.

A qualifying diesel engine retrofit meant to equip a diesel engine in a vehicle or piece of equipment designed either for non-road use or use on public roads with new emissions reducing parts or technology after the manufacture of the original engine. A retrofit must have used the greatest degree of emissions reduction available for the particular application of the equipment retrofitted that meets the cost effectiveness threshold.

To qualify for the credit, the repower and retrofit must have reduced particulate matter emissions by at least 25 percent, and at least 50 percent of the use for the three years following the repower or retrofit must have occurred in Oregon.

Qualifying repowers and retrofits were defined by rules adopted by the Environmental Quality Commission, and the Department of Environmental Quality (DEQ) will certify costs. Unused credits could be carried forward for three years.

Organizations with no Oregon tax liability, such as nonprofit organizations, schools, tribes, cities or other public entities could apply for and transfer the credit to an Oregon taxpayer. The parties to this transaction submitted a Transfer Notice to the Department of Revenue prior to the taxpayer's tax year end. The 2009 Legislative Session (HB 2068) limited the transferability of this credit, so that the credit could not be transferred more than once.

- PURPOSE:** "To reduce excess lifetime risk of cancer due to exposure to diesel engine emissions to no more than one case per million individuals by 2017. ... To substantially reduce the risk to school children from diesel engine emissions produced by Oregon school buses by the end of 2013." (ORS 468A.793).
- WHO BENEFITS:** Businesses or individuals who repowered or retrofitted diesel engines within the above specifications benefited from this credit.
- EVALUATION:** Not evaluated.

1.440 ALTERNATIVE ENERGY DEVICES (RESIDENTIAL)

Oregon Statute: 316.116

Sunset Date: 12-31-2017

Year Enacted: 1977

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$26,000,000	\$26,000,000
2015-17 Revenue Impact:	Not Applicable	\$31,500,000	\$31,500,000

DESCRIPTION: A credit against personal income tax is allowed to taxpayers who install qualifying alternative energy devices in their residences. This credit is commonly referred to as the Residential Energy Tax Credit (RETC).

To qualify for the credit, taxpayers apply to the Oregon Department of Energy (ODOE). Homeowners, renters and contract buyers who purchase qualifying devices can apply for and use the credit. Alternatively, a taxpayer who pays the present value of the tax credit to the person who purchases the device may then use the credit. A credit can only be issued to one taxpayer, so in the latter circumstance the taxpayer

who purchases the credit would use it rather than the taxpayer who purchased the device.

The following devices qualify for a tax credit:

Category One:

- Systems that use solar energy for space heating or cooling
- Systems that use heat pumps or geothermal systems
- Ground source heat pumps or geothermal systems
- Wind-powered devices used to offset or supplement electricity
- Equipment used in the production of alternative fuels
- Generators powered by alternative fuels and used to produce electricity
- Premium wood or pellet stoves
- An energy-efficient appliance*
- An alternative fuel vehicle.*

Category Two:

- Solar electric systems
- Fuel cell systems
- Wind electric systems.

*Beginning January 1, 2012, dishwashers, clothes washers, refrigerators, air conditioners, boilers and alternative fuel vehicles no longer qualified, because of changes made by the legislature.

The tax credit is based on how much energy the system will save in the first year. The value of the credit per kilowatt-hour saved depends on the type of equipment or system. The maximum credit allowed for each category one device is \$1,500.

For hybrid and alternative fuel vehicles, the credit was 25 percent of the cost of the vehicle, but not more than \$750. For fueling/charging stations, the credit is 25 percent of the system, but not more than \$750.

The credit allowed for each category two device, except wind electric systems, is \$2.10 per watt, up to 2,858 watts. For wind electric systems, the credit is \$2 per watt up to 3,000 watts. Generally, the maximum credit is \$6,000 taken over four years.

The RETC is in addition to any utility or Energy Trust incentive and federal tax credit that the taxpayer might receive for an alternative energy device. However changes to the rules for the RETC program require the deduction of these additional incentives and federal tax credits from the eligible cost of the device when calculating the allowable RETC amount. The sum of the state and federal credits may not exceed the cost to the taxpayer for the acquisition, construction and installation of the alternative energy device.

Any credit unused in a particular year because of insufficient tax liability may be used in later years, for up to five years. If a taxpayer has no Oregon tax liability, the taxpayer may transfer the tax credit to an individual with an Oregon tax liability, who will make a lump sum payment equal the present value of the certified tax credit (as determined by ODOE) to the taxpayer.

Since enactment, almost every legislative session has seen major changes to the RETC program. Most notably, the Legislature added credits for the purchase of energy efficient appliances in 1998 and alternative fuel vehicles in 1999, increased credits for solar and wind systems in 2005, and added high efficiency wood stoves in 2007. The 2007 Legislature also allowed taking a credit for each qualifying device, if more than one device is acquired in the same year. The 2009 Legislature eliminated the credit for gasoline-electric hybrid vehicles as of January 1, 2010. The 2011 Legislature made several modifications to the RETC (HB 3672). Alternative fuel vehicles and certain types of appliances no longer qualified as of January 1, 2012. Pre-certification is now required for third party alternative energy device entities who own the device after installation (with an annual cap of \$10 million in credits).

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote the use of renewable energy resources and energy-efficient systems in residences.

WHO BENEFITS: Oregon residents who purchase renewable energy systems and/or energy-efficient systems. The table below shows personal income tax usage of this credit for tax year 2012.

2012 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 \$12,400	470	\$26	<\$0.1	<1%
\$12,400 - \$26,000	850	\$170	\$0.1	2%
\$26,000 - \$46,400	1,620	\$352	\$0.6	7%
\$46,400 - \$81,800	3,520	\$569	\$2.0	25%
Above \$81,800	6,990	\$753	\$5.3	66%
All Full-Year Filers	13,450	\$594	\$8.0	100%
Part-Year and Nonresident Filers	240	\$337	\$0.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

About 60 tax credits were transferred to individuals with an Oregon tax liability.

EVALUATION: *by the Department of Energy*

This credit has been successful in encouraging Oregonians to invest in energy efficient and renewable resources. In 2009, more than 37,700 highly efficient appliances were installed in Oregon. About 2,000 alternative fuel vehicles were certified for the credit in the same year. These two categories constitute about 75 percent of the total credits claimed under this program. We have seen a continued increase in the number of applications for solar photovoltaic systems that is likely a result of the 2005 legislation that increased the tax credit amount to be taken over four years. It is too soon to evaluate the effect of extending the tax credit to \$6,000 for residential wind and fuel cells. To date we have not seen an increase in these projects, however this may due to availability constraints in the market.

The new credit for High Performance Homes given to homebuilders as a Business Energy Tax Credit (BETC) has been successful in increasing the production of homes that will result in a 40 percent energy savings for their owners. As of July 2010, nine homes were completed and 19 were under construction.

Increased awareness of the benefits of energy efficiency including the reduction of greenhouse gas emissions is one factor in the continued growth of the Residential Energy Tax Credit program. Most of Oregon's 3.8 million residents can benefit from the program. Influence in the marketplace is another indicator of the credit's effectiveness. Appliance dealers reported substantial increases in energy efficient appliance sales tied to the tax credit. An additional benefit of appliance tax credits was a reduction in water consumption in clothes washers and dishwashers..

The credit is based on a combination of the efficiency and the cost of the system. This feature encourages the development of more efficient systems. Alternatives to the credit are incentives offered by utilities and the Energy Trust of Oregon and federal tax credits. Ending the credit may discourage investment in highly efficient and renewable resources, which have other benefits such as reducing greenhouse gas emissions. The program is scheduled to sunset December 31, 2017.

1.441 ALTERNATIVE FUEL STATIONS

Oregon Statute: 317.115
Sunset Date: 12-31-2011
Year Enacted: 1997

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000

DESCRIPTION: The Alternative Fuel Stations credit expired as of December 31, 2011; however, there are revenue impacts for the 2013-15 and 2015-2017 biennia due to unused tax credits carried forward to succeeding years. A credit was allowed against corporation income tax based upon costs for construction or installation in a dwelling of a fueling/charging station necessary to operate an alternative fuel vehicle. Alternate fuels included electricity, natural gas, ethanol, methanol, propane and any other fuel approved by the Oregon Department of Energy (ODOE) that produced less exhaust emissions than vehicles fueled by gasoline or diesel.

A contractor who constructed the dwelling in which the fueling/charging station was incorporated or installed the fueling/charging station could have claimed the tax credit. However, in that case, no other taxpayer could have also claimed the tax credit, including the owner or any tenant of the dwelling.

To qualify for the Alternative Fuel Stations credit, taxpayers must have had the fueling/charging station certified by ODOE. The credit equaled 25 percent of the cost of the fueling/charging station, not to exceed \$750.

The credit must have been claimed for the tax year in which the certified fueling/charging station was first placed in service or the next tax year. Credits that were not used due to insufficient tax liability can be carried forward for up to five years. If a taxpayer had an insufficient Oregon income liability, it was possible for the taxpayer to transfer the tax credit to an individual with an Oregon tax liability, who would have had to have made a lump sum payment equal the then present value of the certified tax credit (as was determined by ODOE) to the taxpayer.

This credit has expired, and the last tax year to claim any potential carry forward amount is 2016.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose was to promote the use of alternative fuel vehicles.
- WHO BENEFITS:** Homebuilders, who install or construct alternative fueling stations in dwellings benefitted due to the increased value of the home to potential buyers. Oregon residents who owned alternative fuel vehicles also benefitted from having a fueling/charging station located in their home. Few taxpayers have used this credit.
- EVALUATION:** Not evaluated.

1.442 BUSINESS ENERGY FACILITIES, CONSERVATION AND RENEWABLES

Oregon Statute: 315.354

Sunset Date: 12-31-2012 (for projects with preliminary certification that began construction after 04-15-2011; projects with preliminary certification that began construction prior to 04-15-2011 must receive final certification based on the conditions of their preliminary certification)

Year Enacted: 1979

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$135,200,000	\$88,300,000	\$223,500,000
2015-17 Revenue Impact:	\$94,400,000	\$57,500,000	\$151,900,000

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. In addition, 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, *1.419, Renewable Resource Equipment Manufacturing Facilities* tax credit.

To replace the expired components of the BETC program, the 2011 Legislature created three new tax credits (HB 3672) which are a part of the *Energy Incentive Program* (EIP):

- 1.443, Renewable Energy Development Contributions
- 1.444, Energy Conservation Projects
- 1.445, Transportation Projects.

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. Even though these components of BETC have expired, there are revenue impacts for this tax expenditure for the 2013-15 and 2015-17 biennia due to credits that were certified to be claimed over a five-year period that includes these tax years and also due to unused tax credits that are allowed to be carried forward for a maximum of eight years.

To have qualified for a BETC (conservation and renewables), the project had to be 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 (passed by the 1999 Legislative Session), \$20 million for renewable projects (2007 Legislative Session). 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 begun 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.

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 investing in facilities that produce energy, reduce the consumption of energy, recycle, or use less polluting transportation fuels. A variety of businesses, including manufacturers, food processors, lumber companies, farmers and ranchers, service industries, retailers, and rental housing owners participated in the program. For tax year 2011, about 340 corporate taxpayers benefited from the credit. These taxpayers reduced their tax liability by an average of \$140,000. Other corporate taxpayers claiming this credit were unable to use it due to insufficient tax liability. For tax year 2012, approximately 2,450 personal income taxpayers (composed of individuals, S-corporations and partnerships) benefited from the credit. The table below shows the personal income tax usage of this credit for tax year 2012.

2012 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 \$12,400	70	\$41	<\$0.1	<1%
\$12,400 - \$26,000	50	\$241	<\$0.1	<1%
\$26,000 - \$46,400	80	\$1,139	\$0.1	<1%
\$46,400 - \$81,800	170	\$1,357	\$0.2	1%
Above \$81,800	1,830	\$21,267	\$38.9	99%
All Full-Year Filers	2,210	\$17,815	\$39.3	100%
Part-Year and Nonresident Filers	240	\$10,782	\$2.6	

**Each income group contains 20 percent of the full-year filers (approximately 322,500)*

EVALUATION: Not evaluated.

1.443 RENEWABLE ENERGY DEVELOPMENT CONTRIBUTIONS

Oregon Statute: 315.326(1)

Sunset Date: 12-31-2017

Year Enacted: 2011

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$2,600,000	\$2,600,000
2015-17 Revenue Impact:	Less than \$100,000	\$2,700,000	\$2,700,000

DESCRIPTION: A credit is allowed against corporation or personal income taxes for taxpayers who purchase tax credits from an auction conducted by the Department of Revenue (DOR), in cooperation with the Oregon Department of Energy (ODOE). The proceeds of the auction go to a fund from which ODOE issues grants to fund renewable energy development in Oregon. Examples of renewable energy development are systems that use biomass, solar, geothermal, hydroelectric, wind, landfill gas, biogas or wave, tidal or ocean thermal energy technology to produce electricity.

Legislation in 2011 allowed the Business Energy Tax Credit (BETC) to sunset and created three new tax credits: this tax expenditure, Renewable Energy Development Contributions, 1.444, Energy Conservation Projects, and 1.445, Transportation Projects.

Income Tax
Oregon Credits

DOR administers the auction process and determines minimum bid before conducting the auction, which cannot be below 95 percent of the value of the credit. A maximum of \$1.5 million in credits may be issued in one fiscal year. In fiscal year 2013-14, DOR held two auctions, selling tax credits in increments valued at \$1,000, with a minimum bid of \$950 per tax credit increment.

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.

PURPOSE: “Provide the necessary financial incentives for taxpayers to make contributions...” [ORS 315.326(2)(b)(C)] to the Renewable Energy Development Subaccount of the Clean Energy Deployment Fund. “...Moneys in the fund are continuously appropriated to the State Department of Energy for purposes related to renewable energy development.” [ORS 470.805(1)]

WHO BENEFITS: Taxpayers with a tax liability who purchase tax credits and businesses who received grants for renewable energy projects that are funded by the purchase of these credits. In fiscal year 2013-14, about 40 taxpayers purchased tax credits worth a total value of \$1,316,000. So far in fiscal year 2014-15, there has been one auction where about 60 taxpayers purchased tax credits worth a total value of \$1,500,000.

EVALUATION: *by the Department of Energy*

The auctions that occurred in 2011 did not generate significant revenue to provide for the allotted \$1.5 million in Renewable Energy Development Grants. The Department opened the opportunity for projects to compete for grants following the auctions and received six applications for projects. Only five were considered complete and offered the opportunity for technical review, which was the final step in being awarded a grant. To date, no donations to the Renewable Energy Development Fund have been made.

The maximum grant available to a renewable energy development project was up to 35 percent of project cost not to exceed \$250,000. The total amount of grants requested during the initial offering was \$337,627.50.

The Department has had a total of three opportunity periods for Renewable Energy Development Grants for which it received 68 applications. Of these applications, 22 have been offered grants totaling \$1,517,210. Five projects have been completed totaling \$142,353 in grant payments. Energy production totals 43,398,058 kWh for the 22 projects.

The incentive program will support the goals of the Governor's 10-Year Energy Action Plan. These goals include reducing dependence on carbon-intensive fuels and foreign oil; mitigating greenhouse gas emissions; and boosting Oregon's economy through investment and innovation.

1.444 ENERGY CONSERVATION PROJECTS

Oregon Statute: 315.331(1)

Sunset Date: 12-31-2017

Year Enacted: 2011

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$1,900,000	\$2,500,000	\$4,400,000
2015-17 Revenue Impact:	\$8,800,000	\$7,100,000	\$15,900,000

DESCRIPTION: A credit is allowed against corporation or personal income taxes for energy conservation projects in Oregon. Legislation in 2011 allowed the Business Energy Tax Credit (BETC) to sunset and created three new tax credits: this tax expenditure, Energy Conservation Projects, 1.443, Renewable Energy Development Contributions, and 1.445, Transportation Projects.

To qualify for an Energy Conservation Project tax credit, a taxpayer must have the project certified by the Oregon Department of Energy (ODOE). Qualifying energy conservation projects are eligible for a credit that is equal to an amount up to 35 percent of project cost. The credit is 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 may take the tax credit in one year. Any credit unused in a particular year because of insufficient tax liability may be carried forward for up to five years. The total amount of potential tax credits for the program is limited to \$28 million per biennium.

Project owners with no tax liability, such as schools, governmental agencies, tribes or non-profit organizations can take advantage of the Energy Conservation Project program by using the pass-through option, which allows project owners to transfer their tax credit eligibility to a partner for a lump sum cash payment. Transfer partners can be a business or individual with an Oregon tax liability, who then claim the tax credit on their tax return. Transfer to a partnership is not allowed. The ODOE administers the transfer process and sets the rate for calculating the payment. The credit may be transferred or sold only once.

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 investing in facilities that reduce the consumption of energy. This includes owners of rental properties, industrial facilities, agricultural enterprises and a number of other businesses both large and small. Taxpayers with a tax liability who purchase tax credits also benefit.

EVALUATION: *by the Department of Energy*

Oregonians spend more than \$1.3 billion annually on energy; most of that money leaves the state. In 2011 ODOE contracted with Industrial Economics, Incorporated (IEc Inc.) to conduct an independent study evaluating the extent to which the BETC enabled project development. The study concluded that the BETC played a significant role in enabling projects, particularly when capital constraints were the main problem facing the conservation project applicants. Across the board, conservation projects were the most cost-effective and would not have occurred without the BETC tax credits. In general, the study also indicated that conservation projects continued to be an efficient and effective use of state tax credits. Now that

the BETC has sunset, the Department has applied lessons learned from that program to further the state's conservation goals.

The energy incentive program for conservation was deployed in 2011. It is limited by a cap of \$28 million in tax credits each biennium. The Department divides the credits between different conservation technologies and is using a competitive process to award preliminary certifications by technology. These opportunities are released periodically using Opportunity Announcements that outline the amount of credits available for the technology, the criteria to be used in awarding the credits and other information to assist project owners compete.

The ODOE also has a streamlined process for small projects with project costs less than \$20,000 provided the project is for a prescribed type of project. For the small premium projects, the project owners receive a predetermined credit based on the number of conservation measures they complete. Credits are not based on project cost; rather, credits are based on deemed savings.

From January 2012 through July 2014, 64 projects have received preliminary certifications totaling \$16,014,402 in tax credits and 713 have completed informational filings for the small premium projects totaling \$1,399,422 in tax credits reserved. 25 projects have been completed after receiving preliminary certifications with certified tax credits totaling \$2,789,948 and 415 have received tax credits totaling \$555,174 after completing projects in the small premium portion of the conservation program. The energy savings are: 29,866,213 kWh, 5,238,521 Therms and 185,656 gallons of diesel.

1.445 TRANSPORTATION PROJECTS

Oregon Statute: 315.336(1)

Sunset Date: 12-31-2017 (partial sunset for projects other than alternative fuel vehicle infrastructure projects, 12-31-2015)

Year Enacted: 2011, Modified in 2013 (SB 583), 2014 (HB 4107)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$900,000	\$1,000,000	\$1,900,000
2015-17 Revenue Impact:	\$4,000,000	\$3,800,000	\$7,800,000

DESCRIPTION: A credit is allowed against corporation or personal income taxes for transportation projects in Oregon. This tax credit is allowed for public or nonprofit entities that provide transit services to members of the public and that receive state or federal funding for those services, for entities that develop alternative fuel vehicle infrastructure (AFVI) projects, such as electric vehicle charging and compressed natural gas systems or entities that acquire an alternative fuel vehicle fleet.

Legislation in 2011 allowed the Business Energy Tax Credit (BETC) to sunset and created three new tax credits: this tax expenditure, Transportation Projects 1.443, Renewable Energy Development Contributions, and 1.444, Energy Conservation Projects.

To qualify for a Transportation Project credit tax credit, a taxpayer must have the project certified by the Oregon Department of Energy (ODOE).

Alternative fuel vehicle projects are eligible for a credit equal to 35 percent of the certified cost. Alternate fuel vehicle projects can either be for the development of alternative fuel vehicle infrastructure or the acquisition of an alternative fuel vehicle fleet. SB 583 (2013) added alternative fuel vehicle fleet acquisitions to be eligible for tax credits beginning in January 2015. Alternative fuel vehicle projects are eligible to receive a tax credit up to the sunset date of this tax expenditure, December 31, 2017.

For transit services projects which are those projects other than alternative fuel vehicle projects, the credit is equal to the following percentage of the certified cost:

- 25 percent from July 1, 2011 to December 31, 2012
- 20 percent from January 1, 2013 to December 31, 2013
- 15 percent from January 1, 2014 to December 31, 2014
- 10 percent from January 1, 2015 to December 31, 2015.

Transportation projects other than alternative fuel vehicle projects cannot receive a tax credit after December 31, 2015.

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 (SB 583) and 2014 (HB 4107) redirected \$3 million of Transportation Project tax credits per biennium for the 2013-15 and 2015-17 biennia to tax credits to be auctioned for tax years 2013-2016. The proceeds from the auction of these tax credits are to be deposited into the Alternative Fuel Vehicle Revolving Fund. See tax expenditure 1.449, Alternative Fuel Vehicle Fund Contributions.

Any credit unused in a particular year because of insufficient tax liability may be carried forward for up to five years.

Project owners with no tax liability, such as schools, governmental agencies, tribes or nonprofit organizations can take advantage of the Transportation Project program by using the pass-through option, which allows project owners to transfer their tax credit eligibility to a partner for a lump sum cash payment. Transfer partners can be a businesses or individuals with an Oregon tax liability, who then claimed the tax credit on their tax returns. Transfer to a partnership is not allowed. The ODOE administers the transfer process and sets the rate for calculating the payment. The credit may be transferred or sold only once.

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:

Public or nonprofit entities that provide transit services to members of the public and that receives state or federal funding for those services, and businesses that invest in alternative fuel vehicle infrastructures. Taxpayers with a tax liability who purchase tax credits also benefit.

EVALUATION:

by the Department of Energy

The new transportation credit program was deployed in 2012. The Department believes that it will support the goals of the Governor's Ten Year Energy Plan. These goals include reducing dependence on carbon-intensive fuels and foreign oil; mitigating greenhouse gas emissions; and boosting Oregon's economy through investment and innovation.

The Department has had three opportunity periods for transit and four for alternative fuel vehicle infrastructure. It is also been working on rules to provide for replacement of diesel or gasoline fleet vehicles with alternative fueled vehicles, so it is prepared to offer tax credits for these types of projects when they become eligible in 2015.

From the inception of the program through June 2014, the department has issued 28 preliminary certifications for alternative fuel vehicle infrastructure projects totaling \$5,740,528 in tax credits and 18 for transit totaling \$13,053,374 in tax credits. Nine alternative fuel vehicle infrastructure projects have been completed after receiving preliminary certifications with certified tax credits totaling \$620,697 and 7 transit projects have been completed after receiving preliminary certification with certified tax credits totaling \$4,456,785. The total fuel displaced is 14,853,689 gallons of gasoline and 5,999,441 gallons of diesel.

1.446 ENERGY CONSERVATION LENDER’S CREDIT

Oregon Statute: 317.112
Sunset Date: 12-31-2011
Year Enacted: 1981

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Not Applicable	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 2013-15 and 2015-2017 biennia due to unused tax credits carried forward to succeeding years. Commercial lending institutions were allowed a credit against corporate income taxes for financing energy conservation measures of residential fuel oil customers or wood heating residents. The institutions 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.

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 allows 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. Few taxpayers used this credit.

EVALUATION: Not evaluated.

1.447 WEATHERIZATION LENDER'S CREDIT

Oregon Statute: 317.111

Sunset Date: 10-31-1981

Year Enacted: 1977

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 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 2013–15 and 2015–17 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.

EVALUATION: Not evaluated.

1.448 PRODUCTION OR COLLECTION OF BIOMASS

Oregon Statute: 315.141

Sunset Date: 12-31-2017

Year Enacted: 2007

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$600,000	\$6,200,000	\$6,800,000
2015-17 Revenue Impact:	\$900,000	\$9,300,000	\$10,200,000

DESCRIPTION: A credit is allowed against corporation or personal income taxes to producers and collectors of biomass material. The biomass material must be sourced within Oregon and must be used as biofuel or to produce biofuels in Oregon. Types of biomass include: woody (forest based) biomass, agriculture crops, manure, used oil and waste

grease. To qualify for the credit, taxpayers must be certified by the Oregon Department of Energy.

The credit is computed as a product of the quantity of biomass produced and the applicable credit rate. The credit rates vary by the type of biomass. The credit can be carried forward for four years and may not exceed the tax liability of the corporation or individual claiming the credit.

The tax credit for biomass production or collection may be transferred to a third party. In 2009, legislation passed that provided a biomass credit could be transferred no more than once. The transfer must take place before the transferor's tax return for the first year the biomass credit may be used is due, including extensions.

A biomass tax credit can be claimed only one time for each unit of biomass.

The 2011 Legislature made changes to this tax credit. The tax credit has been reduced for woody biomass and biomass from agricultural residues from \$10 per green ton to \$10 per bone dry ton. In addition, yard debris and municipally generated food waste are now excluded from receiving a tax credit. These changes were effective January 1, 2012.

PURPOSE:

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to stimulate production and collection of biomass necessary to produce biofuel, which can be used in place of fossil fuels.

WHO BENEFITS:

Producers and collectors of biomass For tax year 2011 approximately, 10 corporate taxpayers benefited from this credit. These taxpayers reduced their tax liability by \$17,000, on average. Other corporate taxpayers claiming this credit were unable to use it due to insufficient tax liability. For tax year 2012, approximately 210 personal income taxpayers saved an average of about \$14,000 in Oregon tax using this credit. The table below shows the personal income tax usage of this credit for tax year 2012.

2012 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 \$12,400	10	\$53	<\$0.1	<1%
\$12,400 - \$26,000	10	\$127	<\$0.1	<1%
\$26,000 - \$46,400	20	\$61	<\$0.1	<1%
\$46,400 - \$81,800	30	\$472	<\$0.1	1%
Above \$81,800	130	\$23,195	\$3.0	99%
All Full-Year Filers	200	\$14,789	\$3.0	100%
Part-Year and Nonresident Filers	10	\$449	\$0.0	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Department of Energy*

Following passage of HB 2078 in 2009, the Oregon Department of Energy assumed administrative responsibility for this tax credit program and developed rules and processes to certify all tax credits for tax years 2010 and beyond. The table below shows the types of biomass for which tax credits were certified and the amount of those credits.

Type of Biomass	2010	2011	2012	2013	Grand Total
Wastewater Biosolid (\$10/WT)	\$ 15,897	\$ 28,388	\$ -	\$ -	\$ 44,285
Oil Seed Crops (\$0.05/Lb)	\$ 15,713	\$ 41,458	\$ -	\$ -	\$ 57,171
Yard Debris (\$5/WT)	\$ 168,296	\$ 172,363	\$ -	\$ -	\$ 340,659
Vegetative Biomass (\$10/BDT)	\$ 126,057	\$ 248,869	\$ 58,702	\$ 63,327	\$ 496,955
Used Oil/Grease (\$0.10/Gallon)	\$ 152,676	\$ 285,697	\$ 278,854	\$ 341,086	\$ 1,058,313
Manure (\$5/WT)	\$ 457,843	\$ 708,357	\$ 735,947	\$ 3,339,665	\$ 5,241,812
Woody Biomass (\$10/BDT)	\$ 4,834,190	\$ 4,056,098	\$ 1,870,763	\$ 1,033,005	\$ 11,794,056
Grand Total	\$ 5,770,671	\$ 5,541,231	\$ 2,944,266	\$ 4,777,083	\$ 19,033,251

This table reflects the changes in eligible materials. For example, yard debris became an ineligible feedstock after 2011 and the production of oil seed crops that were eligible for the tax credit ceased. Beginning in 2012, the tax credit rate for woody biomass was changed from a wet ton to bone dry ton, which accounts for the decrease in tax credits issued for woody biomass after 2011. In 2013, the number of anaerobic digesters in production increased, which resulted in a larger amount of tax credit dollars issued in 2013.

1.449 ALTERNATIVE FUEL VEHICLE FUND CONTRIBUTIONS

Oregon Statute: 2nd Note following 315.336

Sunset Date: No auction of tax credits for tax years after 12-31-2016

Year Enacted: 2013 (SB 583), Modified 2014 (HB 4107)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$2,700,000	\$2,700,000
2015-17 Revenue Impact:	Less than \$100,000	\$2,700,000	\$2,700,000

DESCRIPTION: A credit is allowed against corporation or personal income taxes for taxpayers who purchase tax credits from an auction conducted by the Department of Revenue (DOR), in cooperation with the Oregon Department of Energy (ODOE). The proceeds of the auction go into the Alternative Fuel Vehicle Revolving Fund for a loan program for public bodies, tribes and certain private entities to assist in the purchase of new alternative fuel vehicles.

Legislation in 2013 (SB 583) redirected \$3 million of the allotted \$20 million of credits under 1.445, Transportation Projects for the 2013-15 biennium to tax credits to be auctioned for tax year 2013 and 2014. Legislation in 2014 (HB 4107) redirected an additional portion of the Transportation Project tax credits to be sold during the 2015-17 biennium to equal a total of \$3 million. In addition, the loan program was expanded to private entities if they operate a fleet of motor vehicles in an area of the state in which the Department of Environmental Quality has testing stations for automobile emissions, and do not hire fleet drivers. It also extended the time the tax credit auctions can be conducted to the end of tax year 2016.

Income Tax
Oregon Credits

DOR administers the auction process and determines the minimum bid before conducting the auction, which cannot be below 95 percent of the value of the credit. In 2013, DOR held one auction selling tax credits in increments valued at \$500, with a minimum bid of \$475 per tax credit increment.

The tax credit is not transferable and any tax credit not used in a particular year because of insufficient tax liability can be carried forward for up to three years.

PURPOSE:

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is similar to 1.443 Renewable Energy Development Contributions, which would be to provide the necessary financial incentives for taxpayers to make contributions to the Alternative Fuel Vehicle Revolving Fund. “The State Department of Energy shall use the moneys in the ...Fund for a loan program to provide loans to public bodies and tribes to (a) assist in the purchase a new alternative fuel vehicles by providing funding for the additional cost of purchasing vehicles as compared to vehicles that are not alternative fuel vehicles; and (b) convert existing vehicles that use gasoline or diesel to alternative fuel vehicles.” (ORS 469.962)

WHO BENEFITS:

Taxpayers with a tax liability who purchase tax credits and public bodies and tribes who receive loans to assist in the purchase of new alternative fuel vehicles projects that are funded by the purchase of these credits. In 2013, 68 taxpayers purchased tax credits worth a total value of \$967,500.

EVALUATION:

by the Department of Energy

There has been one sale of tax credits, which yielded about \$954,000. Another auction is scheduled for September of 2014. To date, there has been one opportunity announcement for borrowers with no applications received. The Department continues to perform outreach to potentially eligible borrowers. The Department is engaged in rulemaking to expand the potential pool of borrowers to include private entities if they operate a fleet of motor vehicles in areas in non-attainment areas and do not hire fleet drivers.

1.450 REFORESTATION

Oregon Statute: 315.104

Sunset Date: 12-31-2011 (issue of preliminary certificate)

Year Enacted: 1979

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000	Less than \$100,000

DESCRIPTION

Preliminary certificates for the Reforestation credit could not be issued after December 31, 2011; however, there are revenue impacts for the 2013-15 and 2015-2017 biennia due to additional tax credits claimed after two growing seasons and unused tax credits carried forward to succeeding years. A credit is allowed against personal or corporation income tax equal to 50 percent of the qualified cost of reforesting underproductive commercial forestland.

To qualify, the taxpayer must have paid a nonrefundable application fee (\$400 in 2010) for the initial application. The Oregon Department of Forestry (ODF) 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 report to the Department of Revenue any plantings that are not established. If a project is not established after two years, the remaining second half of the credit cannot be claimed. If the project is not established because of reasons within the taxpayer's control, the credit previously claimed on preliminary certification must be returned. For plantings that are certified by ODF to be established after two growing seasons, the taxpayer may claim the remaining 25 percent of the initial cost, plus 50 percent of qualified maintenance costs.

The taxpayer must own 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.

Any credit unclaimed in a particular year because of insufficient tax liability may be carried forward for up to three years. This applies to the credits allowed on both preliminary and final certification.

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 in 2005. The 2007 Legislature allowed the application fee to be a qualified cost in claiming the credit.

PURPOSE:	The statute that allows this expenditure does 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 do not currently 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 that currently was being used to grow timber.
WHO BENEFITS:	Taxpayers who made expenditures to reforest underproductive commercial forestlands benefit from this tax credit. For tax year 2012, approximately 35 personal income taxpayers saved an average of about \$1,400 in Oregon tax using this credit. Many of these taxpayers report this credit as a pass-through from a partnership or an S corporation. This credit is rarely reported on corporate returns.
EVALUATION:	Not evaluated.

1.451 MILE-BASED OR TIME-BASED MOTOR VEHICLE INSURANCE

Oregon Statute: Note following ORS 317.122
Sunset Date: 12-31-2014
Year Enacted: 2003

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 Revenue Impact:	\$0	Not Applicable	\$0

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: Insurance companies that provide mile-based or time-based policies for motor vehicle insurance may receive a corporate income tax credit, provided that the individual policies are at least 70 percent mile- or time-based. The credit equals \$100 for each vehicle insured under such a policy, and may not exceed \$300 per policy. The credit may not be claimed for a policy for which a credit was allowed the previous tax year. The total amount of the credit used in a tax year may not exceed the tax liability of the taxpayer and may not be carried forward to another tax year. This credit will be disallowed once the cumulative total of these credits allowed by all taxpayers exceeds \$1 million for all tax years beginning January 1, 2005, and before January 1, 2015.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Based on the legislative staff measure summary for HB 2043 (2003), the purpose is to encourage insurers to offer mileage or time-based motor vehicle insurance policies and to provide an incentive to Oregon drivers to drive less, leading to a reduction in road congestion and environmental pollution.

WHO BENEFITS: No firms claimed this credit for tax year 2012. Because of Oregon's retaliatory tax provisions, in-state insurers, and out-of-state insurers that are domiciled in low taxing states, could benefit from this credit if they offer these policies. Other out-of-state insurers would pay higher retaliatory taxes that effectively offset the credit provided by this provision. Policy holders who limit the amount they drive may also benefit if the tax credit results in insurers offering lower priced policies to drivers that limit the use of their motor vehicles.

EVALUATION: Not evaluated.

1.452 FIRE INSURANCE

Oregon Statute: 317.122(1)
Sunset Date: 12-31-2017
Year Enacted: 1969

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$7,000,000	Not Applicable	\$7,000,000
2015-17 Revenue Impact:	\$7,300,000	Not Applicable	\$7,300,000

DESCRIPTION Property and casualty insurers who write fire insurance policies pay both the corporation income tax and the fire insurance gross premiums tax (Fire Marshal Tax). These insurers are then allowed a credit against the corporation income tax for the

fire insurance premium taxes paid under ORS 731.820. This credit cannot be carried forward.

Legislation in 2009 set a December 31, 2011 sunset date for this provision; this sunset was subsequently extended by the 2011 Legislature to December 31, 2017.

PURPOSE:

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to shift part of the funding of the Office of the State Fire Marshal from the insurance industry to the state General Fund and to avoid an increased retaliatory tax on insurers which would likely be passed on to policyholders.

WHO BENEFITS:

For tax year 2011, approximately 250 taxpayers, property and casualty insurers that write fire insurance policies, benefited from this credit. These taxpayers reduced their tax liability by \$11,200, on average. Other corporate taxpayers claiming this credit were unable to use it due to insufficient tax liability. For tax year 2012, approximately 250 taxpayers could claim this credit, but the actual usage is not yet known. Because of Oregon's retaliatory tax provisions, in-state insurers, and out-of-state insurers that are domiciled in low taxing states, could benefit from this credit. Other out-of-state insurers would pay higher retaliatory taxes that effectively offset the credit provided by this provision.

EVALUATION:

by the Department of Consumer and Business Services

All insurance companies authorized to transact insurance in Oregon pay a corporate income tax. Insurers formed in a state other than Oregon also pay a retaliatory tax. The retaliatory tax compares the taxes, fees, and assessments a company pays to Oregon to the amount of taxes, fees, and assessments a like Oregon company would have paid in that other state. If the taxes, fees, and assessments paid to Oregon are less than a like Oregon company would have paid in the other state, the difference is paid to Oregon in the form of a retaliatory tax unless specifically exempted from the retaliatory tax. Generally, a tax credit provided on the Oregon income tax return results in an increase in retaliatory tax imposed on an insurer. Likewise, an increase in corporate income taxes paid to Oregon results in a decrease in retaliatory tax paid to Oregon.

Fire insurance premium taxes are used to fund the Office of State Fire Marshal. The effect of this tax treatment results in a credit against the corporation income tax which lowers the amount of tax collected for General Fund Revenue. As mentioned above, this reduction may be offset by an increase in retaliatory tax. If the credit were repealed and insurers were required to continue to pay the fire insurance gross premium tax, it is reasonable to assume the increased cost to the insurer would be passed on to policyholders. The impact would be borne mainly by policy holders of domestic insurers and foreign insurers domiciled in low taxing states because the foreign insurers in higher taxing states basically pay back the credit through Oregon's retaliatory tax.

1.453 WORKERS' COMPENSATION ASSESSMENTS

Oregon Statute: 317.122(2)

Sunset Date: 12-31-2013

Year Enacted: 1995, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$1,400,000	Not Applicable	\$1,400,000
2015-17 Revenue Impact:	\$0	Not Applicable	\$0

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION:	<p>Workers' compensation insurers pay corporate income tax and a separate workers' compensation assessment that provides funding to administer the Oregon Workers' Compensation system. This tax expenditure entitled them to a credit against their corporate excise or income tax liability equal to the lesser of assessments paid on workers' compensation premiums under ORS 656.612 or the total profit attributable to the workers' compensation line of business, up to their tax liability.</p> <p>Insurance companies collect premium assessments from businesses purchasing workers' compensation insurance and pay assessments to the Department of Consumer and Business Services (DCBS). Premium assessments are not included in the insurers' taxable income reported on their corporation income tax return. This credit allowed an insurance company to reduce taxable income for assessments paid to operate the state's Workers' Compensation system even when the assessment was not reported as income.</p> <p>Legislation in 2009 set a December 31, 2011 sunset date for the provision. This sunset was subsequently repealed by the 2011 legislature, and reinstated by the 2013 legislature. This provision sunset on December 31, 2013.</p>
PURPOSE:	<p>The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to reduce the income taxes paid by insurers in the amount they have collected and paid in the Premium Assessment. The premium assessment covers the operating costs of the Workers' Compensation System administered by DCBS.</p>
WHO BENEFITS:	<p>For tax year 2011, 76 corporation taxpayers benefited from the credit, and these taxpayers reduced their tax liability by \$21,000, on average. Other taxpayers claiming this credit were unable to use it due to insufficient tax liability. The usage of this credit is heavily concentrated among a few large companies. The State Accident Insurance Fund (SAIF) was created by statute (ORS 656.752), so it is not considered an insurance corporation. Thus it is exempt from state corporation taxes and as such did not benefit from this tax expenditure.</p>
EVALUATION:	<p>Not evaluated.</p>

1.454 OREGON LIFE AND HEALTH IGA ASSESSMENTS

Oregon Statute: 734.835

Sunset Date: 12-31-2015

Year Enacted: 1975

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Available*	Not Applicable	Not Available*
2015-17 Revenue Impact:	Not Available*	Not Applicable	Not Available*

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: 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 who have gone out of business. 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 years following the year in which the assessment was paid, not to exceed the insurer's corporate income tax liability.

Legislation in 2009 set the December 31, 2015 sunset date for this provision.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to shift part of the cost of claims against insolvent insurers from the insurance industry to the state General Fund.

WHO BENEFITS: For tax year 2012, fewer than five taxpayers benefited from the credit. Since there has been no OLHIGA class B assessment since 2005, no taxpayer has tax credit remaining for tax year 2011 forward. If and when a new class B assessment would be issued by OLHIGA, taxpayers would again start to use this credit.

EVALUATION: *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.

Because this tax credit is not considered in calculating the retaliatory tax, there is no offsetting increase in retaliatory tax as a result of this credit.

1.455 POLITICAL CONTRIBUTIONS

Oregon Statute: 316.102

Sunset Date: 12-31-2019

Year Enacted: 1969, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$10,800,000	\$10,800,000
2015-17 Revenue Impact:	Not Applicable	\$8,800,000	\$8,800,000

DESCRIPTION: A nonrefundable credit may be claimed against personal income taxes for the amount of qualified political contributions made, not to exceed \$50 (\$100 for a joint return). In 2013, the Legislature eliminated the credit for joint filers with adjusted gross income above \$200,000, and for single filers with adjusted gross income above \$100,000. 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 in the state. Credits that cannot be used because of insufficient tax liability in the current year may not be carried forward to later years.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to increase participation in the political process.

WHO BENEFITS: Taxpayers who make cash contributions to political candidates or parties or political action committees. Usage of the credit is generally highest during presidential election years. The table below shows usage of this credit for tax year 2012.

2012 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 \$12,400	3,710	\$26	\$0.1	1%
\$12,400 - \$26,000	8,870	\$40	\$0.4	5%
\$26,000 - \$46,400	14,940	\$52	\$0.8	11%
\$46,400 - \$81,800	28,010	\$63	\$1.8	25%
Above \$81,800	52,270	\$79	\$4.1	58%
All Full-Year Filers	107,800	\$66	\$7.1	100%
Part-Year and Nonresident Filers	4,990	\$62	\$0.3	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Secretary of State*

Data provided by the Department of Revenue starting in 1990 indicates growth in the percentage of taxpayers using the credit from a low of 3.4 percent in 1997 to an all-time high of 7.8 percent in 2008. The percentage of taxpayers claiming the credit varies each year and the difference in number of taxpayers using the credit could be attributed to many factors, including the profile of candidates on the ballot, the number and subject matter of ballot measures, and the general political environment at the time.

It is difficult to determine whether this expenditure has been effective in achieving its purpose. The credit amount is relatively small at \$100 on a joint return, and the tax credit is low compared to the amount of contributions an individual could make in a given year. It's also unclear how much the tax credit affects the number of people

participating in comparison to the amount of money a donor will contribute. Additionally, since the tax credit has been in effect since 1969, it is difficult to compare how many Oregonians will participate without the tax credit. Many candidates and political committees highlight the tax credit as a fundraising tool, yet the average percentage of taxpayers claiming the credit since 1990 is 5.1 percent.

We are unable to determine if a tax expenditure is the most fiscally effective means of increasing public participation in the political process.

1.456 PERSONAL EXEMPTION

Oregon Statute: 316.085

Sunset Date: None

Year Enacted: 1985, Modified in 2013 (HB 3601)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$1,100,000,000	\$1,100,000,000
2015-17 Revenue Impact:	Not Applicable	\$1,149,200,000	\$1,149,200,000

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 \$191 in 2014. In 2013, the Legislature eliminated all personal exemption credits for joint filers with adjusted gross income above \$200,000, and for single filers with adjusted gross income above \$100,000. The amount of the credit is prorated for nonresidents and part-year residents.

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 for all Oregon personal income taxpayers.

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 2012.

2012 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 \$12,400	250,670	\$76	\$29.4	6%
\$12,400 - \$26,000	315,660	\$154	\$91.8	18%
\$26,000 - \$46,400	321,790	\$170	\$113.3	22%
\$46,400 - \$81,800	322,320	\$174	\$129.8	25%
Above \$81,800	322,390	\$179	\$155.5	30%
All Full-Year Filers	1,532,830	\$159	\$519.8	100%
Part-Year and Nonresident Filers	224,010	\$76	\$38.0	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

Income Tax
Oregon Credits

EVALUATION: *by the Department of Revenue*

The credit achieves its purpose of providing a level of tax-free income for personal income taxpayers, and because the credit is granted for each taxpayer and dependent, the credit increases with family size. This tax relief is in the form of a credit rather than a deduction, so it provides more tax relief, relative to incomes, to lower income taxpayers, increasing the progressivity of Oregon's income tax.

1.457 OREGON CULTURAL TRUST

Oregon Statutes: 315.675

Sunset Date: 12-31-2019

Year Enacted: 2001, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	\$6,900,000	\$6,900,000
2015-17 Revenue Impact:	Less than \$100,000	\$7,400,000	\$7,400,000

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 make a contribution to one of the more than 1,300 Oregon cultural organizations that is exempt from federal income taxes per 26 U.S.C. 501(c)(3) and then make a contribution of equal or lesser value to the Trust for Cultural Development Account. 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, and \$2,500 for corporations. The amount of the credit is prorated for nonresidents and part-year residents. This credit may not be carried forward to another tax year.

If the amount of contribution to the Oregon Cultural Trust is claimed as an itemized deduction for federal tax purposes, the contribution amount is added to federal taxable income for Oregon tax purposes to claim the credit. However, the amount of the of the donation to the other Oregon cultural organization that is claimed as an itemized deduction for federal tax purposes does not have to be added to federal taxable income for Oregon Tax purposes.

Legislation in 2013 extended the scheduled sunset of the provision from December 31, 2013 to December 31, 2019.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to create incentives for increased cultural development in Oregon and to encourage direct donations to Oregon-based nonprofit entities organized primarily for the purpose of producing, promoting, or presenting the arts, heritage and humanities to the public, or for identifying, documenting, interpreting or preserving cultural resources.

WHO BENEFITS: For tax year 2011, 10 corporate taxpayers benefited from this credit. These taxpayers reduced their tax liability by \$1,500, on average. The table below shows personal income tax usage of this credit for tax year 2012.

2012 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 \$12,400	80	\$21	<\$0.1	<1%
\$12,400 - \$26,000	170	\$127	<\$0.1	1%
\$26,000 - \$46,400	400	\$209	\$0.1	3%
\$46,400 - \$81,800	1,300	\$316	\$0.4	13%
Above \$81,800	4,650	\$594	\$2.8	84%
All Full-Year Filers	6,600	\$497	\$3.3	100%
Part-Year and Nonresident Filers	50	\$384	<\$0.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the Oregon Arts Commission*

Oregon Cultural Trust (OCT) is nationally recognized for its engagement of citizens around cultural issues and coalition members' reach and dedication to serving the state. Aggregate number of contributions since the OCT was established is 16,516, with an average of 7,487 individuals donating annually. Fiscal year 2014 was a record year with 8,532 contributions for a total giving of \$4,203,275, with an average giving amount of \$518 per individual. Annually, about one half of the income from contributions (58 percent) is allocated to the Trust corpus, ensuring the health and growth of the cultural sector in Oregon for future generations. The balance (42 percent) is granted to Cultural Development Grant Program, Community Participation Grant Program, and Core Partner Agencies. Through a competitive peer review process administered by OCT awards are strategically made to fulfill the OCT's mission, to lead in building an environment in which cultural organizations are sustained and valued as a core part of Oregon's vibrant communities and economy. 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 program. Under the direction of the Trust Board, each fiscal year the Oregon Cultural Trust (OCT) disburses up to 42 percent of the amount in the Trust for Cultural Development Account on July 1. The OCT may use up to 7.5 percent of any amount disbursed from the account for administration. 92.5 percent of the amount disbursed from the account is distributed in the following three ways: Cultural Development Grant Program, Community Participation Grant Program, and Core Partner Agencies.

The Cultural Development Grant Program provides preservation of, 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 and

have a broad cultural impact, and applicants must have culture as a priority within their mission.

The Community Cultural Participation Grant Program provides funds to counties and the federally recognized Indian tribes, collectively called the "County Coalition Members", for local cultural activities. Each applicant must develop a local cultural plan that identifies priorities specific for building public cultural 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 Core Partner Agencies program enables the 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 Oregon Arts Commission, Oregon Humanities Commission, State Historic Preservation Office, and the Oregon Historical Society.

1.458 RETIREMENT INCOME

Oregon Statute: 316.157

Sunset Date: 12-31-2019

Year Enacted: 1991, Modified in 2013 (HB 3367)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$1,200,000	\$1,200,000
2015-17 Revenue Impact:	Not Applicable	\$1,100,000	\$1,100,000

DESCRIPTION: 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 1.322 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).

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).

Taxpayers may claim this credit or the credit for the elderly or the disabled (see 1.409 Elderly or Permanently Disabled), but not both.

Legislation in 2013 extended the scheduled sunset of the provision from December 31, 2013 to December 31, 2019.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to retired low income taxpayers.

WHO BENEFITS: The number of personal income taxpayers claiming the credit has declined significantly over the years. Approximately 53,000 taxpayers used it for tax year 1991, dropping to slightly more than 4,000 for tax year 2012. The average amount saved in Oregon tax using this credit has also decreased from about \$300 in tax year 1991 to about \$150 in tax year 2012. When federal pension income became exempt from taxation in 1998, the use of this credit declined substantially. It has also declined with increases in Social Security benefits which are not taxed by Oregon. The table below shows usage of this credit for tax year 2012.

2012 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 \$12,400	1,030	\$53	\$0.1	9%
\$12,400 - \$26,000	1,680	\$155	\$0.3	43%
\$26,000 - \$46,400	1,260	\$230	\$0.3	48%
\$46,400 - \$81,800	0	\$0	\$0.0	0%
Above \$81,800	0	\$0	\$0.0	0%
All Full-Year Filers	3,970	\$153	\$0.6	100%
Part-Year and Nonresident Filers	80	\$179	<\$0.1	

*Each income group contains 20 percent of the full-year filers (approximately 322,500)

EVALUATION: *by the 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.

1.459 TRICARE HEALTH CARE PROVIDERS

Oregon Statute: 315.628

Sunset Date: 12-31-2015 (No certifications are issued after tax year 2011.)

Year Enacted: 2007

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$0	\$0
2015-17 Revenue Impact:	Not Applicable	\$0	\$0

Income Tax
Oregon Credits

DESCRIPTION: A credit against personal income tax was allowed for health care providers who contracted to provide services under the TRICARE military health care services. The maximum number of certified providers that could claim the subtraction or credit was limited to:

- 500 certifications for tax year 2008
- 1,000 certifications for tax year 2009
- 1,500 certifications for tax year 2010
- 2,000 certifications for tax year 2011.

No providers are certified after 2011. Legislation in 2009 set the December 31, 2015 sunset date of the tax credit. However, since the Office of Rural Health may not issue any certifications for tax years after 2011, the sunset was effectively December 31, 2011.

A one-time credit of \$2,500 was allowed for providers who first entered into a contract on or after January 1, 2007 and before January 1, 2012. The credit was \$1,000 for tax years after the initial contract year as long as the contract was continued or for providers with existing contracts. Any unused portion of the credit could not be carried forward. The amount of the credit was prorated for nonresidents and part-year residents.

For existing providers to qualify for the credit, they must have provided service for at least 10 patients. A health care provider who served patients in a rural community, as defined by Office of Rural Health, may have provided health care services to fewer than 10 patients in a tax year and still qualified for the credit. The Office of Rural Health was responsible for the criteria for providers to qualify for the credit and to certify those who were eligible.

PURPOSE: The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was to encourage health care providers to provide services under the TRICARE military health care system and to encourage existing providers to continue participation in the TRICARE system.

WHO BENEFITS: Providers of health care services under the TRICARE program. For tax year 2011, the last year that providers used this credit, over 1,100 personal income tax payers saved an average of about \$1,300 in Oregon tax. Active and retired military members and their families insured through TRICARE also benefited. The table below shows the usage of this credit for tax year 2011.

2011 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 \$12,000	<10	\$0	\$0.0	0%
\$12,000 - \$25,200	<10	\$0	\$0.0	0%
\$25,200 - \$44,800	<10	\$732	<\$0.1	<1%
\$44,900 - \$78,800	40	\$690	<\$0.1	2%
Above \$78,800	1,080	\$1,294	\$1.4	98%
All Full-Year Filers	1,120	\$1,267	\$1.4	100%
Part-Year and Nonresident Filers	40	\$1,489	<\$0.1	

*Each income group contains 20 percent of the full-year filers (approximately 320,000)

EVALUATION: *by the Office of Rural Health*

This provision has not been evaluated. For tax year 2008, 500 physicians, nurse practitioners and physician assistants were certified as eligible, 998 were certified for tax year 2009, 1,500 for tax year 2010 and 1,998 for tax year 2011.

1.460 OREGON VETERANS' HOME PHYSICIANS

Oregon Statute: 315.624

Sunset Date: 12-31-2015

Year Enacted: 2007

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	Less than \$100,000	Less than \$100,000
2015-17 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 1.405, Rural Medical Practice).

Legislation in 2009 set the December 31, 2015 sunset date for this provision.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage physicians to provide care to residents of an Oregon Veterans' Home.

WHO BENEFITS: Physicians providing care to residents of an Oregon Veterans' Home. Historically, Oregon had one Oregon Veterans' Home, in The Dalles. A new home is expected to open in Lebanon in late fall of 2014. Eleven personal income taxpayers claimed this credit for tax year 2012.

EVALUATION: *by the 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.

In light of the importance of providing quality care to the veteran residents at the Oregon Veterans' Homes, which are rurally located, it is very important that this tax expenditure be extended beyond the sunset date of December 31, 2015.

1.501 PUBLIC WAREHOUSE SALES THROWBACK EXEMPTION

Oregon Statute: 314.665

Sunset Date: None

Year Enacted: 2005

	Corporation	Personal	Total
2013-15 Revenue Impact:	Less than \$100,000	Not Applicable	Less than \$100,000
2015-17 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 the presence of employees within the state solely for the purposes of soliciting sales.

Public warehouse means:

- A warehouse owned or operated by a person that does not own the goods stored in the warehouse
- Does not include a warehouse that is owned by a person that is related to the person that owns goods that are stored in the warehouse, or an affiliate of the person that 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: No known taxpayer benefits from this provision.

EVALUATION: Not evaluated.

1.502 TAX RATES FOR CERTAIN PASS THROUGH INCOME

Oregon Statute: 316.043

Sunset Date: None

Year Enacted: 2013 (HB 3601), Modified in 2014 (SB 1534)

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$38,000,000	\$38,000,000
2015-17 Revenue Impact:	Not Applicable	\$205,000,000	\$205,000,000

DESCRIPTION: Legislation in 2013 (HB 3601) provided preferential tax rates on certain pass through income. For tax years beginning on or after January 1, 2015, taxpayers with

nonpassive income attributable to a partnership or S corporation may make a one-time, irrevocable election on the original return for the nonpassive income to be taxed at the following marginal rates:

<u>Taxable Income</u>	<u>Tax Rate</u>
\$1 to \$250,000	7.0%
\$250,001 to \$500,000	7.2%
\$500,001 to \$1,000,000	7.6%
\$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 rates are not adjusted for inflation, however these rates may be adjusted effective January 1, 2019 and again on January 1, 2023 if the revenue loss due to use of this provision varies significantly from the anticipated loss, as directed by statute (ORS 316.044).

Generally, personal taxable income below \$250,000 would be taxed at marginal rates from 5 to 9 percent, and income over \$250,000 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 partnership or S corporation must employ at least one person who is not an owner, member or limited partner of the partnership or S corporation. The employee must work at least 1,200 hours of work in Oregon by the close of the tax year. In determining this requirement, only hours worked in a week in which a worker works at least thirty hours may be considered. The taxpayer must materially participate in the trade or business. Legislation passed in 2014 clarified the definition of material participation to match the definition in section 469 of the federal Internal Revenue Code.

The only addition or subtraction allowed in the calculation of nonpassive taxable income for which the taxpayer used the reduced rates listed above is the depreciation adjustment directly related to the partnership or S corporation. 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 nonpassive income earned in Oregon. Part-year residents calculate the tax due on the nonpassive income based upon the proportion of nonpassive income in Oregon by the nonpassive income from all sources.

- 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 this provision "...is to encourage small business growth and investment."
- WHO BENEFITS:** Taxpayers who have nonpassive income attributable to a partnership or S corporation and who elect to be taxed at preferential rates.
- EVALUATION:** *by the Oregon Business Development Department*
There is insufficient data available at this time for an analysis of this tax expenditure; this provision applies to tax years beginning on or after January 1, 2015.

1.503 INCOME AVERAGING FOR FARMERS

Oregon Statutes: 314.297

Sunset Date: None

Year Enacted: 2001

	Corporation	Personal	Total
2013-15 Revenue Impact:	Not Applicable	\$1,200,000	\$1,200,000
2015-17 Revenue Impact:	Not Applicable	\$1,400,000	\$1,400,000

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, whose purpose according to the Congressional Research Service 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. For tax year 2012, approximately 500 individuals saved a total of about \$500,000 of Oregon tax using this provision.

EVALUATION: *by the Department of Agriculture*

Farmers often face substantial price swings from year to year in the price of products they sell, while expenses stay fixed or rise. Matching the Oregon tax code to the federal code allowing farmers to use income averaging is consistent and provides a tool for growers to smooth out their financial management. The fact that about 500 farmers use this tool indicates its importance.

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
2013-15 Revenue Impact:	Less than \$100,000	\$2,400,000	\$2,400,000
2015-17 Revenue Impact:	Less than \$100,000	\$2,800,000	\$2,800,000

- 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 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 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 2012, approximately 115 individuals saved a total of about \$1,500,000 of Oregon tax using this provision.
- EVALUATION:** *by the Department of Agriculture*
- Farmers build equity in their operations over time through ownership (paying down debt), 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" of growers and discourage land sales. Many retired growers lease or rent out their land because of the capital gains penalty from selling. This simply pushes the tax burden to those inheriting the assets at the owner's death. The average age of farmers in Oregon is over 57 years of age. These farmers own more than 50 percent of the farmland in Oregon; this farmland is destined to change hands in the next decade. Lower capital gains rates for those leaving agriculture achieve the purpose of an orderly transfer of ownership with a better 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 farm use.

1.505 APPORTIONMENT FOR UTILITY AND TELECOMMUNICATION COMPANIES

Oregon Statute: 314.280
Sunset Date: None
Year Enacted: 2001

	Corporation	Personal	Total
2013-15 Revenue Impact:	\$200,000	Not Applicable	\$200,000
2015-17 Revenue Impact:	\$200,000	Not Applicable	\$200,000

DESCRIPTION: Corporate taxpayers primarily engaged in the business of utilities or telecommunications may elect to apportion their business income to Oregon using a double weighted sales factor instead of the apportionment formula in place at that time.

Changes in the apportionment formula are generally considered a change in the definition of the normal tax structure. The exception to the usual formula granted to utilities and telecommunication companies is included because it is optional, and affected companies will choose the option based on lowest cost.

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. 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, about 20 corporate taxpayers benefit from this alternative apportionment formula each year.

EVALUATION: *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.

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 \$11.3 billion in the 2013–15 biennium and \$12.4 billion in the 2015–17 biennium.

Oregon's property tax system underwent a major transformation in 1997–98 as the voter-approved Measure 50 was implemented. 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 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 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/Pages/statistics.aspx.

Property Tax Expenditures

The tax base for the property tax is considered to be all property in Oregon. Tax expenditures occur when certain property is removed from the assessment roll and thus excluded from taxation. 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 taxation.

Partial exemptions exist in several different forms. For example, a program may exempt only improvement value, but the land value continues to be taxed. Other properties may be exempt from their city tax rate but pay all other property taxes. Partial exemptions also result when taxable value is frozen at a point in time, and all additions to value are exempt from taxation. Some exemptions apply only to taxing districts that have opted in, or have not opted out, of the provision.

The final primary type of property tax expenditure is known as a special assessment. Specially assessed properties are valued 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. Under Oregon's property tax system before Measure 5 passed in 1990, if property value was removed from the assessment roll because it was exempt, the result was a higher tax rate applied to all remaining property. There was no revenue loss to districts, and taxes were shifted completely to other properties. In contrast, under the tax rate limitations of Measure 5, exempting property from taxation resulted in revenue losses for local districts if tax rates were at the constitutional rate limits, because rates could not rise to compensate for the reduction in taxable value. If tax rates were below the rate limits, rates could rise to compensate for the lower taxable value, and taxes were shifted to other properties.

Under the Measure 50 system, exempting property from taxation can still result in both a loss and a shift, much like under the Measure 5 system. Losses occur because the permanent tax rates established by Measure 50 do not adjust in response to changes in taxable assessed value. Consequently, the granting of property tax exemptions leads to revenue losses for local governments and schools. Shifts occur because most bond and local option taxes are passed by voters as fixed dollar amounts, which must be paid by owners of all taxable property. The removal of value leads to a higher tax rate, shifting taxes to other properties. Because nearly 80

Property Tax

percent of all property taxes are from permanent rates, 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. Because part of the property tax revenue lost to school districts is replaced by state funding to schools, 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 Tables 1 and 2 at the beginning of this report include only the loss.

Whenever possible, the exempt assessed value is obtained from county or DOR property tax reporting. For some expenditures, the exempt assessed value is estimated using other data sources.

2.001 ACADEMIES, DAY CARE, AND STUDENT HOUSING

Oregon Statute: 307.145

Sunset Date: None

Year Enacted: 1957, Modified in 2013 (HB 3234)

2013–14 Assessed Value of Property Exempted: \$1.1 billion

	Loss	Shift
2013-15 Revenue Impact:	\$32,000,000	\$6,800,000
2015-17 Revenue Impact:	\$35,300,000	\$7,500,000

DESCRIPTION: Property owned by a charitable or religious organization that is used for child care facilities, schools, academies, or student housing accommodations is exempt from property taxation under this provision. Child care facilities must be regulated by the Office of Child Care at the Department of Education unless exempted by rule. Prior to the passage of HB 3234 in 2013, the child care facilities were regulated by the Child Care Division of the Employment Department. To qualify, the property must be used exclusively for, or in immediate connection with, 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 child care properties that is comparable to the treatment provided to similar organizations under 2.083, Charitable, Literary, and Scientific Organizations.

WHO BENEFITS: Approximately 760 schools and day care properties in 16 counties were exempt in fiscal year 2013–14, with nearly half located within Multnomah County.

EVALUATION: *by the Department of Education*

This tax expenditure is used by organizations that qualify through the Oregon Prekindergarten program and achieves its purpose for at least those organizations. It reduces costs of the Oregon Prekindergarten program, 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 program serves 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.

Property Tax
Full Exemption

2.002 STUDENT HOUSING FURNISHINGS

Oregon Statute: 307.195
Sunset Date: None
Year Enacted: 1957

2013–14 Estimated Assessed Value of Property Exempted: \$3.7 million

	Loss	Shift
2013-15 Revenue Impact:	\$100,000	Less than \$100,000
2015-17 Revenue Impact:	\$100,000	Less than \$100,000

DESCRIPTION: Generally, household furnishings that are leased with a housing unit are considered taxable. However, 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 2.096, 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: *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.

2.003 LEASED STUDENT HOUSING PUBLICLY OWNED

Oregon Statute: 307.110(3)(a)
Sunset Date: None
Year Enacted: 1947

2013–14 Estimated Assessed Value of Property Exempted: \$400 million

	Loss	Shift
2013-15 Revenue Impact:	\$12,100,000	\$2,500,000
2015-17 Revenue Impact:	\$13,300,000	\$2,800,000

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 publicly owned property that is rented or leased to students attending a school or college, such as state owned residence hall rooms, is exempt from property tax. This provision applies to all student housing, such as residence halls and student family housing, owned by the Oregon University System and leased by publicly owned schools to students. Residence halls owned by private colleges generally fall under the tax expenditure 2.083, Charitable, Literary, and Scientific Organizations exemption.

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 15,000 students who lease dorm rooms or apartments from eight state colleges and universities.

EVALUATION: *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 major expenses to students, particularly at a time when their income generation is limited and generally committed to education expenses. Exempting these properties from taxes is a tremendous contribution in facilitating access to higher education.

2.004 HIGHER EDUCATION PARKING SPACE

Oregon Statute: 307.110(3)(f)
Sunset Date: None
Year Enacted: 1989

2013–14 Estimated Assessed Value of Property Exempted: \$190 million

	Loss	Shift
2013-15 Revenue Impact:	\$5,600,000	\$1,200,000
2015-17 Revenue Impact:	\$6,000,000	\$1,300,000

DESCRIPTION: State-owned property rented for public parking is generally taxable. However, state property owned by the Oregon University System and rented to employees, students, or visitors for parking use is exempt from property tax. University spaces rented to the general public for a fee are taxable.

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: 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. Most of the value is in Portland at Oregon Health and Sciences University and Portland State University.

EVALUATION: *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.

Property Tax
Full Exemption

2.005 PRIVATE LIBRARIES FOR PUBLIC USE

Oregon Statute: 307.160
Sunset Date: None
Year Enacted: 1854

2013–14 Assessed Value of Property Exempted: \$2.6 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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 2.074, 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 2.083, 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: Nine libraries use this exemption within Benton, Coos, Lane, Multnomah, and Tillamook counties.

EVALUATION: Not evaluated.

2.006 LEASED HEALTH CARE PROPERTY

Oregon Statute: 307.110(3)(i)
Sunset Date: None
Year Enacted: 1999

2013–14 Assessed Value of Property Exempted: \$21 million

	Loss	Shift
2013-15 Revenue Impact:	\$600,000	\$100,000
2015-17 Revenue Impact:	\$600,000	\$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 2014, 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 Lake County benefits from this exemption.

EVALUATION: *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 will play a significant role in allowing Wallowa Memorial Hospital in Enterprise to build a badly needed new facility.

2.007 SENIOR SERVICES CENTERS

Oregon Statute: 307.147

Sunset Date: None

Year Enacted: 1993

2013–14 Assessed Value of Property Exempted: \$7.3 million

	Loss	Shift
2013-15 Revenue Impact:	\$200,000	Less than \$100,000
2015-17 Revenue Impact:	\$200,000	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 used exclusively to provide services and activities primarily to people over age 50. Eligible services and qualified activities include food service programs, exercise and health screening, estate planning, crafts workshops, and dances. 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 reduce the tax burden for organizations providing property and services to senior citizens.

WHO BENEFITS: Twenty-six senior service centers received this exemption in fiscal year 2013-14.

EVALUATION: *by the Department of Human Services*

There is insufficient information at this time to determine if this tax expenditure achieves its purpose. While it does exempt properties that do not meet the requirements of tax expenditure 2.083, 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 COMMERCIAL BUILDINGS UNDER CONSTRUCTION

Oregon Statute: 307.330

Sunset Date: None

Year Enacted: 1959

2013–14 Assessed Value of Property Exempted: \$130 million

	Loss	Shift
2013-15 Revenue Impact:	\$4,400,000	\$900,000
2015-17 Revenue Impact:	\$8,000,000	\$1,700,000

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, on the January 1 assessment date, it meets the following requirements:

- The property is under construction.
- No part of the new structure or improvement has been or is in 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 a non-manufacturing facility.
- The property is not centrally assessed (utility) property.

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 the assessment year.

The revenue impact estimates include those from tax expenditure 2.009, 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 investment in business by delaying property taxes until the facility can earn income. Manufacturing firms in particular may not experience immediate cash flow.

WHO BENEFITS: In fiscal year 2013–14, 43 properties were exempt under this expenditure or under 2.009, Construction in Process in an Enterprise Zone. The use of this provision is driven by construction projects and fluctuates substantially. The majority of the exempt value is in Portland or nearby cities; 26 properties were in Clackamas, Multnomah and Washington counties. Twelve properties were in Lane County.

EVALUATION: *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 income. 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 also fiscally effective. Alternatives to this expenditure would be to refund such taxes through direct payments or credits on other taxes. The

administrative burdens and complexity of these alternatives suggest that the current cancellation is the most fiscally effective means of achieving the purpose.

This program might be underutilized, probably because it is not widely known (aside from utilization with enterprise zones or in the Portland metropolitan area) and administrative technicalities may limit its accessibility.

2.009 CONSTRUCTION IN PROCESS IN AN ENTERPRISE ZONE

Oregon Statute: 285C.170

Sunset Date: None (Enterprise Zone expenditure sunsets 6-30-2025)

Year Enacted: 2003

2013–14 Assessed Value of Property Exempted: Included in 2.008, Commercial Buildings Under Construction

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.008	Included in 2.008
2015-17 Revenue Impact:	Included in 2.008	Included in 2.008

DESCRIPTION: Property undergoing construction, addition, modification, or installation is exempt from property taxation for up to two consecutive years provided that it meets all the following requirements:

- The property is located in a current enterprise zone.
- The property is owned or leased by a business firm authorized by the local zone sponsor and county assessor.
- The property will be qualified property upon completion, and there is no known reason to conclude that the property or firm will not satisfy the requirements for 2.010, Enterprise Zone Businesses.
- The property has not been exempt under 2.008, Commercial Buildings Under Construction.
- The property will not be centrally assessed.
- The property will not be operated as a hotel, motel, or destination resort.

This exemption is effectively an extension of 2.008, Commercial Buildings Under Construction, for properties that qualify for an enterprise zone exemption. If a property is exempt under both Commercial Buildings Under Construction and Construction in Process in an Enterprise Zone, 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 2.008, Commercial Buildings Under Construction.

Property Tax
Full Exemption

EVALUATION: *by the Oregon Business Development Department*

This program has already achieved its purpose in allowing for a more straightforward message about the new property to be exempt in an enterprise zone before and after that property is placed in service. Most enterprise zone projects will, while under construction, fall under this exemption. Consequently, this particular expenditure has contributed to the ability of Oregon’s enterprise zone system to attract and induce development and employment in especially interested and deserving parts of Oregon. In any case, almost any such project property would be able to use the longstanding property tax expenditure 2.008, Commercial Buildings Under Construction. At times, however, that exemption would cover less property. Additional coverage under this provision compared to 2.008 include:

- A project of an authorized firm without new construction or additions to a building or structure, but rather only modifications to or installations of qualified property
- Nonmanufacturing facility (e.g., distribution center) necessitating less than 12 months to build
- Qualified property items that once installed remain personal property
- Machinery and equipment installed directly on land and not inside a building or otherwise affixed to a structure
- Property that is still in the process of construction, reconstruction, modification or installation in a year, even after some part of the same facility or building has already been placed in service.

It is not possible to isolate and analyze usage of this expenditure independent of 2.008, Commercial Buildings Under Construction, because they both operate through parallel filing system and are fundamentally interchangeable.

2.010 ENTERPRISE ZONE BUSINESSES

Oregon Statute: 285C.175

Sunset Date: 06-30-2025 (Exemption for property in reservation enterprise or reservation partnership zones does not sunset.)

Year Enacted: 1985

2013–14 Estimated Assessed Value of Property Exempted: \$1.9 billion

	Loss	Shift
2013-15 Revenue Impact:	\$50,400,000	\$10,300,000
2015-17 Revenue Impact:	\$51,100,000	\$10,500,000

DESCRIPTION: Qualified real and personal property owned or leased and newly placed into service by a qualified business firm in an enterprise zone, reservation enterprise zone or reservation partnership zone is exempt from property tax for three years. The exemption period may be increased to a total of four or five consecutive years.

A business firm in an enterprise zone qualifies for exemption if the firm meets all of the eligibility requirements, such as type of activity and employment, outlined in ORS 285C.135 and 285C.200. Exempt property of the business firm must meet applicable usage, lease, location and minimum cost requirements, described in ORS

285C.180. Property is disqualified if it is used for ineligible activity, such as retail operations, or if the firm substantially curtails operations or closes. When property becomes disqualified, prior exempt taxes must be repaid.

Enterprise zones are most often sponsored by cities, ports and counties. An enterprise zone designation terminates after 10 years. A business firm using the zone when it terminates may continue to be locally authorized for up to 10 years after termination.

In addition to the zone sponsors described above, nine eligible Indian tribes may each request that OBDD designate one reservation enterprise zone; this type of zone designation does not have a statutory sunset. Firms that qualify for a property tax exemption in a reservation enterprise zone also may qualify for an income tax exemption, 1.417, Reservation Enterprise Zone (Income Tax).

Any area designated as a federal enterprise zone by an agency of the federal government may be designated a state enterprise zone by the director of OBDD at the request of the city, county or port within whose jurisdiction some or all of the federal enterprise zone is located. A federally based enterprise zone is not subject to the economic or size limitation requirements on other state enterprise zones, and there is no cap on potential federally based designations.

In total, the number of zones statewide cannot exceed 66, not including reservation enterprise zones, reservation partnership zones, and those based on a federal enterprise zone. As of July 2014, 66 enterprise zones were designated, plus one reservation zone and one federally based designation. Of the 66 enterprise zones, 53 are categorized as rural, and 13 are urban. They are spread throughout the state in 35 of the 36 counties and are presently sponsored by 117 cities, 11 ports, 30 counties and 2 Indian tribes.

Properties under construction in the enterprise zones owned by qualified businesses are generally exempt under 2.009, Construction in Process in an Enterprise Zone, for a maximum of two consecutive years.

An existing enterprise zone may be designated as an *Electronic Commerce Enterprise Zone*. In addition to the enterprise zone property tax exemption, this designation allows qualified businesses to be eligible for the income tax credit as described in 1.418, Electronic Commerce Enterprise Zone (Income Tax). Qualified businesses located in the *Electronic Commerce City* are also eligible for the income tax credit.

Large facilities in most of the rural enterprise zones may alternatively qualify for *Long-term Rural Incentives*. The exemption from property taxes is described in 2.011, Long Term Rural Enterprise Zones (Property Tax). The long-term exemption differs from the regular enterprise zone exemption in the length of the exemption period, the treatment of property under construction, the location of the property, and the required minimum investment. In addition to the property tax incentive, an income tax credit is allowed for the businesses that qualify for the Long Term Rural Enterprise Zones exemption if approved by Governor's Office, as described in 1.416, Long Term Rural Enterprise Zone Facilities (Income Tax).

Projects in a *Rural Renewable Energy Development Zone (RREDZ)* may qualify for an alternative property tax exemption as described in 2.014, Rural Renewable Energy Development Zone. The exemption differs from the regular enterprise zone exemption in three ways: 1) only certain types of renewable energy projects are

Property Tax
Full Exemption

eligible, 2) the zone areas are more expansive, and 3) there is a limit of \$250 million for all exemptions in a given RREDZ designation.

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: Businesses operating in enterprise zones or an electronic commerce city. Most enterprise zone businesses are manufacturing facilities, but approved properties include hotels/resorts, call centers, distribution centers, and other businesses.

IN LIEU: Businesses may make payments imposed by or agreed to with the zone sponsor. If a business is not satisfying one of the requirements of the enterprise zone exemption, a onetime payment of that year’s tax savings may be made to the zone sponsor to avoid total disqualification.

EVALUATION: *by the Oregon Business Development Department*

This expenditure achieves its purpose. The program has been associated with numerous job creating investments (mostly by in-state companies), as well as companies attracted from out-of-state, that have benefited Oregon’s economy. These jobs are located in more economically challenged areas and should help improve residents’ quality of life either directly by providing employment opportunities, or indirectly through increased business activity, longer-term tax receipts and induced effects, including the initial impacts of construction. Although a few zones have been unable to attract new investment, most have had at least notable activity.

Issues of equity arise with respect to those who directly benefit from a tax incentive program. Such inequity is justified by the overall benefits from economic development. These zones are also relatively common, their benefits are the same throughout the state, and the typical zone covers all qualified property within a defined area. These characteristics allow a wide spectrum of traded-sector businesses to participate and for satisfaction of strictures about taxation in the State Constitution.

This expenditure is also fiscally effective. The administration is simple, inexpensive, and minimizes the possibility of abuse. Originally (in the 1980s), the program faced cumbersome statutory provisions, but those were thoroughly revised by the 1989 Legislature. The short time frame of the exemption, three to five years, moderates revenue impacts. One alternative to this property tax exemption would be an income tax credit, but that might be more expensive to administer and enforce, and any anticipated lack of immediate tax liability would substantially lessen its attractiveness to many firms. There are also economic/administrative advantages and efficiencies with this type of expenditure compared to a directly funded grant to influence business development decisions about where to locate or expand.

Even before considering statewide public revenues and other returns from additional employment and commerce, a 2009 Legislative Revenue Office (LRO) study pursuant to SB 151 (2007) makes a case for this expenditure’s ability to at least break even in a reasonably short period because of additional assessed value following the exemption period. Remarkably, this study was also able to reveal impacts on employment or other local economic measures.

An unavoidable issue is whether enterprise zone investments would have been made even without this tax incentive. Indisputably, some would have, although these tend to be among the many smaller projects, which amount overall to comparatively little exempt property value. As investment size grows, the present value benefit of avoiding cash outlays for taxes on new plant and equipment during the first few years of a project's life becomes increasingly significant and crucial for spurring, attracting and retaining capital investment and associated traded-sector jobs in Oregon. Whereas, without the exemption, a substantial number of sizeable developments might not have occurred at all, or they would have been significantly delayed, or reduced in size. Moreover, this program can help induce investments toward areas that are underutilized. The aforementioned LRO study lends credence to the anecdotal case for the additive nature of enterprise zone activity in general.

Given only moderate assumptions for an additive influence on business investment and employment due to the incentive, one can demonstrate that the enterprise zones are delivering a robust return on investment (ROI) to the Oregon economy and to state and local public revenues. In addition to the direct job creation, as well as indirect and induced economic effects, there is a longer-run benefit to the public: increased property tax revenues as noted above in the context of the 2009 LRO study. Since the program's beginning, billions of dollars in taxable property value have increased county assessment rolls at the conclusion of an enterprise zone exemption, taking account of depreciation. Some of this property value might have occurred anyway, but by no means all. Moreover, while some of it will be sooner or later retired or removed from the state, there will be other related/replacement business property that does not qualify for exemption.

The biennial estimates here for this expenditure come from the latest reports annually prepared by county assessor's offices with a limited amount of quality checking. These reports show that for more than 140 distinct projects (a few of which are by the same business firm) the 2013–14 tax year was one of the three to five years of exemption on project property. At least another 70 businesses have claimed exemptions to initially begin in 2014–15, and more than 100 projects are proposed for future years as of July 2014, according to copies of local authorizations received by OBDD; these new and future exemptions involve thousands of additional jobs. The full-time, year-round employees of the business firms with ongoing, 2013–14 exemptions numbered nearly 19,000 inside the enterprise zone on average during 2013, of which more than 7,000 are newly created positions with the exemption. Dividing the four years' of estimated revenue loss by these new positions yields an average figure in excess of \$14,000 in property taxes per job. With any given project, however, the taxes per job range from less than \$100 to greater than \$100,000, with the great majority of projects' being at the lower end, so that this average figure is skewed by the much smaller number of very capital-intensive projects. Whether creating relatively many jobs or not, almost all of the larger investments enjoy five-year exemption periods, for which new employees must receive an especially elevated level of compensation.

Diverse enterprise zone programs are also found in most other states, which will often have additional incentives programs. Oregon's enterprise zone system continues to stand out for its rural basis, local control, and reliance on property tax relief.

On a broad, statewide level, Oregon's enterprise zones are one of, if not the state's premier tool for inducing increased business investment across many traded-sector industries, including in competition with places outside of Oregon for the location of

new business opportunities. Oftentimes, the exemption from property taxes may be the only significant incentive that the locality and Oregon can make available.

2.011 LONG TERM RURAL ENTERPRISE ZONE (PROPERTY TAX)

Oregon Statute: 285C.409
Sunset Date: 06-30-2025
Year Enacted: 1997

2013–14 Estimated Assessed Value of Property Exempted: \$1.4 billion

	Loss	Shift
2013-15 Revenue Impact:	\$33,100,000	\$6,200,000
2015-17 Revenue Impact:	\$40,100,000	\$7,600,000

DESCRIPTION: The value of all new property and improvements at certain large facilities in a rural enterprise zone can be exempt from property tax for 7 to 15 years. Prior to the start of this locally determined period, the new property is also exempt while under construction.

To qualify for the exemption, a firm must have approval for the facility from the enterprise zone sponsor of the county in which the proposed facility is located. The firm must meet requirements on minimum levels of investment, minimum number of new hires, and employee compensation. If a certified business fails to meet the requirements of the program, prior exempt taxes must be repaid.

Business firms receiving this property tax exemption are also eligible for a corporate income tax credit, if approved by the Governor. Corporate tax payments made by taxpayers that are approved by the Governor for the income tax 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. See tax expenditure 1.416, Long Term Rural Enterprise Zone Facilities (Income Tax), for more information.

There are four key differences between this expenditure and 2.010, Enterprise Zone Businesses:

	Enterprise Zone	Long Term Rural Enterprise Zone
Minimum project investment	\$50,000 for real property*	Between \$1 and \$25 million, depending on location
Length of property tax exemption	3-5 years	7-15 years
Property taxation during construction	Property not exempt**	Property exempt for duration of construction
Location of business	Within any enterprise zone	Within a rural enterprise zone in a county which meets income and unemployment criteria

*\$1,000 for some personal property

**Property under construction may be exempt on application under 2.009, Construction in Process in an Enterprise Zone, for up to two years.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose for this expenditure. Presumably, it is to expand the purpose of the enterprise zone exemption: “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: This provision is intended to benefit rural enterprise zones and the surrounding residents in counties with chronic unemployment or low income. In July 2014, six certified business firms were receiving a long term rural enterprise zone facility exemption for a completed facility, while three others were still using the construction provisions.

IN LIEU: The written agreement between the business and the sponsor of the rural enterprise zone can include additional requirements that the sponsor may reasonably request, including but not limited to contributions for local services or infrastructure benefiting the facility.

EVALUATION: *by the Oregon Business Development Department*

Including the nine facilities noted above, local officials have certified 11 business firms in total that are expected to proceed with their projects. These facilities account for more than 600 direct, full-time hires making in excess of \$45,000 a year on average.

It is possible, and perhaps likely, that if Oregon did not have this program, these major investments in rural areas would not have happened where they did in this state, and other prospective investors would not be looking so seriously at rural Oregon. In addition, these are very special projects, for which the probability is quite good that the property would not otherwise exist for taxation. Therefore, this provision appears to be having the intended effect on investment in Oregon.

2.012 BUSINESSES TRANSFERRING OR LEASING PROPERTY

Oregon Statute: Note following 285C.175
Sunset Date: 06-30-2016
Year Enacted: 2007

2013–14 Assessed Value of Property Exempted: \$0

	Loss	Shift
2013-15 Revenue Impact:	\$0	\$0
2015-17 Revenue Impact:	\$0	\$0

DESCRIPTION: The property of a business firm that engages in business activities or operations resulting from a transfer or lease of real property between the business firm and a public body is exempt from property taxation under the enterprise zone law if at the time of the transfer or lease of real property the following conditions are met:

- Business activities or operations of a firm are located in a city that has population between 2,500 and 5,500 people

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Full Exemption

- The enterprise zone is located in a county that has population between 6,000 and 9,000 people.

Only businesses within the City of Burns meet these conditions.

PURPOSE: “To stimulate and protect economic success...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: As of July 2014, no business qualified for this exemption.

EVALUATION: Not evaluated.

2.013 CERTAIN PROPERTY OWNED BY A PORT

Oregon Statute: 307.110(3)(j), Note 2 after 307.110

Sunset Date: 07-01-2023

Year Enacted: 2013 (HB 3276)

2013–15 Estimated Assessed Value of Property Exempted: \$28 Million

	Loss	Shift
2013-15 Revenue Impact:	\$600,000	\$100,000
2015-17 Revenue Impact:	\$400,000	Less than \$100,000

DESCRIPTION: Beginning July 1, 2012, property owned by a port that is used or held for future use by a person other than the port pursuant to an agreement that obligates the person to provide common carrier rail freight service to shippers is exempt from property tax.

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: In fiscal year 2013-14, one port met the criteria to receive this exemption. Property owned by the Port of Coos Bay and operated under an agreement by a taxable railroad company is exempt from property tax.

EVALUATION: Not evaluated.

2.014 RURAL RENEWABLE ENERGY DEVELOPMENT ZONE

Oregon Statute: 285C.362

Sunset Date: None

Year Enacted: 2003

2013–14 Assessed Value of Property Exempted: \$140 million

	Loss	Shift
2013-15 Revenue Impact:	\$2,800,000	\$500,000
2015-17 Revenue Impact:	\$3,000,000	\$600,000

DESCRIPTION:

Qualified property is exempt in a Rural Renewable Energy Development Zone (RREDZ), 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 hiring and other criteria.

Counties, cities in rural counties or combinations of contiguous rural counties may apply to the director of the Oregon Business Development Department for a designation as a RREDZ, which encompasses all of the rural territory of the applicant jurisdiction(s), defined as any area outside the urban growth boundary of cities with a population of 30,000 or more. From 2006 to 2011, 12 counties were designated as RREDZs.

Rural Renewable Energy Development Zones are almost indistinguishable from an enterprise zone in terms of the standard property tax exemption that it provides (see 2.010, Enterprise Zone Business). However, the geography for a RREDZ is very different from an enterprise zone. The entire territory of the applicant zone sponsor is designated as a zone, which is helpful in accommodating physically expansive developments, such as wind farms. In addition, a governing body of a zone sponsor (presently in all cases, the county government) may waive the employment requirement for projects with investment costs of \$5 million or more.

The overall amount of exemptions allowed within the zone is set by a local resolution for the designation and by default cannot exceed \$250 million (increased from \$100 million in 2007) in real market value of property based on initial project valuation.

PURPOSE:

The statute that allows this expenditure does not explicitly state a purpose for this expenditure. Presumably, it is akin to that of the enterprise zone exemption, but specifically targeting renewable energy business development. See purpose of Enterprise Zone Businesses, 2.010.

WHO BENEFITS:

Firms involved in the production of biofuels or electricity from renewable energy resources in rural communities. In fiscal year 2013-14, fewer than ten properties received this exemption in Lake, Linn, Malheur, Sherman and Wasco counties.

EVALUATION:

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.

Biofuel projects can often just as easily use an existing enterprise zone, such that a RREDZ designation offers only a convenient alternative for local governments. Initially suppressing actual use of this expenditure was the huge increase in the size of wind farms. As a result, such developments turned to a program more appropriate

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Full Exemption

for their massive capital investments, expenditure 2.099, Strategic Investment Program.

2.015 INVENTORY

Oregon Statute: 307.400
Sunset Date: None
Year Enacted: 1969

2013–14 Estimated Assessed Value of Property Exempted: \$35.5 billion

	Loss	Shift
2013-15 Revenue Impact:	\$955,000,000	\$195,900,000
2015-17 Revenue Impact:	\$1,128,800,000	\$231,600,000

- 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.

2.016 BUSINESS PERSONAL PROPERTY CANCELLATION

Oregon Statute: 308.250(2)(a)
Sunset Date: None
Year Enacted: 1979

2013–14 Assessed Value of Property Receiving Cancellation: \$240 million

	Loss	Shift
2013-15 Revenue Impact:	\$6,500,000	\$1,300,000
2015-17 Revenue Impact:	\$6,900,000	\$1,400,000

- DESCRIPTION:** The county assessor shall cancel the annual business personal property tax assessment for a taxpayer if the total assessed value of the property is less than the specified maximum. The maximum threshold is \$16,000 for the tax year beginning July 1, 2014. It is indexed annually to inflation.
- To receive this cancellation of taxes, the taxpayer must still file a return with the county assessor. After receiving an initial cancellation of taxes on this property, the taxpayer may file an annual statement declaring that the value continues to be less than the threshold.

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: Over 50,000 accounts benefited from cancellation in fiscal year 2013–14.

EVALUATION: Not evaluated.

2.017 CARGO CONTAINERS

Oregon Statute: 307.835
Sunset Date: 06-30-2019
Year Enacted: 1979, Modified in 2013 (HB 2904)

2013–14 Estimated Assessed Value of Property Exempted: \$30 million

	Loss	Shift
2013-15 Revenue Impact:	\$800,000	\$200,000
2015-17 Revenue Impact:	\$800,000	\$200,000

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 more than one mode of transport, be strong enough for repeated use, and be fitted with handling devices. Legislation in 2009 extended the sunset date from June 30, 2010 to June 30, 2014. In 2013, the Legislature again extended the sunset date to June 30, 2019.

This statutory exemption applies to containers owned by both domestic and foreign 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). See also *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 purpose is to treat all domestic and foreign owned cargo containers similarly to help Oregon ports remain competitive with Washington and California, which exempt all cargo containers.” (Legislative Revenue Office Revenue Impact Statement for HB 2904, 2013)

WHO BENEFITS: Owners of cargo containers.

EVALUATION: *by the Oregon Business Development Department*

The Port of Portland and Oregon’s shipping interests face a very competitive environment in maintaining container shipping services for Oregon businesses. Because of that, both the Port and the Columbia River Steamship Operators Association have supported and continue to support retention of the cargo container exemption in the interest of 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 downriver to Terminal 6 at the Port of Portland. The exemption helps maintain competitive access to international container shipping service, which is

important to many Oregon industries. It also supports the Port of Portland’s efforts to maintain container service in the face of a very competitive environment between West Coast ports, reducing shipping costs for those industries.

2.018 LEASED DOCKS AND AIRPORTS

Oregon Statute: 307.120
Sunset Date: None
Year Enacted: 1947

2013–14 Assessed Value of Property Exempted: \$370 million

	Loss	Shift
2013-15 Revenue Impact:	\$11,000,000	\$2,300,000
2015-17 Revenue Impact:	\$11,700,000	\$2,500,000

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. This 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 the following:

- Berthing ships or barges
- Handling, loading, and unloading cargo from ships
- Cleaning or decontaminating agricultural cargo as long as 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. Real property situated in the dock area, including structures, machinery and equipment, is also not included in this exemption.

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 as long as rent proceeds are used for airport 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 exempt public dock and airport properties that are leased or rented, enabling them to be competitive with similar properties in other states.

WHO BENEFITS: The lessees of dock and airport properties benefit from this provision. In fiscal year 2013–14, approximately 363 exempt properties were located in thirteen counties.

IN LIEU: For dock properties receiving this exemption, an in lieu tax of one-quarter of one percent of real market value is assessed and distributed to school districts.

EVALUATION: *by the Oregon Business Development Department*

This exemption shifts a portion of the local property tax burden from owners and users of dock and airport property to owners of other property. Increased economic activity due to this exemption may compensate for this tax shift by increasing other local and state tax collections, and by supporting the upkeep and use of port infrastructure and of local airports in smaller communities.

2.019 SHIP REPAIR FACILITY MATERIALS

Oregon Statute: 308.256(7)

Sunset Date: None

Year Enacted: 1957

2013–14 Assessed Value of Property Exempted: Included in 2.015, Inventory

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.015	Included in 2.015
2015-17 Revenue Impact:	Included in 2.015	Included in 2.015

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 or become 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 2.131, 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 the tax expenditure 2.015, Inventory. Most, if not all, of the material exempted by this statute would probably be considered inventory.

EVALUATION: Not evaluated.

2.020 AIRCRAFT BEING REPAIRED

Oregon Statute: 308.559

Sunset Date: 6-30-2017

Year Enacted: 1995, Modified in 2013 (HB 2227)

2013–14 Assessed Value of Property Exempted: \$0

	Loss	Shift
2013-15 Revenue Impact:	\$0	\$0
2015-17 Revenue Impact:	\$0	\$0

DESCRIPTION: Aircraft owned by an air transportation company are exempt from property tax during the time the aircraft are undergoing major work, which includes scheduled maintenance, repairs, renovation, and conversion in which the total labor expended for the work exceeds 10 hours.

The value of an airline company is normally determined by first calculating the value of the entire company, then determining the Oregon portion of that value using an allocation formula that takes into account the number of Oregon departures, number of hours in Oregon, and the amount of Oregon cargo. This exemption reduces the number of hours an aircraft is in Oregon in the allocation formula, and thus reduces the Oregon property value for an airline doing aircraft repair in Oregon.

Legislation in 2013 (HB 2227) placed a sunset date of June 30, 2017 on this exemption.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote the aircraft repair industry in Oregon.

WHO BENEFITS: Airline companies that repair aircraft in Oregon are potential beneficiaries, although no such company is using this provision at the moment.

EVALUATION: *by the Oregon Department of Revenue*

This tax expenditure is scheduled to sunset on June 30, 2017, because it is not being used and has not been used since the 1999-01 biennium. Although the sunset was placed on this expenditure in 2013 (HB 2227), the actual sunset was placed four years into the future to allow any qualifying and interested companies or entities to make use of it. In that event, the Legislature, it is thought, would have time to reconsider the sunset prior to its expiration. Once sunset, at such a time in the future if the need arises, the expenditure may be reconsidered.

2.021 RAILROAD CARS BEING REPAIRED

Oregon Statute: 308.665

Sunset Date: None

Year Enacted: 1973

2013–14 Assessed Value of Property Exempted: \$6.3 million

	Loss	Shift
2013-15 Revenue Impact:	\$200,000	Less than \$100,000
2015-17 Revenue Impact:	\$200,000	Less than \$100,000

DESCRIPTION: Railroad cars owned by private car 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 from the time it awaits transportation to a repair facility to the time it is 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 the administrative problems of assessing the value of mobile property.

WHO BENEFITS: In fiscal year 2013-14, six private railroad car companies with railroad cars undergoing major work benefited from this exemption.

EVALUATION: Not evaluated.

2.022 FEDERAL LAND UNDER RECREATION FACILITY

Oregon Statute: 307.182

Sunset Date: 06-30-2024

Year Enacted: 1975, Modified in 2013 (SB 549)

2013–14 Estimated Assessed Value of Property Exempted: \$43 million

	Loss	Shift
2013-15 Revenue Impact:	\$900,000	\$200,000
2015-17 Revenue Impact:	\$1,000,000	\$200,000

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 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 fiscal year 2012-13 and set a sunset date of June 30, 2024.

Property Tax
Full Exemption

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the administrative difficulty of valuing federal property that has restricted land use.

WHO BENEFITS: In fiscal year 2013-14, approximately 40 operators of recreational facilities that operate under permit on federal land benefited 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: *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. Nevertheless, the Federal Forest Task Force that met during 2008 recommended repeal of this exemption.

2.023 DEFENSE CONTRACTOR WITH FEDERAL PROPERTY

Oregon Statute: 307.065
Sunset Date: 6-30-2017
Year Enacted: 1965, Modified in 2013 (HB 2227)

2013–14 Assessed Value of Property Exempted: \$0

	Loss	Shift
2013-15 Revenue Impact:	\$0	\$0
2015-17 Revenue Impact:	\$0	\$0

DESCRIPTION: Property that is owned by the federal government and is in the possession of a private contractor upon an agreement with an Armed Forces agency is exempt from property tax. The property must be in use under a federal defense or space contract to assemble or manufacture a product.
Legislation in 2013 (HB 2227) placed a sunset date of June 30, 2017 on this exemption.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to clarify that this property is not taxable because of its federal ownership status and to help promote the defense industry in Oregon.

WHO BENEFITS: Defense and space contractors are potential beneficiaries, although no such company is using this provision.

EVALUATION: *by the Oregon Department of Revenue*
This tax expenditure is scheduled to sunset on June 30, 2017, because it is not being used and has not been used since its enactment in 1965. Although the sunset was placed on this expenditure in 2013 (HB 2227), the actual sunset was placed four years into the future to allow any qualifying and interested companies or entities to

make use of it. In that event, the Legislature, it is thought, would have time to reconsider the sunset prior to its expiration. Once sunset, at such a time in the future if the need arises, the expenditure may be reconsidered.

2.024 FEDERAL LAND UNDER SUMMER HOMES

Oregon Statutes: 307.183 and 307.184

Sunset Date: None

Year Enacted: 1975

2013–14 Estimated Assessed Value of Property Exempted: \$60 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,300,000	\$200,000
2015-17 Revenue Impact:	\$1,400,000	\$300,000

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 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.

EVALUATION: Not evaluated.

2.025 HOUSING AUTHORITY RENTAL UNITS

Oregon Statute: 307.092

Sunset Date: None

Year Enacted: 1937

2013–14 Assessed Value of Property Exempted: \$860 Million

	Loss	Shift
2013-15 Revenue Impact:	\$25,500,000	\$5,400,000
2015-17 Revenue Impact:	\$27,100,000	\$5,700,000

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 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.

Property Tax
Full Exemption

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 fiscal year 2013-14, approximately 1,300 properties 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: *by the Housing and Community Services Department*

This expenditure achieves its purpose. Based on research, this statute was required with the federal Housing Act of 1937 that started housing authorities. Since then, the exemption has proven to be a critical component of housing authorities' ability to provide more units of housing and units at more affordable rates to very low income tenants.

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 units 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 make possible. The exemption is also the most fiscally effective means of achieving its purpose.

2.026 LOCAL GOVERNMENT OWNED LOW INCOME HOUSING

Oregon Statute: 307.110(3)(h)
Sunset Date: None
Year Enacted: 2013 (HB 3112)

2013–15 Estimated Assessed Value of Property Exempted: \$2.9 Million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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. Beginning July 1, 2013, 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.

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 2013-14 tax year, one property in Portland benefited from this exemption.

EVALUATION: Not evaluated.

2.027 NONPROFIT ELDERLY HOUSING STATE FUNDED

Oregon Statute: 307.242
Sunset Date: None
Year Enacted: 1977

2013–14 Assessed Value of Property Exempted: \$97 million

	Loss	Shift
2013-15 Revenue Impact:	*	\$3,400,000
2015-17 Revenue Impact:	\$3,600,000	*

**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 a shift to the General Fund. At this time, sufficient funds to pay the taxes for the 2013-15 biennium are expected to be shifted from the General Fund to the Elderly Rental Assistance Program. As no funds are yet allocated for the 2015-17 biennium, the exempted taxes represent a loss to the taxing districts under current law.*

DESCRIPTION: 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.

Property Tax
Full Exemption

Any taxes exempted under this provision are billed to the Department of Revenue. Funds to pay these taxes are appropriated as part of the Elderly Rental Assistance program. If the Elderly Rental Assistance program appropriation is not sufficient to pay the liabilities in full, distributions to both the Elderly Rental Assistance program participants and the counties for nonprofit elderly housing property taxes exempted are prorated to the appropriation amount. In the event that this proration is necessary, it will result in a tax loss to the taxing districts. For 2013-14, the payments made by the state totaled approximately \$1.7 million.

A claim must be filed with the county assessor. The assessor assesses the property as if no exemption existed. However, the taxes are paid by the state.

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 2014, eighteen counties had 50 homes receiving this exemption.

EVALUATION: *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. 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.

2.028 FARM LABOR HOUSING AND DAY CARE FACILITIES

Oregon Statute: 307.485

Sunset Date: None

Year Enacted: 1973, Modified in 2013 (HB 2227, HB 3234)

2013–14 Assessed Value of Property Exempted: \$28 million

	Loss	Shift
2013-15 Revenue Impact:	\$600,000	\$100,000
2015-17 Revenue Impact:	\$600,000	\$100,000

DESCRIPTION: Eligible housing facilities for farm laborers and eligible day care facilities operated in conjunction with those housing facilities are exempt from property tax. An eligible housing facility is a place where housing, sleeping places, or camping grounds are owned or operated by a nonprofit corporation in compliance with applicable health and fire safety codes. An eligible child care facility is certified by the Office of Child Care at the Department of Education, owned or operated by a nonprofit corporation, and operated in conjunction with eligible farm labor housing. Housing can be provided to agricultural workers not currently employed if employed when work is available. Housing can also be for workers' immediate families.

A claim for the exemption must be made each year with the county assessor, and be accompanied by verification from the State Fire Marshal, Office of Child Care, and Oregon OSHA for verification of compliance. Legislation in 2013 (HB 2227) shifts the responsibility of the verification from the county assessor to the property owner. The assessor, in turn, forwards copies of the claim to the Department of Revenue. A health inspection of the housing must be made each year.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage provision of low cost housing and day care for farm laborers.

WHO BENEFITS: Nonprofit owners and operators of farm labor housing and associated day care facilities. In fiscal year 2013-14, counties reported 37 exempt farm labor housing properties in seven counties; most are located in Umatilla or Washington counties. Farm laborers and their families also benefit.

IN LIEU: In lieu of real and personal property taxes, the nonprofit corporation owning or operating the exempt 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 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: *by the Housing and Community Services Department*

This expenditure achieves its purpose. Without the tax exemption, the associated day care facilities 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.

Property Tax
Full Exemption

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.

2.029 FAIRGROUND LEASED STORAGE SPACE

Oregon Statute: 307.110(3)(d) and (e)
Sunset Date: None
Year Enacted: 1987

2013–14 Estimated Assessed Value of Property Exempted: Minimal

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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, entertainments or public gatherings qualify. 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 State Fair has minimal leased property that is exempt under this statute. Since the assessment date is January 1, only property leased at that time would benefit.

EVALUATION: Not evaluated.

2.030 INDUSTRY APPRENTICESHIP/TRAINING TRUST

Oregon Statute: 307.580

Sunset Date: None

Year Enacted: 1983

2013–14 Estimated Assessed Value of Property Exempted: \$31 million

	Loss	Shift
2013-15 Revenue Impact:	\$800,000	\$200,000
2015-17 Revenue Impact:	\$900,000	\$200,000

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.

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 in order 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.

EVALUATION: Not evaluated.

2.031 FOOD PROCESSING EQUIPMENT

Oregon Statute: 307.455

Sunset Date: 06-30-2020 (for first year exemption), 06-30-2024 (for final year exemption)

Year Enacted: 2005, Modified in 2013 (HB 2735)

2013–14 Assessed Value of Property Exempted: \$93 million

	Loss	Shift
2013-15 Revenue Impact:	\$2,400,000	\$500,000
2015-17 Revenue Impact:	\$2,400,000	\$500,000

DESCRIPTION: Newly acquired machinery or equipment used by food processing businesses is exempt from property taxation. The machinery or equipment may be new or used, as

Property Tax
Full Exemption

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 occurs before the first sale by the processor.

Qualified machinery is certified by the Oregon Department of Agriculture. Machinery and equipment is exempt for five years following certification.

In the 2013 Legislative Session, the sunset date for this property tax exemption was extended (HB 2735). The last tax year property may qualify for a first year exemption is tax year 2019-20, and the last tax year a property may receive a fifth and final year exemption is tax year 2023-24.

Equipment used for egg processing is exempt under 2.112, Egg Processing Equipment. Producers of alcoholic beverages are ineligible.

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. Approximately 30 businesses per year use this exemption.

EVALUATION: *by the Department of Agriculture*

Oregon small to mid size food processors are at a competitive disadvantage in a world marketplace with many large retail buyers. This incentive helps offset costs and aids in economic retention, development, and competitiveness of Oregon based food processors and related jobs.

Oregon experienced the loss of many mid-scale food processors over the past two decades. This exemption encourages reinvestment in food processing of local production, on farm value added opportunity, and job creation in this industry.

The exemption *is narrowly targeted, and* serves its purpose of creating investment, retaining and expanding jobs, and creating additional markets for Oregon growers.

2.032 FARM MACHINERY AND EQUIPMENT (PROPERTY TAX)

Oregon Statute: 307.394

Sunset Date: None

Year Enacted: 1973

2013–14 Estimated Assessed Value of Property Exempted: \$3.4 billion

	Loss	Shift
2013-15 Revenue Impact:	\$75,500,000	\$14,200,000
2015-17 Revenue Impact:	\$79,400,000	\$15,000,000

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 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:

- 2.033, Mobile Field Incinerators
- 2.040, Center Pivot Irrigation Equipment
- 2.041, Other Farm/Aquaculture/Egg Equipment
- 2.042, Field Burning Smoke Management 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: All farmers who own machinery and equipment receive benefits from this provision.

EVALUATION: *by the Department of Agriculture*

This expenditure appears to be achieving its purpose. Agricultural machinery is extremely expensive, and farmers spend more on machinery per worker than any other industry. Profit margins are very tight and prices fluctuate dramatically from year to year. Placing a fixed tax on equipment that may or may not bring a return to the owner in any given year creates a financial burden on the producers.

Arguably, many small producers could not afford a tax on personal property, and the costs of filing personal property tax returns would be an additional burden. The current tax exemption appears a more appropriate treatment of this particular situation than direct spending.

2.033 MOBILE FIELD INCINERATORS

Oregon Statute: 307.390

Sunset Date: None

Year Enacted: 1971

2013–14 Assessed Value of Property Exempted: Included in 2.032, Farm Machinery and Equipment

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.032	Included in 2.032
2015-17 Revenue Impact:	Included in 2.032	Included in 2.032

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 2.032, Farm Machinery and Equipment (Property Tax).

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.

Property Tax
Full Exemption

EVALUATION: *by the Department of Agriculture*

This expenditure is not achieving the purpose for which it was intended. The current technology of mobile field incinerators appears too expensive to be a viable alternative to other approaches used to sanitize grass seed fields. Barring a major technological advance that reduces its cost, the use of mobile field incinerators is likely to cease completely.

2.034 CROPS, PLANTS, AND FRUIT TREES

Oregon Statute: 307.320

Sunset Date: None

Year Enacted: 1957

2013–14 Estimated Assessed Value of Property Exempted: \$720 million

	Loss	Shift
2013-15 Revenue Impact:	\$15,700,000	\$3,000,000
2015-17 Revenue Impact:	\$16,900,000	\$3,200,000

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 2.015, Inventory. Agricultural products held for use in farming operations are exempt as described in tax expenditure 2.035, Agricultural Products Held by the Farmer.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is 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 four million acres of harvested cropland. About two thirds of that acreage is used for production of grains or hay. The remainder is in tree fruit or berry production as perennial crops, or annual crops.

EVALUATION: *by the 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.

2.035 AGRICULTURAL PRODUCTS HELD BY THE FARMER

Oregon Statute: 307.325

Sunset Date: None

Year Enacted: 1965

2013–14 Estimated Assessed Value of Property Exempted: \$2.4 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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 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 2.015, 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 used for cattle and calves. About 17,000 farms in Oregon raise some cattle. It also benefits farmers who primarily hold products for their own use. This includes those who raise hay and other feed for their own animals.

EVALUATION: Not evaluated.

2.036 NURSERY STOCK

Oregon Statute: 307.315

Sunset Date: None

Year Enacted: 1971

2013–14 Estimated Assessed Value of Property Exempted: \$160 million

	Loss	Shift
2013-15 Revenue Impact:	\$3,500,000	\$700,000
2015-17 Revenue Impact:	\$3,500,000	\$700,000

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 as defined in ORS 571.005(5).

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.

Property Tax
Full Exemption

WHO BENEFITS: About 1,800 farms in Oregon growing nursery crops. Most of these farms are in Western Oregon, concentrated in the Willamette Valley.

EVALUATION: *by the 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 2.034, Crops, Plants, and Fruit Trees, and with the exemption of inventories in nonagricultural industries described in tax expenditure 2.015, 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.

2.037 LEASED STATE AND LOCAL FARMING AND GRAZING LAND

Oregon Statute: 307.110(3)(b)

Sunset Date: None

Year Enacted: 1971

2013–14 Assessed Value of Property Exempted: Included in 2.074, State and Local Property

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.074	Included in 2.074
2015-17 Revenue Impact:	Included in 2.074	Included in 2.074

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: *by the 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, 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.

2.038 LEASED FEDERAL GRAZING LAND

Oregon Statute: 307.060

Sunset Date: None

Year Enacted: 1961

2013–14 Assessed Value of Property Exempted: Included in 2.093, Federal Property

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.093	Included in 2.093
2015-17 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 purpose is to provide property tax relief to livestock owners 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: *by the Department of Agriculture*

The treatment of federal land under this exemption is consistent with the treatment of state and local land (2.037). Further, federal lands are not subject to property taxation by local jurisdiction regardless of use.

Property Tax
Full Exemption

2.039 SHELLFISH GROWING ON STATE LAND

Oregon Statute: 622.290
Sunset Date: None
Year Enacted: 1969

2013–14 Estimated Assessed Value of Property Exempted: \$1 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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. For 2013, there was approximately \$1.8 million in oyster production on roughly 3,800 acres.

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 \$54,757 in fees in 2013. The in lieu fees were for leasing 3,780 acres and producing 51,365 total gallons of oysters in 2013. The fees support the department’s oversight of the oyster leasing program.

EVALUATION: Not evaluated.

2.040 CENTER PIVOT IRRIGATION EQUIPMENT

Oregon Statute: 307.398
Sunset Date: None
Year Enacted: 1973

2013–14 Assessed Value of Property Exempted: Included in 2.032, Farm Machinery and Equipment

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.032	Included in 2.032
2015-17 Revenue Impact:	Included in 2.032	Included in 2.032

DESCRIPTION: Center pivot irrigation equipment used in farm operations is exempt from property taxation. The revenue impact for this tax expenditure is contained in 2.032, Farm Machinery and Equipment (Property Tax).

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: *by the Department of Agriculture*

See evaluation for 2.032, Farm Machinery and Equipment (Property Tax).

2.041 OTHER FARM / AQUACULTURE / EGG EQUIPMENT

Oregon Statute: 307.397

Sunset Date: None

Year Enacted: 1973

2013–14 Assessed Value of Property Exempted: Included in 2.032, Farm Machinery and Equipment

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.032	Included in 2.032
2015-17 Revenue Impact:	Included in 2.032	Included in 2.032

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 (exempted in 2009 by HB 2904).

The revenue impact for this provision is included under 2.032, Farm Machinery and Equipment (Property Tax).

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: *by the Department of Agriculture*

See evaluation for 2.032, Farm Machinery and Equipment (Property Tax).

Property Tax
Full Exemption

2.042 FIELD BURNING SMOKE MANAGEMENT EQUIPMENT

Oregon Statute: 307.391

Sunset Date: None

Year Enacted: 1973

2013–14 Assessed Value of Property Exempted: Included with 2.032, Farm Machinery and Equipment (Property Tax)

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.032	Included in 2.032
2015-17 Revenue Impact:	Included in 2.032	Included in 2.032

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 2.032, Farm Machinery and Equipment (Property Tax), 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 40-45 farmers will burn fields in 2014-15, down from 160 farmers as recently as 2009-10.

EVALUATION: *by the Department of Agriculture*

With the restrictions on field burning put in place by the 2009 legislature, the number of growers conducting field burning was decreased, but the practice is still conducted and the need for the equipment fulfills the ability of the Department of Agriculture to conduct burns, through communications with growers, in the least impactful manner on the public.

2.043 CRAB POTS

Oregon Statute: 508.270

Sunset Date: None

Year Enacted: 1969

2013–14 Estimated Assessed Value of Property Exempted: \$11 million

	Loss	Shift
2013-15 Revenue Impact:	\$300,000	Less than \$100,000
2015-17 Revenue Impact:	\$300,000	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 2.131, Watercraft Locally Assessed).
- Approximately 150,000 crab pots were expected to be used for the 2013–14 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 funds 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 to provide tax relief to crab fishing operations. The exemption makes 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 2013–14 crab fishing season, owners/operators of over 400 vessels have crab permits.
- IN LIEU:** In 2013 the fees for a crab permit per vessel are \$127 resident, and \$177 non-resident. In 2013 the Oregon Department of Fish and Wildlife collected over \$40,000 from resident and over \$18,000 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:** *by the 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.

Property Tax
Full Exemption

2.044 LEASED STATE LAND BOARD LAND

Oregon Statute: 307.168
Sunset Date: None
Year Enacted: 1982

2013–14 Estimated Assessed Value of Property Exempted: \$110 million

	Loss	Shift
2013-15 Revenue Impact:	\$2,300,000	\$400,000
2015-17 Revenue Impact:	\$2,500,000	\$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, 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.

The State Land Board receives about \$2.5 million in gross lease revenue per year from grazing land and waterways for the Common School Fund.

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: *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.

2.045 NONPROFIT SEWAGE TREATMENT FACILITIES

Oregon Statute: 307.118
Sunset Date: None
Year Enacted: 1997

2013–14 Estimated Assessed Value of Property Exempted: Minimal

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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 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 appears to be one entity in the state that qualifies for this exemption, the Mapleton Commercial Area Owners' Association. 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.

2.046 PROPERTY USED FOR GOLF COURSE AND EFFLUENT

Oregon Statutes: Note following 307.118

Sunset Date: 06-30-2021

Year Enacted: 2001

2013–14 Estimated Assessed Value of Property Exempted: \$6.6 million

	Loss	Shift
2013-15 Revenue Impact:	\$100,000	Less than \$100,000
2015-17 Revenue Impact:	\$200,000	Less than \$100,000

DESCRIPTION: This property tax exemption is for a nonprofit corporation that leases land from a municipality and uses the land both as a golf course and for the discharge of wastewater or sewage effluent. This exemption originally applied only to land, but the 2003 Legislature extended the exemption to include buildings or other improvements. It allows any unpaid property taxes and interest due to be waived beginning on or after July 1, 1998. An application must have been filed with the county assessor for this tax exemption on or before July 1, 2002.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide property tax relief for wastewater or sewage treatment plants that also include golf course land leased from a municipality. Formerly, the nonprofit corporation had to own the wastewater treatment facility.

WHO BENEFITS: One property in Crook County qualifies for this exemption.

EVALUATION: Not evaluated.

2.047 RIPARIAN HABITAT LAND

Oregon Statute: 308A.362

Sunset Date: None

Year Enacted: 1981

2013–14 Assessed Value of Property Exempted: \$9.9 million

	Loss	Shift
2013-15 Revenue Impact:	\$200,000	Less than \$100,000
2015-17 Revenue Impact:	\$300,000	Less than \$100,000

DESCRIPTION: Land designated as riparian land by the State Department of Fish and Wildlife is exempt from property taxation. Riparian land is 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).

The Department of Fish and Wildlife 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. The department cannot approve more than 200 miles (increased from 100 miles in 1997) of private stream bank in any one county per year. The department has never had to postpone applicants due to exceeding the 200 mile county limit 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.

The exempt value is based on farm use assessed value as the alternative to riparian exemption. When 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 2014, the Department of Fish and Wildlife had enrolled 1,457 acres (165 landowners) in the program along roughly 99 miles of streams.

EVALUATION: *by the 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, the Riparian Habitat Land Exemption has become more widely used, but a number of features of the provision may 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.

2.048 ENVIRONMENTALLY SENSITIVE LOGGING EQUIPMENT

Oregon Statute: 307.827
Sunset Date: None
Year Enacted: 1999

2013–14 Assessed Value of Property Exempted: \$140 million

	Loss	Shift
2013-15 Revenue Impact:	\$3,000,000	\$600,000
2015-17 Revenue Impact:	\$3,200,000	\$600,000

DESCRIPTION: Environmentally sensitive logging equipment, defined as logging equipment manufactured after 1992, is exempt from property taxes. Machinery and equipment exempt under this provision is:

- Used in logging or forest management operations; and
- Specifically designed for activities related to water quality or fish and wildlife habitat protection in the forest; or
- An excavator used in logging road construction, maintenance, reconstruction or improvements, including the closing or obliterating of existing forest roads.

In the 2011 Legislative Session, the sunset date for this property tax exemption was repealed.

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).

Property Tax
Full Exemption

WHO BENEFITS: Loggers who switch to logging equipment manufactured after 1992. In 2013-14, there were 477 exemptions in 20 counties.

EVALUATION: *by the Department of Fish and Wildlife*

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.

2.049 SKYLINE AND SWING YARDERS

Oregon Statute: 307.831

Sunset Date: None

Year Enacted: 1999

2013–14 Assessed Value of Property Exempted: Included in 2.048, Environmentally Sensitive Logging Equipment

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.048	Included in 2.048
2015-17 Revenue Impact:	Included in 2.048	Included in 2.048

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.

In the 2011 Legislative Session, the sunset date for this property tax exemption was repealed.

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 2.048, Environmentally Sensitive Logging Equipment.

EVALUATION: *by the Department of Fish and Wildlife*

See 2.048, Environmentally Sensitive Logging Equipment.

2.050 FEDERAL STANDING TIMBER UNDER CONTRACT

Oregon Statute: 307.050

Sunset Date: None

Year Enacted: 1965

2013–14 Estimated Assessed Value of Property Exempted: \$91 million

	Loss	Shift
2013-15 Revenue Impact:	\$2,000,000	\$400,000
2015-17 Revenue Impact:	\$2,100,000	\$400,000

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. The volume of federal timber under contract was roughly 900 million board feet in 2013 and sold on average at about \$130 per thousand board feet.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, taxing timber under contract would be contrary to the tax treatment of private standing timber in Oregon, which under current law is treated as a crop, not as real property.

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.

EVALUATION: *by the 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.

2.051 STATE AND LOCAL STANDING TIMBER UNDER CONTRACT

Oregon Statute: 307.100

Sunset Date: None

Year Enacted: 1965

2013–14 Estimated Assessed Value of Property Exempted: \$77 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,700,000	\$300,000
2015-17 Revenue Impact:	\$1,800,000	\$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 240 million board feet in 2013 and sold on average at about \$335 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.

Property Tax
Full Exemption

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: *by the 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.

2.052 WESTERN PRIVATE STANDING TIMBER

Oregon Statute: 321.272
Sunset Date: None
Year Enacted: 1977

2013–14 Estimated Assessed Value of Property Exempted: \$19 billion

	Loss	Shift
2013-15 Revenue Impact:	\$421,000,000	\$79,400,000
2015-17 Revenue Impact:	\$451,800,000	\$85,000,000

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 2013–14 there was about 6 million acres of private land classified as forestland for property taxation purposes located in Western Oregon.

EVALUATION: *by the 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.

2.053 EASTERN PRIVATE STANDING TIMBER

Oregon Statute: 321.829

Sunset Date: None

Year Enacted: 1961

2013–14 Estimated Assessed Value of Property Exempted: \$1.7 billion

	Loss	Shift
2013-15 Revenue Impact:	\$36,600,000	\$6,900,000
2015-17 Revenue Impact:	\$39,200,000	\$7,400,000

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 2013-14 there was about 2.1 million acres of private land classified as forestland for property taxation purposes located in Eastern Oregon.

EVALUATION: *by the 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.

2.054 PRIVATE FARM AND LOGGING ROADS

Oregon Statute: 308.236

Sunset Date: None

Year Enacted: 1963

2013–14 Estimated Assessed Value of Property Exempted: \$1.7 billion

	Loss	Shift
2013-15 Revenue Impact:	\$37,900,000	\$7,200,000
2015-17 Revenue Impact:	\$40,600,000	\$7,700,000

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-

Property Tax
Full Exemption

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.

EVALUATION: Not evaluated.

2.055 FOREST FIRE PROTECTION ASSOCIATION

Oregon Statute: 307.125

Sunset Date: None

Year Enacted: 1957

2013–14 Estimated Assessed Value of Property Exempted: \$8.6 million

	Loss	Shift
2013-15 Revenue Impact:	\$200,000	Less than \$100,000
2015-17 Revenue Impact:	\$200,000	Less than \$100,000

DESCRIPTION: All 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.

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 associations. Most of the property of forest protection entities has been deeded over to the Department of Forestry, and the associations work under contract or cooperative agreement with the department. Currently, there are twelve forest protection districts in the state, with nine 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: *by the 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.

2.056 INACTIVE MINERAL INTERESTS

Oregon Statute: 308.115
Sunset Date: None
Year Enacted: 1997

2013–14 Estimated Assessed Value of Property Exempted: \$2 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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. In 2013-14, county assessors reported approximately 2400 accounts receiving this exemption.

EVALUATION: Not evaluated.

2.057 MINING CLAIMS ON FEDERAL LAND

Oregon Statute: 307.080
Sunset Date: None
Year Enacted: 1889

2013–14 Estimated Assessed Value of Property Exempted: \$15 million

	Loss	Shift
2013-15 Revenue Impact:	\$300,000	Less than \$100,000
2015-17 Revenue Impact:	\$300,000	Less than \$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: In 2014, there were about 6,700 active mining claims in Oregon. Claims are usually between 20 and 160 acres.

Property Tax
Full Exemption

EVALUATION: *by the Department of Revenue*

This exemption achieves its purpose of reducing the administrative costs associated with valuing mining claims which are intangible in nature.

2.058 SMALL WATERCRAFT

Oregon Statute: 830.790(3)
Sunset Date: None
Year Enacted: 1959

2013–14 Estimated Assessed Value of Property Exempted: \$1 billion

	Loss	Shift
2013-15 Revenue Impact:	\$28,000,000	\$5,700,000
2015-17 Revenue Impact:	\$28,300,000	\$5,800,000

DESCRIPTION: Certain watercraft requiring an original or renewal certificate of number or registration from the State Marine Board are paying fees that are in lieu of any other taxes or fees. Effectively, no property taxes are imposed. An exception under this statute is boats that are centrally assessed.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid administrative problems dealing with a very mobile property.

WHO BENEFITS: In 2013, there were approximately 167,000 boats registered in Oregon. Nearly 80 percent of these boats are less than 20 feet in length.

IN LIEU: Fees for registration and title were \$4.3 million in 2013. Registration fees are paid every two years and are based on a flat fee of \$3.00 per foot of watercraft length plus \$5.00 for the Aquatic Invasive Species Surcharge. 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: Not evaluated.

2.059 NONPROFIT PUBLIC PARK USE LAND

Oregon Statute: 307.115
Sunset Date: None
Year Enacted: 1971

2013–14 Assessed Value of Property Exempted: \$9.4 million

	Loss	Shift
2013-15 Revenue Impact:	\$300,000	Less than \$100,000
2015-17 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 for the production of 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: Roughly 30 privately owned parks are exempt under this provision.

EVALUATION: *by the Oregon Parks and Recreation Department*

This exemption appears to be effective in achieving its implied purpose. The exemption encourages 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 the special quality of life in Oregon and helps meet the needs of a growing population for parks, open spaces, greenways, natural settings, and recreational facilities. The program also 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 also contribute to local economies.

2.060 NATURAL GAS PIPELINE EXTENSION

Oregon Statute: 307.107

Sunset Date: None

Year Enacted: 2007

2013–14 Estimated Assessed Value of Property Exempted: \$1.2 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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

Property Tax
Full Exemption

- 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 76 miles of pipeline owned by Coos County and leased to NW Natural.

EVALUATION: Not evaluated.

2.061 RAILROAD RIGHT OF WAY USED FOR ALTERNATIVE TRANSPORTATION

Oregon Statute: 307.205
Sunset Date: 6-30-17
Year Enacted: 1977, Modified in 2013 (HB 2227)

2013–14 Assessed Value of Property Exempted: \$0

	Loss	Shift
2013-15 Revenue Impact:	\$0	\$0
2015-17 Revenue Impact:	\$0	\$0

DESCRIPTION: Real property owned by a railroad is exempt from property tax if the property is temporarily and exclusively used for public alternative transportation. A claim must be filed with the county assessor by April 1 of each year.

Legislation in 2013 (HB 2227) placed a sunset date of June 30, 2017 on this exemption.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage railroads to allow their unused right of way to be used for such things as public light rail systems or bicycle paths.

WHO BENEFITS: No railroad right of way is currently known to qualify. Formerly exempt routes have been sold or transferred to public ownership.

EVALUATION: *by the Oregon Department of Revenue*

This tax expenditure is scheduled to sunset on June 30, 2017, because it is not being used. Although the sunset was placed on this expenditure in 2013 (HB 2227), the actual sunset was placed four years into the future to allow any qualifying and interested companies or entities to make use of it. In that event, the Legislature, it is thought, would have time to reconsider the sunset prior to its expiration. Once sunset, at such a time in the future if the need arises, the expenditure may be reconsidered.

2.062 MOTOR VEHICLES AND TRAILERS

Oregon Statute: 803.585

Sunset Date: None

Year Enacted: 1919

2013–14 Estimated Assessed Value of Property Exempted: \$33 billion

	Loss	Shift
2013-15 Revenue Impact:	\$901,100,000	\$184,900,000
2015-17 Revenue Impact:	\$937,500,000	\$192,300,000

DESCRIPTION:	<p>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.</p> <p>Travel trailers include park trailers less than 8½ feet wide. Although travel trailers are normally exempt from property taxation, an owner may have it assessed for property taxation if the trailer is used as a permanent home or for purposes other than recreation (ORS 308.880). No registration is needed in this case.</p> <p>Fixed-load vehicles that are not used primarily to transport people or property over public roads are generally taxable. ORS 801.285 lists five fixed-load vehicles that are exempt, including self-propelled mobile cranes.</p> <p>Owners of exempt vehicles are required to pay registration fees in lieu of property taxes.</p>
PURPOSE:	<p>The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid administrative problems of dealing with mobile property.</p>
WHO BENEFITS:	<p>In 2013 there were about 3.3 million registered cars and pickups and about 700,000 other registered vehicles and trailers in Oregon.</p>
IN LIEU:	<p>The two year registration fee for passenger vehicles is \$86; for motorcycles and mopeds, it is \$48. The four year new car registration fee is double the two year amount. 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 in lieu registration fees are forecasted to be \$483 million in 2013–15 and \$488 million in 2015–17.</p>
EVALUATION:	<p>Not evaluated.</p>

2.063 ODOT LAND UNDER USE PERMIT

Oregon Statute: 307.110(3)(c)
Sunset Date: None
Year Enacted: 1981

2013–14 Estimated Assessed Value of Property Exempted: Minimal

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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:** In April 2014, ODOT had 88 active permits that provide approximately \$9,200 in annual administrative fees. By permitting this use, ODOT saves maintenance and weed control costs.
- EVALUATION:** *by the Department of Transportation*
This provision is effective in achieving its purpose. It reduces costs to both ODOT and county governments.

2.064 TOLLWAYS AND RELATED FACILITIES

Oregon Statutes: 383.017(7)
Sunset Date: None
Year Enacted: 1995

2013–14 Assessed Value of Property Exempted: \$0 million

	Loss	Shift
2013-15 Revenue Impact:	\$0	\$0
2015-17 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.
- PURPOSE:** The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose for this expenditure is to support the construction of transportation

infrastructure and to treat privately-owned tollways the same as publicly-owned tollways from a property taxation perspective.

WHO BENEFITS: No taxpayer is using this provision. Potential beneficiaries include private investors in tollways, presumably as part of public private partnerships. Users of additional infrastructure would also be beneficiaries.

EVALUATION: *by the Department of Transportation*

This expenditure is effective in achieving its purpose of leveling the playing field between public and private investment. However, the expenditure has not been effective at actually getting any tollways built. Many other important issues are involved.

No private entity is currently using the expenditure. There are some projects under development that could become privately-owned tollways in the distant future. None are expected to come into existence during the next two biennia.

2.065 NONPROFIT WATER ASSOCIATIONS

Oregon Statute: 307.210

Sunset Date: None

Year Enacted: 1937

2013–14 Estimated Assessed Value of Property Exempted: \$11 million

	Loss	Shift
2013-15 Revenue Impact:	\$200,000	Less than \$100,000
2015-17 Revenue Impact:	\$300,000	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 fiscal year 2013–14, approximately 347 water associations were exempt under this provision. Six of these associations are regulated by the Public Utility Commission.

Property Tax
Full Exemption

EVALUATION: *by the Public Utility Commission*

The Public Utility Commission of Oregon (Commission) currently regulates six 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.

2.066 NONPROFIT ELECTRICAL DISTRIBUTION ASSOCIATIONS

Oregon Statute: 308.805

Sunset Date: None

Year Enacted: 1943

2013–14 Assessed Value of Property Exempted: \$720 million

	Loss	Shift
2013-15 Revenue Impact:	\$19,000,000	\$3,900,000
2015-17 Revenue Impact:	\$20,200,000	\$4,100,000

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 principle 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, street lights, 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. 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 fiscal year 2013–14, the four percent in lieu tax on gross revenue was less than property taxes for 15 of the 19 cooperatives. The total gross revenue tax paid by these cooperatives in 2013–14 was \$6.8 million.

EVALUATION: *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. Eighteen of these were charged the in lieu tax in 2007–08. As a result, their distribution lines need not be assessed for property tax purposes, resulting in savings for the state. Imposing property taxes on these cooperatives would likely result in higher electricity rates for their customers. If that were to happen, it may be that for-profit private utilities could then offer electricity at rates lower than the cooperatives, but without more information it is not possible to evaluate that possibility.

2.067 NONPROFIT TELEPHONE ASSOCIATIONS

Oregon Statute: 307.220

Sunset Date: 6-30-2017

Year Enacted: 1941, Modified 2013 (HB 2227)

2013–14 Assessed Value of Property Exempted: \$0

	Loss	Shift
2013-15 Revenue Impact:	\$0	\$0
2015-17 Revenue Impact:	\$0	\$0

DESCRIPTION: Certain telephone system property of a mutual or cooperative telephone association is exempt from property taxation if:

- The association is nonprofit
- The sole purpose of the association is the operation of a telephone system for the use of its members
- The association does not own, lease, or have an interest in the switchboard exchange
- The system has a cash value of less than \$2,500.

Property exempt under this provision includes improvement, fixtures, equipment and supplies. Land and buildings are not exempt.

Legislation in 2013 (HB 2227) placed a sunset date of June 30, 2017 on this exemption.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage telephone service in rural areas.

WHO BENEFITS: Nonprofit telephone associations would have lower costs due to this property tax exemption and should pass these along to their customers in the form of lower rates. No taxpayers are currently using this exemption. Because of technological advances

Property Tax
Full Exemption

in telephone communications, the equipment that qualifies for this exemption appears to be obsolete.

EVALUATION: *by the Oregon Department of Revenue*

This tax expenditure is scheduled to sunset on June 30, 2017, because it is not being used, and when used the total benefit is generally less than \$40. Although the sunset was placed on this expenditure in 2013 (HB 2227), the actual sunset was placed four years into the future to allow any qualifying and interested companies or entities to make use of it. In that event, the Legislature, it is thought, would have time to reconsider the sunset prior to its expiration. Once sunset, at such a time in the future if the need arises, the expenditure may be reconsidered.

2.068 PRIVATE SERVICE TELEPHONE EQUIPMENT

Oregon Statute: 307.230

Sunset Date: 6-30-2017

Year Enacted: 1941, Modified 2013 (HB 2227)

2013–14 Assessed Value of Property Exempted: Minimal

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000

DESCRIPTION: Certain telephone property that serves only the system owner’s property is exempt from property taxation if the individual is not engaged in public service operations, and the system’s value does not exceed \$1,500. Property exempt under this provision includes improvements, fixtures, equipment, and supplies used for the construction, maintenance, and operation of the telephone system.

Legislation in 2013 (HB 2227) placed a sunset date of June 30, 2017 on this exemption.

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 private service telephone equipment.

WHO BENEFITS: Owners of private service telephone equipment. For 2013-14, fewer than five taxpayers are using this exemption.

EVALUATION: *by the Oregon Department of Revenue*

This tax expenditure is scheduled to sunset on June 30, 2017, because its use is minimal and the total tax savings cannot exceed \$22. Although the sunset was placed on this expenditure in 2013 (HB 2227), the actual sunset was placed four years into the future to allow any qualifying and interested companies or entities to make use of it. In that event, the Legislature, it is thought, would have time to reconsider the sunset prior to its expiration. Once sunset, at such a time in the future if the need arises, the expenditure may be reconsidered.

2.069 FCC LICENSES

Oregon Statute: 307.126
Sunset Date: None
Year Enacted: 2001

2013–14 Assessed Value of Property Exempted: \$730 million

	Loss	Shift
2013-15 Revenue Impact:	\$23,200,000	\$4,800,000
2015-17 Revenue Impact:	\$23,200,000	\$4,800,000

- DESCRIPTION:** The value of the Federal Communications Commission (FCC) licenses held by communication companies is exempt from property taxation and may not be included in the real or tangible personal property value of these companies.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to remove this form of intangible property from property taxation. In the past, this value had been taxed along with other types of centrally assessed intangible property.
- WHO BENEFITS:** Wireless communication companies are the main beneficiaries of the exemption. FCC licenses held by centrally assessed companies are exempt under tax expenditure 2.070, Intangible Personal Property.
- EVALUATION:** *by the Public Utility Commission*
This tax expenditure meets the stated purpose of removing the FCC licenses from property taxation, but no specific information is available to determine whether Oregon customers of the affected companies have benefited, e.g., through lower rates.

2.070 INTANGIBLE PERSONAL PROPERTY

Oregon Statute: 307.030(2)
Sunset Date: None
Year Enacted: 1935

2013–14 Estimated Assessed Value of Property Exempted: \$505 billion

	Loss	Shift
2013-15 Revenue Impact:	\$13,847,000,000	\$2,840,600,000
2015-17 Revenue Impact:	\$15,359,900,000	\$3,150,900,000

- DESCRIPTION:** Certain intangible personal property is exempt from local property taxation. Intangible personal property includes:
- Financial property such as interest bearing accounts, stocks, and bonds
 - Business records in various media forms
 - Business intangibles like goodwill, patents, trademarks, trade secrets, customer lists, and copyrights.

Property Tax
Full Exemption

Intangible personal property of centrally assessed companies such as communications, energy, railroads, and airlines is included in the taxable value of these companies. For these companies, only the intangible value of the Federal Communications Commission (FCC) licenses is exempt; see tax expenditure 2.069, FCC Licenses, for more information.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the administrative expense associated with identifying and assigning value to intangible personal property that was not intended to be taxed as property.

WHO BENEFITS: The exemption benefits virtually every household and business in Oregon.

EVALUATION: Not evaluated.

2.071 PERSONAL PROPERTY FOR PERSONAL USE

Oregon Statute: 307.190

Sunset Date: None

Year Enacted: 1854

2013–14 Estimated Assessed Value of Property Exempted: \$47 billion

	Loss	Shift
2013-15 Revenue Impact:	\$1,262,600,000	\$259,000,000
2015-17 Revenue Impact:	\$1,314,600,000	\$269,700,000

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 was not intended to be taxed as property.

WHO BENEFITS: The exemption benefits all households.

EVALUATION: Not evaluated.

2.072 LOW VALUE MANUFACTURED STRUCTURE IN LARGE COUNTY

Oregon Statute: 308.250(2)(b)

Sunset Date: None

Year Enacted: 2010, Modified in 2013 (HB 2676)

2013–14 Assessed Value of Property Exempted: \$64 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,700,000	\$400,000
2015-17 Revenue Impact:	\$1,800,000	\$400,000

DESCRIPTION: The county assessor for a county with a population of more than 340,000 must cancel the annual personal property tax assessment on the manufactured structures owned by a taxpayer if the total assessed value of those manufactured structures taxable as personal property of the taxpayer is less than a specified amount, indexed annually to inflation, in any assessment year. For the 2014-15 tax year, the amount is \$16,000.

Legislation in 2013 eliminated the sunset of this provision.

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."

WHO BENEFITS: Individual owners of low value manufactured structures who reside in counties with a population of more than 340,000. Four counties are in this size category: Clackamas, Lane, Multnomah and Washington. For the 2013-14 property tax year, roughly 12,600 taxpayers benefited from this exemption.

EVALUATION: Not evaluated.

2.073 BEVERAGE CONTAINERS REQUIRING DEPOSIT

Oregon Statute: 307.402

Sunset Date: None

Year Enacted: 1983

2013–14 Estimated Assessed Value of Property Exempted: \$2 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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 stores the 5-cent refund value for each container returned for recycling. Distributors keep the deposits on the containers that are not returned for

Property Tax
Full Exemption

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 or no later than January, 2018, and authorized an increase of the redemption value to 10 cents after January 1, 2017, if beverage container return rates fall below a specified level.

- 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.

2.074 STATE AND LOCAL PROPERTY

Oregon Statute: 307.090
Sunset Date: None
Year Enacted: 1854

2013–14 Estimated Assessed Value of Property Exempted: \$97 billion

	Loss	Shift
2013-15 Revenue Impact:	\$2,632,700,000	\$540,100,000
2015-17 Revenue Impact:	\$2,791,600,000	\$572,700,000

DESCRIPTION: State and local government property is exempt from property taxation. Generally state or local government property held under contract of sale or lease by a private party is 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.

Nonprofit entities exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and created by the Oregon Health and Science University are considered state and local property and thus exempt from property taxation.

Common School Fund land is exempt even if leased for private use. Article 8, Section 2 of the Oregon Constitution requires that all proceeds from certain lands granted to the State be dedicated to the Common School Fund. According to the attorney general, this means such lands are not taxable. The land involved includes some state forestland, farm land leased in Eastern Oregon, and submerged or submersible lands on the coast.

The Oregon Legislature exempted some leasehold interests that otherwise would be taxable state and local property. Refer to the following tax expenditures in this report:

- 2.003, Leased Student Housing Publicly Owned
- 2.004, Higher Education Parking Space

- 2.006, Leased Health Care Property
- 2.018, Leased Docks and Airports
- 2.019, Ship Repair Facility Materials
- 2.029, Fairground Leased Storage Space
- 2.037, Leased State and Local Farming and Grazing Land
- 2.039, Shellfish Growing on State Land
- 2.051, State and Local Standing Timber Under Contract
- 2.044, Leased State Land Board Land
- 2.060, Natural Gas Pipeline Extension
- 2.063, 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 53,000 state and local government properties throughout Oregon in fiscal year 2013-14.

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 (ORS 530.110–530.115)
- Common School Fund Lands (ORS 327.410–327.420).

EVALUATION: Not evaluated.

2.075 CORPORATIONS FOR IRRIGATION, DRAINAGE, WATER SUPPLY OR FLOOD CONTROL

Oregon Statute: 554.320

Sunset Date: None

Year Enacted: 1963

2013–14 Assessed Value of Property Exempted: Included in 2.074, State and Local Property

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.074	Included in 2.074
2015-17 Revenue Impact:	Included in 2.074	Included in 2.074

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.

Property Tax
Full Exemption

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 2.074, 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.

2.076 LOCAL GOVERNMENT PUBLIC WAYS

Oregon Statute: 307.200
Sunset Date: None
Year Enacted: 1895

2013–14 Assessed Value of Property Exempted: Not Available

	Loss	Shift
2013-15 Revenue Impact:	Not Available	Not Available
2015-17 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 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.

2.077 COMMUNICATIONS EQUIPMENT FOR MARITIME EMERGENCY RESPONSE

Oregon Statute: 307.197
Sunset Date: None
Year Enacted: 2010

2013–14 Estimated Assessed Value of Property Exempted: Minimal

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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 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
- Owned by a nonprofit corporation under ORS chapter 65 that operates as a maritime fire and safety association
- 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 OTHER STATES OR SUBDIVISIONS

Oregon Statute: Oregon Laws 2014 Chapter 114
Sunset Date: None
Year Enacted: 2014, retroactive to 2008 (SB 1534)

2013–14 Assessed Value of Property Exempted: Not Available

	Loss	Shift
2013-15 Revenue Impact:	Not Available	Not Available
2015-17 Revenue Impact:	Not Available	Not Available

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

Property Tax
Full Exemption

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 cleanup legislation in 2007 (SB 1022); legislation in 2014 (SB 1534) reinstated this exemption and made it retroactive to when it had been repealed.

- 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.
- EVALUATION:** Not evaluated.

2.079 INDIAN PROPERTY USED EXCLUSIVELY FOR GOVERNMENT SERVICES

Oregon Laws: 307.181(3)
Sunset Date: 6-30-2017 (low income rental housing portion)
Year Enacted: 2012 (HB 4041)

2013–14 Estimated Assessed Value of Property Exempted: \$8 million

	Loss	Shift
2013-15 Revenue Impact:	\$200,000	Less than \$100,000
2015-17 Revenue Impact:	\$400,000	Less than \$100,000

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. Properties that provide tribal government services located on Indian Reservations are already exempt from taxation under 2.094, Indian Property on Reservation. This tax expenditure refers to tribal government service properties not located on Indian Reservations.

Eligible government services are specified and include: tribal administration, elementary, secondary, or higher education, sanitation, low income rental housing, sewer, water, fire or police services. Application for exemption is required under either ORS 307.112, 307.166, or ORS 307.162.

Properties leased or rented to low income persons by 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 be executed on or before June 30, 2017. All properties where agreements are executed prior to 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 Staff Measure Summary describing 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. For FY 2013-14, six tribes have property benefiting from this exemption.

EVALUATION: Not evaluated

2.080 TRIBAL LAND BEING PLACED IN U.S. TRUST

Oregon Statute: 307.181(1)
Sunset Date: None
Year Enacted: 1993

2013–14 Estimated Assessed Value of Property Exempted: \$4.4 million

	Loss	Shift
2013-15 Revenue Impact:	\$100,000	Less than 100,000
2015-17 Revenue Impact:	\$100,000	Less than 100,000

DESCRIPTION: Land acquired by an Indian tribe is exempt from property taxation if the land is within ancient tribal boundaries and is in the process of being placed in a U.S. trust.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to allow land to be free of a property tax lien during the application time for placement in U.S. trust without cost to a tribe. The U.S. Bureau of Indian Affairs requires the land be free of liens as a condition for the trust.

WHO BENEFITS: Indian tribes wishing to transfer property into U.S. trust. In June 2014, there were approximately 1,800 acres in process of being placed in U.S. trust.

EVALUATION: Not evaluated.

2.081 BEACH LANDS

Oregon Statute: 307.450
Sunset Date: None
Year Enacted: 1969

2013–14 Assessed Value of Property Exempted: Not Available

	Loss	Shift
2013-15 Revenue Impact:	Not Available	Not Available
2015-17 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 2.074, 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.

2.082 FEDERALLY LEASED HIGH-VOLTAGE ELECTRICITY TRANSMISSION PROPERTY

Oregon Statute: 307.040(3)
Sunset Date: None
Year Enacted: 2013(SB 261)

2013–14 Estimated Assessed Value of Property Exempted: \$160 million

	Loss	Shift
2013-15 Revenue Impact:	\$7,800,000	\$1,500,000
2015-17 Revenue Impact:	\$4,500,000	\$900,000

- 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.

This exemption applies retroactively, beginning with tax year 2008-09. Any property that meets the requirements of the exemption can receive a refund for any taxes paid from tax year 2008-09 to tax year 2012-13. In addition, any property taxes and interest not paid during this time period on property meeting the requirements of this exemption are abated.

PURPOSE: “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.” (Legislative Revenue Office Revenue Impact Statement for SB 261, 2013).

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: *by the Public Utilities 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.

2.083 CHARITABLE, LITERARY, AND SCIENTIFIC ORGANIZATIONS

Oregon Statute: 307.130

Sunset Date: None (6-30-2018 for low income housing exemption)

Year Enacted: 1854, Modified in 2014 (HB 4039)

2013–14 Assessed Value of Property Exempted: \$6.4 billion

	Loss	Shift
2013-15 Revenue Impact:	\$176,300,000	\$36,200,000
2015-17 Revenue Impact:	\$194,400,000	\$39,900,000

DESCRIPTION: Property owned or under contract of sale 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 gift to the public without expectation of payment
- Occupy and use the property in a manner that furthers the organization’s charitable purpose.

Shelter workshops and retail stores selling donated or consigned goods to support a welfare program or not-for-profit housing program are exempt. Parking lots are exempt as long as there is no charge for at least 355 days each year. The organization

Property Tax
Full Exemption

or institution must file an application with the county assessor to claim the exemption. (ORS 307.162)

Legislation in 2007 exempted from taxation real and personal property of retail stores owned by nonprofit entities 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.

Legislation in 2014 exempted from property taxation 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. This exemption sunsets June 30, 2018.

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 by providing tax relief.

WHO BENEFITS: This exemption applies to many nonprofit organizations. Examples are some hospitals, social services, museums, youth and athletic groups, summer camps, and conservation groups. In fiscal year 2013–14, approximately 6,330 properties were exempt, but the number of organizations is unknown because the same organization may have property in more than one county.

EVALUATION: Not evaluated.

2.084 FRATERNAL ORGANIZATIONS

Oregon Statute: 307.136

Sunset Date: None

Year Enacted: 1961

2013–14 Assessed Value of Property Exempted: \$500 million

	Loss	Shift
2013-15 Revenue Impact:	\$13,800,000	\$2,800,000
2015-17 Revenue Impact:	\$15,200,000	\$3,100,000

DESCRIPTION: Property used for fraternal lodge work, entertainment, or recreational purposes 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
- Be established under the lodge system with ritualistic form of work and representative form of government
- Support some benevolent or charitable activity
- 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 fiscal year 2013-14, approximately 1,130 properties were exempt. Qualifying organizations include the State Grange, American Legion, Veterans of Foreign Wars, Eagles, Elks, Masons, Moose, Odd Fellows, Knights of Pythias, and Knights of Columbus.

EVALUATION: Not evaluated.

2.085 RELIGIOUS ORGANIZATIONS

Oregon Statute: 307.140

Sunset Date: None

Year Enacted: 1854

2013–14 Assessed Value of Property Exempted: \$4 billion

	Loss	Shift
2013-15 Revenue Impact:	\$107,000,000	\$22,000,000
2015-17 Revenue Impact:	\$113,500,000	\$23,300,000

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.

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 fiscal year 2013–14, approximately 8,220 properties were exempt.

EVALUATION: Not evaluated.

2.086 TRANSFER OF LAND FROM CEMETERY TO SCHOOL

Oregon Statutes: 307.157

Sunset Date: 12-31-2010 (owned or purchased by), 6-30-2021 (full sunset)

Year Enacted: 2001

2013-14 Estimated Assessed Value of Property Exempted: \$1.2 million

	Loss	Shift
2013-15 Revenue Impact	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact	Less than \$100,000	Less than \$100,000

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

Property Tax
Full Exemption

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 calculated 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 2.087, Cemeteries, Burial Grounds, and Mausoleums, remains exempt as long as the land was owned or being purchased by an incorporated charitable institution in connection with educational purposes between December 31, 2000 and January 1, 2011.

The additional taxes that would have been due except for this provision are also reduced by 10 percent for each 12-month period that the land is owned or was being purchased by the charitable institution for use in connection with educational purposes.

To qualify for this deferral and reduction of the potential additional tax, the property must have been owned or was being purchased between December 31, 2000 and January 1, 2011. As long as the ownership and educational use continues, the exemption and deferral of additional tax continues through tax year 2020-21.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the potential tax burden when transferring property from cemetery to educational use.

WHO BENEFITS: Owners of land that transferred from a cemetery to an incorporated charitable institution in connection with educational purposes between December 31, 2000 and January 1, 2011.

EVALUATION: Not evaluated.

2.087 CEMETERIES, BURIAL GROUNDS, AND MAUSOLEUMS

Oregon Statute: 307.150

Sunset Date: None

Year Enacted: 1854

2013–14 Assessed Value of Property Exempted: \$230 million

	Loss	Shift
2013-15 Revenue Impact:	\$6,200,000	\$1,300,000
2015-17 Revenue Impact:	\$6,600,000	\$1,400,000

DESCRIPTION: Burial grounds, tombs, and rights of burial are exempt from property taxation. Also, land not exceeding a total of 30 acres and buildings of crematory associations are exempt. Buildings to store maintenance equipment are included in the exemption. To qualify, a claim must be filed with the county assessor. Family burial grounds are exempt without application.

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 2.074, State and Local Property. Cemeteries owned and maintained by religious organizations are exempt by tax expenditure 2.085, Religious Organizations.

- 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 fiscal year 2013–14, almost 1,130 properties were exempt. Over half of the exempt value is located in Multnomah County.
- EVALUATION:** Not evaluated.

2.088 EXEMPT LEASE FROM TAXABLE OWNER

Oregon Statute: 307.112
Sunset Date: None
Year Enacted: 1977

2013–14 Assessed Value of Property Exempted: *

	Loss	Shift
2013-15 Revenue Impact:	*	*
2015-17 Revenue Impact:	*	*

* Included in other ORS Chapter 307 property exemption tax expenditure 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 rent charged must be below market value in reflection of the exemption. The lessee must file an application with the county assessor to receive this exemption. Legislation in 2009 (HB 2700) clarified filing procedures for the exemption and extended the filing deadline for first time filers and public entities with good and sufficient cause for failing to file a timely claim. Legislation in 2012 (HB 4041) added Indian property used exclusively for government services to the list of statutes exempt under this expenditure.

Related tax expenditures are:

- 2.001, Academies, Day Care, and Student Housing
- 2.007, Senior Services Centers
- 2.074, State and Local Property
- 2.079, Indian Property Used Exclusively for Government Services.
- 2.083, Charitable, Literary, and Scientific Organizations
- 2.084, Fraternal Organizations
- 2.085, Religious Organizations.

Property Tax
Full Exemption

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: This exemption extends the other Chapter 307 exemptions listed in the description. See the evaluations for those related expenditures.

2.089 EXEMPT LEASE FROM EXEMPT OWNER

Oregon Statute: 307.166
Sunset Date: None
Year Enacted: 1973, Modified in 2013 (HB 2227)

2013–14 Assessed Value of Property Exempted: *

	Loss	Shift
2013-15 Revenue Impact:	*	*
2015-17 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, as modified in 2013, 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.

Related statutes and tax expenditures are:

- 2.001, Academies, Day Care, and Student Housing
- 2.007, Senior Services Centers.
- 2.074, State and Local Property
- 2.083, Charitable, Literary, and Scientific Organizations
- 2.084, Fraternal Organizations
- 2.085, 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: This exemption extends the other Chapter 307 exemptions listed in the description. See the evaluations for those related expenditures.

2.090 LLC OWNED BY NONPROFIT CORPORATION

Oregon Statute: 307.022
Sunset Date: None
Year Enacted: 2005

2013–14 Assessed Value of Property Exempted: *

	Loss	Shift
2013-15 Revenue Impact:	*	*
2015-17 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 corporations would qualify. The LLC's property qualifies for special assessment or exemption if it is exclusively using the property consistent with the non-profit 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.

2.091 CITY OWNED SPORTS FACILITY

Oregon Statutes: 307.171
Sunset Date: None
Year Enacted: 2001

2013–14 Estimated Assessed Value of Property Exempted: \$48 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,800,000	\$400,000
2015-17 Revenue Impact:	\$1,800,000	\$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. 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 clarify that Portland owned sports facilities are exempt, even if leased to a taxable entity.

WHO BENEFITS: The only facility affected by this statute is Providence Park in Portland.

EVALUATION: Not evaluated.

2.092 CONVENTION FACILITIES

Oregon Statutes: 263.290

Sunset Date: 6-30-2017

Year Enacted: 1985, Modified 2013 (HB 2227)

2013–14 Assessed Value of Property Exempted: \$0

	Loss	Shift
2013-15 Revenue Impact:	\$0	\$0
2015-17 Revenue Impact:	\$0	\$0

DESCRIPTION: Any real or personal property acquired, owned, leased, controlled, used, or occupied by a sports and convention facilities commission established under ORS 263.210 is exempt from property taxation. The commission must be created by a ballot measure and established as a municipal corporation.

Legislation in 2013 (HB 2227) placed a sunset date of June 30, 2017 on this exemption.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to ensure the property of these municipal corporations is not taxed.

WHO BENEFITS: There are no known beneficiaries of this statute.

EVALUATION: *by the Department of Revenue*

This tax expenditure is scheduled to sunset on June 30, 2017, because it is not being used and has not been used since its inception in 1985. Although the sunset was placed on this expenditure in 2013 (HB 2227), the actual sunset was placed four years into the future to allow any qualifying and interested companies or entities to make use of it. In that event, the Legislature, it is thought, would have time to reconsider the sunset prior to its expiration. Once sunset, at such a time in the future if the need arises, the expenditure may be reconsidered.

2.093 FEDERAL PROPERTY

Oregon Statute: 307.040

Sunset Date: None

Year Enacted: 1848

2013–14 Estimated Assessed Value of Property Exempted: \$69 billion

	Loss	Shift
2013-15 Revenue Impact:	\$1,869,200,000	\$383,500,000
2015-17 Revenue Impact:	\$1,971,200,000	\$404,400,000

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:

- 2.022, Federal Land Under Recreation Facility
- 2.024, Federal Land Under Summer Homes
- 2.038, Leased Federal Grazing Land
- 2.050, Federal Standing Timber Under Contract
- 2.057, 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 2013–14, there were approximately 23,000 exemptions 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: *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

2.094 INDIAN PROPERTY ON RESERVATION

Oregon Statute: 307.180
Sunset Date: None
Year Enacted: 1854

2013–14 Assessed Value of Property Exempted: Not Available

	Loss	Shift
2013-15 Revenue Impact:	Not Available	Not Available
2015-17 Revenue Impact:	Not Available	Not Available

DESCRIPTION: Property located on an Indian reservation 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. Indian reservation lands held by Indians who have severed their tribal relations are exempt from property tax if the land was obtained by purchase or inheritance. Lands owned or held by Indians in severalty on an Indian reservation and their personal property on the reservation are exempt only when provided by federal law.

PURPOSE: To comply with the status of Indians under federal law before statehood.

WHO BENEFITS: Eleven tribes have land located in 15 counties. In 2012, Reservation and Land in Trust acreage totaled approximately 867,000 acres in Oregon.

Property Tax
Full Exemption

EVALUATION: *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

2.095 AMTRAK PASSENGER RAILROAD

Oregon Statute: 308.515(3)(d)

Sunset Date: None

Year Enacted: 1983

2013–14 Estimated Assessed Value of Property Exempted: \$43 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,200,000	\$200,000
2015-17 Revenue Impact:	\$1,200,000	\$300,000

DESCRIPTION: National Railroad Passenger Corporation (Amtrak) property is exempt from property tax; federal law exempts the company from paying any state or local taxes. 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: *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

2.096 FRATERNITIES, SORORITIES, AND COOPERATIVES

Oregon Statute: 307.471
Sunset Date: None
Year Enacted: 1973

2013–14 Assessed Value of Property Exempted: \$30 million

	Loss	Shift
2013-15 Revenue Impact:	\$300,000	\$100,000
2015-17 Revenue Impact:	\$400,000	\$100,000

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 regards 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 2013–14, about 80 accounts were exempt and located primarily in Benton, Lane, Multnomah, and Yamhill counties.

EVALUATION: *by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose and contributes to containing the costs of higher education. 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.

2.097 NEW RURAL HEALTH CARE FACILITIES

Oregon Statutes: 307.804(2)
 Sunset Date: None
 Year Enacted: 2001

2013–14 Assessed Value of Property Exempted: \$3.9 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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: Only one county, Clatsop, had adopted a resolution, and only some taxing districts elected to participate in that county. One facility used this exemption for the 2011-12 property tax year. Currently, no facilities are expected to use this exemption in 2014-15.

EVALUATION: Not evaluated.

2.098 LONG TERM CARE FACILITIES

Oregon Statute: 307.811
 Sunset Date: None
 Year Enacted: 1999

2013–14 Estimated Assessed Value of Property Exempted: \$3.4 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000

DESCRIPTION: A property tax exemption is allowed for real and personal property that is used solely in the operations 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: ORS 307.808 states 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."

WHO BENEFITS: In fiscal year 2013-14, three accounts in Jefferson County received this exemption.

EVALUATION: Not evaluated.

2.099 STRATEGIC INVESTMENT PROGRAM

Oregon Statute: 307.123

Sunset Date: None

Year Enacted: 1993

2013–14 Assessed Value of Property Exempted: \$11.7 billion

	Loss	Shift
2013-15 Revenue Impact:	\$367,600,000	\$75,400,000
2015-17 Revenue Impact:	\$520,500,000	\$106,800,000

DESCRIPTION: A partial property tax exemption is allowed for up to 15 years on eligible projects if the real market value of the new investment is equal to or exceeds \$100 million (\$25 million in rural areas). The assessed value of the property below this threshold in the first year is subject to taxes; the remainder, in excess of the threshold, is exempt. The exemption threshold then increases 3 percent a year during the exemption period.

The new investment must benefit 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.

Approval of an SIP project requires a county public hearing, written agreement between the business firm and the county and city, and formal action by the county governing body. The Oregon Business Development Commission (OBDC) makes the final determination for the project to receive SIP tax treatment.

In contrast to local negotiation of a unique agreement each time and case by case approval, a county may request that the Oregon Business Development Commission establish a Strategic Investment Zone (SIZ), in which eligible projects are then subject to standardized local requirements and a streamlined approval process. In 2009, one SIZ was established in Gresham (Multnomah County). In September 2010, two additional SIZs were designated in Clackamas County, one urban and one rural. There has not yet been an eligible project in an SIZ.

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A business firm that benefits from this provision must also enter into a “first source” hiring agreement with local publicly funded job training providers and pay an annual community service fee (see In Lieu below) in addition to other requirements under the local agreement.

The 2003 Legislature reduced the minimum investment needed to qualify for the exemption in rural areas; these areas are defined as outside the urban growth boundary as of December 1, 2002, of large cities and metropolitan areas.

In 2007, the Legislature provided for local sharing of annual personal income tax revenue from state tax collections, resulting from the direct employment at SIP projects between 2011 and 2020. Fifty percent of the estimated amount of personal income tax revenue is deposited into the Shared Services Fund and distributed locally under the same formula agreed to among taxing districts for the community service fee.

Upon application 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 also required to be paid on determination of eligibility by the OBDC. Fifty percent of these fees go to Department of Revenue for administrative purposes, and the remaining funds are deposited in the Oregon Business, Innovation and Trade Fund.

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 2014, 16 SIP projects were receiving the property tax exemption, two more were expected to begin receiving an exemption during the 2015-17 biennium, and four other projects had been formerly exempt. Intel continues to increasingly dominate the program with investments in high technology semiconductor fabrication; other projects include paper product, biopharmaceuticals and electricity generation.

IN LIEU: Businesses that have value exempt under SIP pay a community service fee each year equal to 25 percent of the property taxes that would have otherwise been imposed. The fee is capped at a maximum of \$2 million (\$500,000 in rural areas) per year. In 2013, businesses in the Strategic Investment Program paid \$10 million in statutory community services fees in addition to \$24 million in locally negotiated fees. The community service fees are distributed to local taxing districts.

In addition to the community service fees, statute in effect requires that local taxing districts also receive an annual distribution which represents half of the estimated personal income tax revenue attributable to new jobs created as a result of SIP projects.

EVALUATION: *by the Oregon Business Development Department*

The program appears to achieve its goal of leveling the proverbial playing field, thus encouraging extraordinarily large, highly capital-intensive investments in Oregon, particularly in high technology and power generation industries.

A key question in evaluating this expenditure is whether or not the investments receiving tax benefits under this program would have been made without the program. That question cannot be answered with certainty, but both state and local officials have seen evidence that this program was crucial for Oregon locations being chosen as the site of exceptionally large investments in new property and for keeping key existing industries in the state. The fact that local officials have thoughtfully

approved more than 20 applications under the program suggests that these local officials consider these tax expenditures to have a net positive value on their communities. In addition, a very sizable increase in state income tax and corporate excise tax revenues can be attributed to this program.

Economists have a range of opinions as to whether or not industrial investment tax incentives such as this are beneficial to local, regional and national economies. Some contend that such incentives merely benefit participating companies, who receive lower tax bills at the expense of the participating jurisdictions that either receive lower tax revenue or must charge existing taxpayers more than otherwise. Other experts would show how both participants gain from well-structured arrangements, with companies paying more reasonable taxes in communities that place a higher value than other communities on obtaining the companies' jobs, local purchases and other benefits, and that these incentives generally stimulate growth and competitiveness.

With the 2003 law (HB 2299), a lower rural threshold of \$25 million was added so that the program might see greater diversity in terms of geography and industry types, and to provide an alternative to enterprise zones for relative huge projects in rural areas. SIP offers a more flexible tool and politically better process compared to enterprise zone tax incentives in cases of certain very large and potentially controversial developments, and even outside of rural areas, \$25 million still signifies an unusually large and special project. Recent events indicate that this rural version of SIP is having the desired effect, although it was in no way intended as a panacea for Oregon's rural economies.

Ultimately, the proper way to evaluate a program like SIP is over the long term. Nearly \$50 billion in eligible investments has been approved, with still much of it yet to occur and most of it in the Hillsboro semiconductor industry. In light of the gross property taxes that arise, such quantities of private capital expenditure might be very unlikely without SIP or something like it.

In fiscal year 2012-13, businesses in the program enjoyed net savings of \$101 million in property taxes less \$34 million of in lieu, nontax fees paid under SIP, representing around \$78 million in net revenue loss to local government (after adjusting for levy shifts) — amounts that might exceed the taxes paid by residential or commercial developments with equivalent or even far greater impacts on public services. (The amount of taxable value exempted by SIP are expected to nearly double in the current fiscal year.)

Offsetting the above amounts, as reported for the Shared Services Fund noted above, are aggregate full-time equivalent (FTE) jobs, created or retained directly by these projects, numbering 9,433, and earning income of more than \$133,000 per year on average, and thereby, generating an estimated \$77 million in state personal income taxes in 2013.

Such investments and employment will also generate indirect and induced economic effects that cycle through to additional public revenues, in addition to direct revenue from other taxes and fees paid by the businesses.

2.100 VERTICAL HOUSING DEVELOPMENT ZONE

Oregon Statute: 307.864
 Sunset Date 12-31-2015 (for new certifications)
 Year Enacted: 2001

2013–14 Assessed Value of Property Exempted: \$6.3 million

	Loss	Shift
2013-15 Revenue Impact:	\$200,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A partial property tax exemption is available for qualified residential housing combined with nonresidential uses in a vertical housing development zone. A vertical housing development zone is a designated area sponsored by a city or county that has been approved by the Oregon Housing and Community Services Department (OHCS).

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 number of floors dedicated to residential housing, calculated using a equalized floor measure which is the total square footage of the project divided by the number of floors that are at least 500 square feet per floor. If the project consists of one equalized floor of residential housing, it is 20 percent exempt; with two equalized floors, it is 40 percent exempt; with three equalized floors, it is 60 percent exempt; and with four or more equalized floors, the project is 80 percent exempt. The exemption lasts for a maximum of 10 years. 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 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 median income, adjusted for family size. Land adjacent to or surrounding the low income residential project contained in separate tax lots, excess, or surplus land that is not necessary for the project is not eligible for partial exemption.

The vertical housing development project partial exemption does not apply to the taxes of any taxing district that elects not to participate.

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 2014, there were twenty-one vertical housing development zones and eight certified projects.

EVALUATION: *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 results in gentrification of the area and an increased tax base, the program is not structured to get feedback from the communities to verify this.

2.101 NEW SINGLE UNIT HOUSING

Oregon Statute: 307.664

Sunset Date: None (Construction period expires 06-30-2025)

Year Enacted: 1989, Modified in 2013 (HB 2349)

2013–14 Assessed Value of Property Exempted: \$180 million

	Loss	Shift
2013-15 Revenue Impact:	\$5,300,000	\$1,100,000
2015-17 Revenue Impact:	\$5,500,000	\$1,200,000

DESCRIPTION:

A city may grant a property tax exemption for newly constructed owner-occupied single unit housing for homeownership by low and moderate income families. Newly constructed condominiums as well as single family homes can qualify for this exemption. Housing can be exempt from property tax for up to 10 successive tax years. Only the value of the dwelling is exempt; the land remains taxable. 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).

Approved property is exempt from city property taxes. The exemption also applies to the taxes of all districts who pass resolutions supporting the exemption and when the total combined rate of taxation of the city and agreeing taxing districts equals at least 51 percent. 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 city to grant this exemption to the property.

To qualify for the exemption, the single family housing must meet all the following guidelines:

- Be constructed after January 1, 1990, and before July 1, 2025
- Be 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.

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.

This provision formerly applied to single unit housing in a distressed area, but legislation in 2013 (HB 2349), as well as extending the sunset for the construction

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Partial Exemption

period, removed the requirement that the single unit housing must be located in a distressed area.

PURPOSE: To “encourage home ownership among low and moderate income families” (ORS 307.654).

WHO BENEFITS: Most of these accounts are in the Portland area. In 2014, there were approximately 1600 accounts with this exemption in Multnomah County.

EVALUATION: *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 home either qualifies, or it doesn't. 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.

2.102 REHABILITATED HOUSING

Oregon Statute: 308.459

Sunset Date: 12-31-2016

Year Enacted: 1975

2013–14 Assessed Value of Property Exempted: \$3.4 million

	Loss	Shift
2013-15 Revenue Impact:	\$100,000	Less than \$100,000
2015-17 Revenue Impact:	\$100,000	Less than \$100,000

NOTE: The revenue impact estimate includes the effect of the sunset.

DESCRIPTION: A city or county may exempt from property tax any value that is attributed to the rehabilitation of housing or conversion of buildings for housing (single or multi-family) for 10 years. If the housing is at least 25 years old at the time of application, it may qualify if it has undergone rehabilitation during or after September 13, 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 may qualify if it has undergone rehabilitations after October 3, 1989, and before January 1, 2017, that cost at least 50 percent of the assessed value of the property before rehabilitation.

In addition, the property must:

- Before rehabilitation, fail to comply with one or more standards of applicable building or housing codes
- Be residential units of which at least 50 percent are for nontransient occupants
- If owner-occupied, be in a distressed area as designated by the city or county
- Be approved for exemption by the city or county.

A property's value is frozen at its value before rehabilitation for 10 years. However, if the owners of the property enter into 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 remains frozen through the term of the contract.

Qualified property is generally exempt only from city or county 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 taxes of all districts.

PURPOSE: 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).

WHO BENEFITS: This exemption is primarily used in Multnomah County which reported 31 rehabilitation properties in 2014, a decrease from the 50 properties in 2012, and 76 properties in 2010. Multi-family housing accounts for a substantial share of the value exempted.

EVALUATION: *by the Housing and Community Services Department*

This expenditure achieves its purpose. This is a relatively older tax exemption program, and it offers a greater track record than others. The exemption is intended to provide an incentive for investor owners of rental properties to preserve and rehabilitate qualified housing that might not otherwise be improved.

The owner applies for the exemption up front, during the building permit phase of the conversion or rehabilitation project. An inspector comes to the property, makes the necessary determination that the property is not in substantial compliance with applicable codes, and assesses what changes need to be made to bring the development into substantial compliance. The owner then undertakes the prescribed work, agrees to limit the rate of investment return from rents to 10 percent per year, and receives the rehabilitation exemption in return. The requirements that the development be out of code compliance at the beginning of the project and the participating owner's rate of investment return be limited act as a restriction on the level of rents charged or other possible abuse of the exemption.

After the 10 year exemption, the property comes back onto the tax rolls at its new, higher value, increasing revenues to the taxing jurisdictions. Tenants, property owners, and local governments all benefit in the long term. When looking at the increased use of this exemption in the Portland area alone, it is easy to see the magnitude of change has occurred in large part to this exemption program. It has the added advantage of being easy to access and easy to administer. Determination of a

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 Partial Exemption

home or development’s qualification for the exemption is easily made. This tax exemption appears to be both a fiscally effective and an efficient means of achieving its public purpose.

2.103 MULTI-FAMILY RENTAL HOUSING IN CITY CORE

Oregon Statute: 307.612
 Sunset Date: 01-01-2022
 Year Enacted: 1975

2013–14 Assessed Value of Property Exempted: \$264 million

	Loss	Shift
2013-15 Revenue Impact:	\$7,800,000	\$1,700,000
2015-17 Revenue Impact:	\$8,300,000	\$1,800,000

DESCRIPTION: Cities and counties may grant a property tax exemption for multiple family rental housing (excluding land) in core, light rail station, and transit oriented areas for up to 10 successive years. Cities may designate light rail station areas or transit oriented areas in addition to downtown core areas. Counties may designate light rail station areas or transit oriented areas, but not core areas. Housing includes newly constructed housing and conversions to housing.

Approved property is exempt from city or county property taxes. The exemption also applies to the taxes of all districts that pass resolutions supporting the exemption and when the total combined rate of taxation of the city or county and agreeing taxing districts equals at least 51 percent.

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, 2022, 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) includes 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.

For additional provisions associated with this exemption see 2.104, Low Income Multi-Unit 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 fiscal year 2013–14, two counties reported properties which benefited from this exemption: Multnomah County reported 87, and Lane County reported 157 exempt properties.

EVALUATION: *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.

2.104 LOW INCOME MULTI-UNIT HOUSING

Oregon Statute: 307.612

Sunset Date: 01-01-2022

Year Enacted: 1999

2013–14 Assessed Value of Property Exempted: Included in 2.103, Multi-Family Rental Housing in City Core.

	Loss	Shift
2013-15 Revenue Impact:	Included in 2.103	Included in 2.103
2015-17 Revenue Impact:	Included in 2.103	Included in 2.103

DESCRIPTION: This tax expenditure is an addition to the tax expenditure 2.103, Multi-Family Rental Housing in City Core. 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, and 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.

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. Applications must have been received for tax years beginning July 1, 2000, or later, and received through January 1, 2022.

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Partial Exemption

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 low cost rental housing.

WHO BENEFITS: Owners of low income rental housing complexes; the properties exempt under this provision are included in those receiving the exemption for 2.103, Multi-Family Rental Housing in City Core.

EVALUATION: *by the Housing and Community Services Department*

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.

2.105 NEW HOUSING FOR LOW INCOME RENTAL

Oregon Statutes: 307.517 and 307.518
Sunset Date: 12-31-2019
Year Enacted: 1989

2013–14 Assessed Value of Property Exempted: \$58 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,700,000	\$400,000
2015-17 Revenue Impact:	\$1,800,000	\$400,000

DESCRIPTION: Newly constructed rental housing occupied by low income persons or property held 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 statutory standards and guidelines to be used in administering applications for exemption
- Built after the city or county adopts state statutes, and completed before January 1, 2020
- Approved by the city or county upon application
- Rented only to persons with income at or below 60 percent of area median income based on U.S. Department of Housing and Urban Development criteria
- Rented at rates that reflect the full property tax reduction.

The owner 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 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 taxes of all districts.

- PURPOSE:** The statutes that allow this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage for-profit businesses to develop low income housing by providing an exemption similar to that available to nonprofit organizations in cities adopting an exemption program under ORS 307.541; see tax expenditure 2.106, Nonprofit Low Income Rental Housing.
- WHO BENEFITS:** For fiscal year 2013–14, counties reported approximately 75 properties exempt, most located within Lane County.
- EVALUATION:** *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.

2.106 NONPROFIT LOW INCOME RENTAL HOUSING

Oregon Statute: 307.541
Sunset Date: 06-30-2027
Year Enacted: 1985

2013–14 Assessed Value of Property Exempted: \$588 million

	Loss	Shift
2013-15 Revenue Impact:	\$17,500,000	\$3,700,000
2015-17 Revenue Impact:	\$18,600,000	\$3,900,000

DESCRIPTION: A city or county may exempt low income rental housing owned or being purchased by a nonprofit corporation from property tax. The property must be in use as housing or must be held for that purpose. Qualifying nonprofit corporations must be exempt from federal income tax [Section 501(c)(3) or (4) of the Internal Revenue Code] and upon liquidation distribute remaining assets to other tax-exempt charitable organizations or the state of Oregon.

Qualified property is exempt only from city or county taxes. To exempt all property taxes, districts levying 51 percent or more of the taxes on the property must pass resolutions to approve the exemption.

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 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. No restriction exists on whether the housing is newly constructed, an existing structure, or a rehabilitated structure.

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 2.105, New Housing 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.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage nonprofit organizations to help fill the need for low-income housing.

WHO BENEFITS: Nonprofit organizations benefit directly. The tenants of the housing benefit to the extent that below-market rate rental housing is available. For fiscal year 2013-14, counties reported approximately 600 properties, and most are located in Multnomah County.

EVALUATION: *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.

2.107 DISABLED VETERANS OR THEIR SURVIVING SPOUSES

Oregon Statute: 307.250

Sunset Date: None

Year Enacted: 1921

2013–14 Assessed Value of Property Exempted: \$820 million

	Loss	Shift
2013-15 Revenue Impact:	\$22,300,000	\$4,600,000
2015-17 Revenue Impact:	\$24,100,000	\$5,000,000

DESCRIPTION: Eligible veterans or their 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 for this exemption:

- The taxpayer must own and live on the property. The surviving spouse of a veteran must remain unmarried.
- A veteran 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. Legislation in 2007 removed the annual filing requirement for this exemption except for veterans with exemption contingent on meeting the income criteria.

For fiscal year 2014–15, the exemption amount was \$19,001. If the veteran had service connected disabilities the exemption amount was \$22,802. These amounts increase by 3 percent each year.

Qualified nonprofit homes for the elderly as defined in a related expenditure, 2.108, 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 their 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

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for the country and to compensate veterans for reductions in civilian earning capacity due to disabilities.

WHO BENEFITS: For fiscal year 2013–14, counties reported that approximately 42,100 properties inhabited by eligible veterans or their surviving spouses claimed this exemption.

EVALUATION: *by the 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.

2.108 VETERANS IN NONPROFIT ELDERLY HOUSING

Oregon Statute: 307.370

Sunset Date: None

Year Enacted: 1969

2013–14 Assessed Value of Property Exempted: \$8.8 million

	Loss	Shift
2013-15 Revenue Impact:	\$300,000	Less than \$100,000
2015-17 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 2.107, Disabled Veterans or Their Surviving Spouses. Expenditure 2.119, 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 living in a nonprofit home for elderly persons. In addition, the personal property exemption is to encourage housing for the elderly.

WHO BENEFITS: In fiscal year 2013–14, three counties reported fewer than ten nonprofit homes for the elderly claimed this exemption for their personal property.

EVALUATION: *by the 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 2.107, Disabled Veterans or Their Surviving Spouses. 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.

2.109 POLLUTION CONTROL FACILITIES

Oregon Statute: 307.405

Sunset Date: 12-31-2007

Year Enacted: 1967

2013–14 Assessed Value of Property Exempted: \$1.5 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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. The exemption lasts 20 years from the date of certification. Sunset date in this case means the deadline for facility 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 earns 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 1.436, Pollution Control. For-profit companies were eligible for the

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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 2013–14, there were four pollution control facilities located in three counties.

EVALUATION: Not evaluated.

2.110 ALTERNATIVE ENERGY SYSTEMS

Oregon Statute: 307.175
Sunset Date: 06-30-2018
Year Enacted: 1975

2013–14 Estimated Assessed Value of Property Exempted: \$46 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,400,000	\$300,000
2015-17 Revenue Impact:	\$2,400,000	\$500,000

DESCRIPTION: Solar, geothermal, wind, water, fuel cell, or methane gas energy systems used for heating, cooling, or generating electricity are exempt from property tax. They only qualify if the system is a net metering facility or a system primarily designed to offset onsite electricity use. The underlying property to which the system is affixed is also exempt to the extent that value attributable to that property is greater than it otherwise would be if the alternative energy system were not affixed to the property. No application is required.

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 by providing a tax incentive. Alternative energy systems often have greater up front costs than energy systems such as natural gas or electric.

WHO BENEFITS: For 2013-14, counties reported that approximately 1,000 properties received this exemption.

EVALUATION: *by the 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. The predominant incentives that have encouraged such installations have been the tax credits described in 1.440, Alternative Energy Devices (Residential), and 1.442, Business Energy Facilities, available under the income tax. The property tax exemption may work in tandem with those credits. Without the exemption, homeowners and businesses might hesitate to invest in a system that would increase their assessed valuation.

2.111 WATERCRAFT CENTRALLY ASSESSED

Oregon Statute: 308.515

Sunset Date: None

Year Enacted: 1925

2013–14 Assessed Value of Property Exempted: \$65 million

	Loss	Shift
2013-15 Revenue Impact:	\$2,100,000	\$400,000
2015-17 Revenue Impact:	\$2,500,000	\$500,000

DESCRIPTION: The watercraft of water transportation companies (such as barges, tugboats, and excursion boats) 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. To the extent that watercraft of these businesses are used on the high seas or outside Oregon, they are exempt. 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 booming 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 exempt. These watercraft are taxable to the extent they are used on Oregon inland waters. Interstate ferries also fall within this exemption.

A related provision, 2.131, 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: For 2013-14, six centrally assessed water transportation companies qualified for this exemption.

EVALUATION: Not evaluated.

2.112 EGG PROCESSING EQUIPMENT

Oregon Statute: 307.462

Sunset Date: 06-30-2012

Year Enacted: 2007

2013–14 Estimated Assessed Value of Property Exempted: \$9.7 million

	Loss	Shift
2013-15 Revenue Impact:	\$300,000	Less than \$100,000
2015-17 Revenue Impact:	\$100,000	Less than \$100,000

DESCRIPTION: The Egg Processing Equipment property tax exemption has expired as of June 30, 2012, however there can be revenue impacts in the 2013–15 and 2015–17 biennia due the property being exempt for five years after certification. Newly acquired machinery or equipment used by egg processing businesses is exempt from property taxation for five years. The last year a business can receive the exemption is for tax

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year 2015-16. The machinery or equipment may have been new or used, as long as it was newly acquired by the egg processor. Qualified machinery was certified by the Oregon Department of Agriculture.

Egg processing businesses are those that freeze, can, dehydrate, concentrate, preserve, process or repack eggs in any procedure that occurs before the first sale by the processor. This exemption differs from 2.031, Food Processing Equipment (other than the type of equipment exempted), as the Egg Processing Equipment exemption applies only to the taxes of taxing districts that have adopted an ordinance or resolution authorizing the exemption.

- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose was to encourage the continued operation and expansion of the egg processing industry in Oregon.
- WHO BENEFITS:** Egg processors that acquired machinery and equipment. In 2013-14, fewer than five accounts received this exemption in Marion and Clackamas counties.
- EVALUATION:** Not evaluated.

2.113 FOREIGN OWNED AIRCRAFT AND AIRCRAFT NOT OWNED BY AIR TRANSPORTATION COMPANIES

Oregon Statutes: 308.558(4) and (5)
Sunset Date: None
Year Enacted: 1987

2013–14 Estimated Assessed Value of Property Exempted: \$548 million

	Loss	Shift
2013-15 Revenue Impact:	\$14,700,000	\$3,000,000
2015-17 Revenue Impact:	\$15,000,000	\$3,100,000

- 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 by a foreign carrier are exempt from property taxation.
- Aircraft owned by air transportation companies are described in 2.114, 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 administrative problems of assessing the value of mobile property.
- WHO BENEFITS:** The Department of Aviation registers approximately 5,000 aircraft that are exempt from property tax.
- IN LIEU:** The annual registration fee for aircraft not owned by a foreign carrier varies from \$30 for an ultra light aircraft to \$350 for a turbojet. The Department of Aviation received approximately \$305,000 in registration fees for aircraft registered in 2014.
- EVALUATION:** Not evaluated.

2.114 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

2013–14 Assessed Value of Property Exempted: \$70 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,800,000	\$400,000
2015-17 Revenue Impact:	\$1,800,000	\$400,000

DESCRIPTION: Aircraft owned by air transportation companies that weigh less than 75,000 pounds are 40 percent exempt from 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 2.113, 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 avoid the administrative problems of assessing the value of mobile property.

WHO BENEFITS: For the 2013-14 property tax year, four air transportation companies owned aircraft under 75,000 pounds and benefited from this exemption.

EVALUATION: Not evaluated.

2.115 RAILROAD RIGHT OF WAY IN WATER DISTRICT

Oregon Statute: 264.110
Sunset Date: None
Year Enacted: 1943

2013–14 Estimated Assessed Value of Property Exempted: \$120 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000

DESCRIPTION: Railroad right of way, improvements, and rolling stock are exempt from property tax imposed by a water supply district 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 owner that would not significantly benefit from a water district's services and might otherwise oppose a district's formation.

WHO BENEFITS: Railroad companies that have property in water supply districts.

EVALUATION: Not evaluated.

2.116 RAILROAD RIGHT OF WAY IN HIGHWAY LIGHTING DISTRICT

Oregon Statute: 372.190
 Sunset Date: None
 Year Enacted: 1947

2013–14 Estimated Assessed Value of Property Exempted: Minimal

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid assessing a property owner that would not significantly benefit from a lighting district’s services and might otherwise oppose a district’s formation.

WHO BENEFITS: Railroad companies that have property in highway lighting districts. There are very few highway lighting districts in Oregon.

EVALUATION: Not evaluated.

2.117 RAILROAD RIGHT OF WAY IN RURAL FIRE DISTRICT

Oregon Statute: 478.010(2)(d)
 Sunset Date: None
 Year Enacted: 1969

2013–14 Estimated Assessed Value of Property Exempted: \$420 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,200,000	Less than \$100,000
2015-17 Revenue Impact:	\$1,300,000	Less than \$100,000

DESCRIPTION: Railroad right 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 assessing a property owner that would not significantly benefit from a rural fire district and might otherwise oppose a district’s formation.

WHO BENEFITS: Railroad companies that have property in fire districts are the beneficiaries.

EVALUATION: Not evaluated.

2.118 HOMESTEAD EXEMPTION FOR ACTIVE DUTY MILITARY

Oregon Statute: 307.286

Sunset Date: None

Year Enacted: 2005

2013–14 Estimated Assessed Value of Property Exempted: \$1.2 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	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.

Any taxes paid by the taxpayer on the exempt value are refunded.

In tax year 2014–15, the maximum exemption is \$78,287. The allowable amount of exemption increases by three percent each fiscal year year.

If the qualified service member dies while performing the service, the person occupying the service member’s home may file for the exemption.

The usual tour of duty for military call-up is 15–24 months, so most taxpayers who qualify will be able to claim the exemption for two or three consecutive years.

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.

EVALUATION: *by the 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.

2.119 NONPROFIT HOUSING FOR THE ELDERLY

Oregon Statute: 308.490
Sunset Date: None
Year Enacted: 1969

2013–14 Estimated Assessed Value of Property Exempted: Minimal

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 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 shall 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: Nonprofit organizations that own elderly residence facilities receive the direct benefit from this expenditure. Qualifying facilities may serve a wide range of tenants, and these tenants may have any income level because there is no tenant income requirement.

EVALUATION: Not evaluated.

2.120 MULTI-UNIT RENTAL HOUSING

Oregon Statutes: 308.704

Sunset Date: None

Year Enacted: 2001

2013–14 Assessed Value of Property Exempted: \$130 million

	Loss	Shift
2013-15 Revenue Impact:	\$3,800,000	\$800,000
2015-17 Revenue Impact:	\$4,100,000	\$800,000

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 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. The property must be residential, consist of four or more units, and not be an assisted living facility.

Upon application to the assessor by the owner before April 1 of the assessment year applied for, the owner may select a special assessment calculation method. If the application is submitted between April 1 and December 31, a late fee must accompany the application.

The special assessed value may be 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.

The assessed value is then determined as the lesser of:

- Special assessed value
- Real market value
- Maximum assessed value.

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. This is similar to the intent of legislators providing special assessment provisions for farm land in exclusive farm use zone areas where use usage is limited to farming.

WHO BENEFITS: For fiscal year 2013–14, most counties report at least one property; there are over 600 properties statewide.

EVALUATION: *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.

2.121 HISTORIC PROPERTY

Oregon Statute: 358.505

Sunset Date: 06-30-2020

Year Enacted: 1975

2013–14 Assessed Value of Property Exempted: \$700 million

	Loss	Shift
2013-15 Revenue Impact:	\$20,700,000	\$4,400,000
2015-17 Revenue Impact:	\$21,600,000	\$4,600,000

DESCRIPTION: Qualified historic property can be specially assessed at a frozen value for 10 years. The specially assessed value is the assessed value at the time of application for special assessment. The assessed value cannot exceed the assessed value at the time of application; increased value from improvements or inflation is exempt for 10 years. Applications for special assessment must be approved by the State Historical Preservation Officer. Applicants must pay a fee and file a plan for proposed rehabilitation and maintenance. Property may not be classified and specially assessed if the application is filed after June 30, 2020.

Property is dropped 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 the course of 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 frozen value must be repaid. The additional tax and interest is 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 have to 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 2013–14 there were 15 new and 485 total historic properties participating in the program. In 2013–14 commercial projects accounted for 20 percent of all new projects and 36 percent of the total assessed value of all new projects. Of the 15 participating properties, 11 were located within Multnomah County. Participating properties are in almost every county, but they are concentrated in Multnomah County, accounting for 82 percent of the total assessed value of all participating properties.

EVALUATION: *by the Oregon Parks and Recreation Department*

This expenditure has been very successful in achieving its purpose, but 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. 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 average experienced during the program's heyday of the late 1980s and early 1990s.

Oregon's program is the nation's oldest tax incentive for the preservation of historic property. The incentive attracts both commercial and residential clients, representing all economic groups. The benefit, originally enacted as an anti-demolition incentive, 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.

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. 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.

The program's administrative burden, which had increased over its 34-year life, was reduced as a result of some of the 2009 changes, making it easier for both OPRD staff and applicants.

In terms of other ways to achieve the goals of this program, a direct expenditure, namely grants for restoration, could accomplish some of the purposes, but there would most likely not be a sufficient level of funding to accommodate all worthy projects. Plus, in a competitive grant selection process, it is likely that the applications from smaller and more rural projects would be edged out by more sophisticated and comprehensive applications from urban areas where professional expertise is more readily available.

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 freeze program), and the program would be easier to administer because it would not entail monitoring for 10 years. A non-profit historic preservation group is spearheading an effort to establish a state tax credit in the 2015 legislative session.

2.122 WILDLIFE HABITAT

Oregon Statute: 308A.415

Sunset Date: None

Year Enacted: 1993

2013–14 Assessed Value of Property Exempted: \$49 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,000,000	\$200,000
2015-17 Revenue Impact:	\$1,000,000	\$200,000

DESCRIPTION: Owners of property that is clearly identifiable as containing significant wildlife habitat property or zoned as exclusive farm use or 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 into 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 2.129, Farmland; 2.126, Western

Private Forestland; or 2.127, Eastern Private Forestland, for descriptions of the assessment methods.

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, the Oregon State University Extension Service, or others. 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.

As of June, 2014, there were 297 participants in the WHCMP with 58,474 acres enrolled.

EVALUATION: *by the 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 SWCD's. 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 the same 2001 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 has opted back into the program. Benton County has added some areas as eligible for wildlife habitat special assessment.

2.123 CONSERVATION EASEMENTS

Oregon Statute: 308A.456
Sunset Date: None
Year Enacted: 2007

2013–14 Assessed Value of Property Exempted: \$21 million

	Loss	Shift
2013-15 Revenue Impact:	\$600,000	\$100,000
2015-17 Revenue Impact:	\$600,000	\$100,000

- 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 hands 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 either as forest or farm land.
- 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 that wish to transfer land to this program without penalty. Most of the property under this special assessment program is anticipated to be transferred from existing special assessment programs.

EVALUATION: *by the 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.

2.124 OPEN SPACE LAND

Oregon Statute: 308A.300

Sunset Date: None

Year Enacted: 1971

2013–14 Assessed Value of Property Exempted: \$60 million

	Loss	Shift
2013-15 Revenue Impact:	\$1,600,000	\$300,000
2015-17 Revenue Impact:	\$1,500,000	\$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. Improvements on open space land do not receive special assessment (Chapter 493, 1971).

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

Property Tax
Special Assessment

the year of withdrawal and each year the land was specially assessed. (ORS 308A.318)

PURPOSE: “The legislature hereby declares that it is in the best interest of the state to maintain, preserve, conserve and otherwise continue in existence adequate open space lands and the vegetation thereon 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 the state and its citizens. The Legislature further declares that it is in the public interest to prevent the forced conversion of open space land to more intensive uses as the result of economic pressures caused by the assessment thereof for purposes of property taxation at values incompatible with their preservation as such open space land, and that assessment practices must be so designed as to permit the continued availability of open space lands for these purposes, and it is the intent of ORS 308A.300 to 308A.330 to so provide.” (ORS 308A.303)

WHO BENEFITS: Approximately 300 properties are reported by county assessors.

EVALUATION: *by the Oregon Parks and Recreation Department*

This exemption appears to achieve its stated purpose. The exemption encourages 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 the special quality of life in Oregon and helps meet the needs of our growing population for open spaces, greenways, natural settings, and recreational facilities. The program also supplements what the government can provide by encouraging land protection and management decisions by nongovernment entities that also contribute to the public good.

2.125 FOREST HOMESITES

Oregon Statute: 308A.253

Sunset Date: None

Year Enacted: 1989

2013–14 Assessed Value of Property Exempted: \$340 million

	Loss	Shift
2013-15 Revenue Impact:	\$7,400,000	\$1,400,000
2015-17 Revenue Impact:	\$7,400,000	\$1,400,000

DESCRIPTION: A forest homesite being used in conjunction with specially assessed forest land 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 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 improve the financial viability of growing and harvesting trees on forestland by reducing the cost of taxation. The special assessment grants forest homesites the same treatment as farm homesites.

WHO BENEFITS: For 2013–14, counties reported approximately 11,000 forest homesites.

EVALUATION: *by the Department of Forestry*

Extending special forest assessments to forest homesites reinforces the effects of special assessments for forestland.

2.126 WESTERN PRIVATE FORESTLAND

Oregon Statute: 321.354

Sunset Date: None

Year Enacted: 1977

2013–14 Assessed Value of Property Exempted: \$3.8 billion

	Loss	Shift
2013-15 Revenue Impact:	\$82,500,000	\$15,600,000
2015-17 Revenue Impact:	\$88,400,000	\$16,700,000

DESCRIPTION: Forestland is considered either highest and best use forestland or designated forestland and 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 seven 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 2.128, Small Tract Forestland Option.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote the retention of forestland in forest use.

Property Tax
Special Assessment

WHO BENEFITS: Owners of designated forestland property. There are approximately 2.4 million acres of designated private forestland in Western Oregon.

EVALUATION: *by the 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.

2.127 EASTERN PRIVATE FORESTLAND

Oregon Statute: 321.833

Sunset Date: None

Year Enacted: 1971

2013–14 Assessed Value of Property Exempted: \$290 million

	Loss	Shift
2013-15 Revenue Impact:	\$6,300,000	\$1,200,000
2015-17 Revenue Impact:	\$6,700,000	\$1,300,000

DESCRIPTION: Forestland is considered either highest and best use forestland or can be designated forestland and is specially assessed. Eastern Oregon includes Baker, Crook, Deschutes, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, Wasco and Wheeler counties. 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 seven productivity classes based on the rate of growth of standing timber or the potential to grow timber.

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 2.128, Small Tract Forestland Option.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote the retention of forestland in forest use.

WHO BENEFITS: Owners of designated forestland property. There are approximately 1.2 million acres of designated private forestland in Eastern Oregon.

EVALUATION: *by the 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.

2.128 SMALL TRACT FORESTLAND OPTION

Oregon Statute: 321.722
Sunset Date: None
Year Enacted: 2003

2013–14 Assessed Value of Property Exempted: \$1 billion

	Loss	Shift
2013-15 Revenue Impact:	\$22,400,000	\$4,200,000
2015-17 Revenue Impact:	\$22,600,000	\$4,300,000

DESCRIPTION: Owners of 10 to 4,999 acres of Oregon forestland are provided the option of:

- Having their land specially assessed under 2.126, Western Private Forestland, or 2.127 Eastern Private Forestland.
- 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;

Property Tax
Special Assessment

- (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 2013–13 there were approximately 660,000 acres assessed as small tract forestland and roughly 13,400 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 severance tax is designed to 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 General Fund for expenses incurred in the collection of small tract forestland taxes.

EVALUATION: *by the Department of Forestry*

This is a relatively new program, but it is very similar in form to the old land and privilege tax system. Like the old program, the 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.

2.129 FARMLAND

Oregon Statute: 308A.062, 308A.068, 308A.128

Sunset Date: None

Year Enacted: 1967, Modified in 2013 (HB 2788)

2013–14 Assessed Value of Property Exempted: \$15 billion

	Loss	Shift
2013-15 Revenue Impact:	\$333,400,000	\$62,900,000
2015-17 Revenue Impact:	\$353,700,000	\$66,700,000

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 may involve crops, livestock, poultry, fur bearing animals, honeybees, dairies, animal husbandry, aquatic species, and cultured Christmas trees. Farm use land may also include a woodlot of 20 acres or less, wasteland, land under farm buildings, and ponds. The farmer must intend to make a profit using accepted farming practices.

Eligible farmland is in one of two categories: exclusive farm use farmland inside an exclusive farm use (EFU) zone and nonexclusive farm use farmland outside an exclusive farm use (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.

In 2009, the Oregon Legislature expanded the definition of farm use and farm land 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.

Special assessment of EFU farmland is automatic if the land is in an exclusive farm use zone and is in a qualifying farm use. No application is needed. EFU farmland becomes disqualified if it is not being farmed in a qualifying farm use, the land is approved for nonfarm use allowed in ORS Chapter 215, or the land is rezoned to a non-EFU zone. If land is disqualified, an additional tax may be required. The additional tax is equal to the difference between the taxes assessed against the land in each of the prior years (up to a maximum) of special assessment and the taxes that would have otherwise been assessed. The maximum number of years is 10 for land outside an urban growth boundary and five if inside an urban growth boundary. However, if a disqualification is based on a zone change that was not requested by the owner, no additional tax is imposed.

An application must be filed for special assessment of non-EFU farmland. In addition to being farm use, non-EFU farmland must be part of a farm unit that earns a

minimum gross income from farm use in three of the last five non-flood or non-drought 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 fewer than 30 acres, the minimum income required shall be at least equal to the product of \$100 times the number of acres and any fraction of an acre of land included; 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. The additional tax is equal to the difference between the taxes assessed against the land and the taxes that would otherwise have been assessed against the land for each year the land qualified for special assessment up to five. If land is disqualified from farm use special assessment because the gross income test is not met, the additional taxes are deferred as long as the land remains in limited farm use and one year of additional taxes is abated (forgiven) for each year the land remains in limited farm use.

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.

Legislation in 2013 adds that disposing of food by donation to local food banks or schools is an allowable activity as farm use for the purpose property tax special assessment (HB 2788).

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 2013–14, approximately 140,000 accounts comprising roughly 15.4 million acres of land were assessed at farm use value as reported by counties. Fourteen percent of the acreage is in Western Oregon and 86 percent is in Eastern Oregon.

EVALUATION:

by the Department of Land Conservation and Development

The special farm use assessment of land zoned for exclusive farm use is one of the essential tools used to achieve Oregon’s Agricultural Land Use Policy to preserve the maximum amount of agriculture land in large acreages. Special assessment is the primary incentive offered to encourage owners of rural farmlands to hold such lands in exclusive farm use zones (see ORS 215.243). The other primary tool is regulatory: EFU zoning of rural farmland (i.e., agricultural land that is outside urban growth boundaries). 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. At the same time,

farmland can provide communities a variety of benefits in return, including making positive contributions to groundwater recharge and filtration, carbon sequestration, air quality, habitat protection and scenic values.

The special farm use assessment program can conflict with other aspects of Oregon’s land use programs in both urban and rural areas. Inside 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.

Outside UGBs in non-EFU zones, the ability to apply for special assessment by meeting a minimum income test is a disincentive to property owners to use their land for rural residential development, for which it is often zoned. This may make development in EFU zones (where there is no application or income requirement) more attractive to those seeking a rural homesite and put pressure on counties to permit more low density rural residential housing in EFU zones.

2.130 FARM HOMESITES

Oregon Statute: 308A.253

Sunset Date: None

Year Enacted: 1987

2013–14 Assessed Value of Property Exempted: \$1.1 billion

	Loss	Shift
2013-15 Revenue Impact:	\$24,400,000	\$4,600,000
2015-17 Revenue Impact:	\$25,800,000	\$4,900,000

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.

Property Tax
Special Assessment

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 2.129, Farmland.

WHO BENEFITS: For 2013–14, counties reported approximately 42,000 homesites.

EVALUATION: *by the Department of Land Conservation and Development*
Extending special farm assessments to farm homesites reinforces the effects of special assessment for 2.129, Farmland.

2.131 WATERCRAFT LOCALLY ASSESSED

Oregon Statute: 308.256
Sunset Date: None
Year Enacted: 1925

2013–14 Estimated Assessed Value of Property Exempted: \$150 million

	Loss	Shift
2013-15 Revenue Impact:	\$4,100,000	\$800,000
2015-17 Revenue Impact:	\$4,100,000	\$800,000

DESCRIPTION: Property owned or operated by a water transportation company not centrally assessed by the Department of Revenue is fully exempt from property taxation if the company is customarily engaged in the transportation of persons or property outside of Oregon.

All watercraft under construction or undergoing major remodeling are exempt. Major remodeling exists if the cost exceeds 10 percent of the value of the watercraft before remodeling.

Oregon private commercial watercraft not involved in transporting people or goods for hire 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 taxed at 4 percent of assessed value. Off shore self-propelled oil drilling rigs are also taxed at 4 percent.

Some types of commercial watercraft are not exempt, and are taxed at 100 percent of assessed value. These include dredges, museum ships, restaurant ships, any vessel used for deep-sea fish reduction or processing (but not canning), and non-Oregon private commercial boats of non-centrally assessed companies. Noncommercial watercraft are included in 2.058, 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 commercial fishermen.

WHO BENEFITS: The Department of Fish and Wildlife issued commercial fishing boat licenses to 1,132 Oregon residents and 424 nonresidents in 2013. This is the major portion of exempt value.

EVALUATION: *by the 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.

Property Tax
Other

2.132 DESTROYED OR DAMAGED PROPERTY

Oregon Statute: 308.425 and 308.428

Sunset Date: None

Year Enacted: 1971

2013–14 Estimated Assessed Value of Property Affected: \$3.7 million

	Loss	Shift
2013-15 Revenue Impact:	Less than \$100,000	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000	Less than \$100,000

DESCRIPTION: Under ORS 308.425, if property is destroyed or damaged during the tax year by fire or an act of God, then the property tax is prorated on a monthly basis. If property is totally destroyed, the tax is 1/12 of the total tax for each month or part of a month in the tax year before destruction. If the property is 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 damaged. The percentage is the ratio of the value after damage to the value before damage.

This is not an exemption but rather a proration of tax equivalent to a reduced value after the assessment date. The property owner must apply to receive the proration. Relief cannot be granted for a property when the person seeking relief is convicted of arson for the same property.

Under ORS 308.428, if property is destroyed or damaged during the first half of the year by fire or an act of God, the owner may apply to have the property assessed as of July 1 of the year. Normally, property is assessed as of January 1.

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 comprise one of the two components of transportation taxes in Oregon, the other being the weight-mile tax (see Chapter 4). In general, vehicles are subject to only one of these two components. Total revenue from the gasoline, use, and jet fuel taxes, accounted for by the Department of Transportation is forecast to be \$1.01 billion in the 2013-15 and \$1.06 billion in the 2015-17 bienniums.

Most of the 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. Currently, the state of Oregon and the federal government imposed taxes of 30 cents and 18.4 cents per gallon respectively, for a total tax rate of 48.4 cents per gallon. Prior to the fuel tax increase in 2011, the Oregon tax rate had been 24 cents per gallon since 1993. 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 5 cents per gallon. Oregon administers tax collection for 14 cities, while the gasoline taxes imposed by six cities are administered by the local government. The state tax is paid to the Oregon Department of Transportation (ODOT) by the approximately 162 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 time of publication, the state of Oregon and the federal government imposed taxes of 30 cents and 24.4 cents per gallon, respectively, on diesel and biodiesel for a total tax rate of 54.4 cents per gallon. Prior to the fuel tax increase in 2011, the Oregon tax rate had been 24 cents per gallon since 1993. There are approximately 645 licensed retailers in the state who submit payments to ODOT for taxes collected from consumers of use fuels. In addition, there are another 1,173 users operating more than 5,600 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/fr.shtml.

Aviation Fuel Tax

This tax is assessed in the same manner as the gasoline tax, but at a rate of nine cents per gallon for all fuels except jet fuel. A lower rate of one cent per gallon applies to jet fuel. When consumers purchase gasoline for use as aircraft fuel, they may be required to pay the full Oregon gasoline tax rate of 30 cents per gallon at the time of purchase. In such cases, statute allows consumers to claim a refund of the extra 21 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
2013-15 Revenue Impact:	\$0
2015-17 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 at least the last ten 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: *by the 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). A review of fuels tax refunds shows that, in the case of removal of forest products, fuels used on county roads constitute only a very small volume relative to total fuel consumption. Therefore, users typically pay tax for fuels used on county and other public roads and claim refunds for fuels used off road.

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
2013-15 Revenue Impact:	\$0
2015-17 Revenue Impact:	\$0

DESCRIPTION: A refund is allowed for tax paid on fuels other than 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 at least the last ten 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: *by the 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). A review of fuels tax refunds shows that, in the case of removal of forest products, fuels used on county roads constitute only a very small volume relative to total fuel consumption. Therefore, users typically pay tax for fuels used on county and other public roads and claim refunds for fuels used off road.

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 FUEL FOR AIRCRAFT DEPARTING U.S.

Oregon Statutes: 319.330(2)

Sunset Date: None

Year Enacted: 1959

	Total
2013-15 Revenue Impact:	\$200,000
2015-17 Revenue Impact:	\$200,000

DESCRIPTION:	A refund is allowed for tax paid on fuel used by international air carriers. Refund requests are presented to the 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 attractive for airlines with international flights to operate from Oregon airports.
WHO BENEFITS:	The immediate beneficiaries are airlines, both domestic and international, whose aircraft use fuel to travel to and from foreign destinations.
EVALUATION:	<i>by the Department of Aviation</i> It is estimated that a very small portion of international air travel originates to or from Oregon.

3.004 PUBLIC SERVICES

Oregon Statutes: 319.831(1)(e-f), (h-k)

Sunset Date: None

Year Enacted: 1961

	Total
2013-15 Revenue Impact:	\$8,300,000
2015-17 Revenue Impact:	\$8,700,000

DESCRIPTION:	A refund is allowed for any tax paid on fuels other than gasoline (primarily diesel) 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. Some public service vehicles are exempt from both the use fuel and weight-mile taxes. Those vehicles are included in the revenue impact reported here, and are also included in the weight-mile tax expenditure 4.004, Government Owned or Operated Vehicles. However, it should be noted that vehicles would not be subject to both taxes. Vehicles that were subject to the weight-mile tax on any portion of their use would be exempt from taxation of use fuel for that part, and vice versa.
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PURPOSE: The statute that allows this expenditure does 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 (in particular, road maintenance services).

WHO BENEFITS: Beneficiaries include state government, over 240 incorporated cities and towns, 36 counties, 227 school districts, 22 educational service districts, approximately 270 rural fire protection districts, and various other local districts and federal agencies.

EVALUATION: *by the 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.

3.005 PUBLIC TRANSPORTATION

Oregon Statutes: 267.200 and 267.570(2)
 Sunset Date: None
 Year Enacted: 1969

Total	
2013-15 Revenue Impact:	\$300,000
2015-17 Revenue Impact:	\$300,000

DESCRIPTION: 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.

Most transit vehicles are exempt from both the use fuel and weight-mile taxes. Those vehicles are included in the revenue impact reported here, and are also included in the weight-mile tax expenditure 4.005, Public Mass Transit Vehicles. However, it should be noted that vehicles would not be subject to both taxes. Vehicles that were subject to the weight-mile tax on any portion of their use would be exempt from taxation of use fuel for that part, and vice versa.

PURPOSE: 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.

WHO BENEFITS: Three mass transit districts, seven transportation districts, and one county service district in the state provide public transportation service.

EVALUATION: *by the Department of Transportation*

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.

3.006 DIESEL FUEL BLENDED WITH BIODIESEL

Oregon Statutes: 319.530(5)

Sunset Date: 1-1-2020

Year Enacted: 2013 (HB 2435)

Total	
2013-15 Revenue Impact:	\$1,700,000
2015-17 Revenue Impact:	\$2,900,000

DESCRIPTION: Diesel fuel blended with at least 20 percent biodiesel derived from used cooking oil is exempt from fuel excise tax. This provision applies to fuel sold on or after January 1, 2014, and before January 1, 2020.

This provision does not apply to fuel:

- Used in motor vehicles with a gross vehicle weight of 26,001 pounds or more
- Not sold in retail operations
- Sold in operations involving card-lock and fleet fueling, or bulk sales.

PURPOSE: The statutes that allow this expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2435 (2013), the purpose of this provision is “to encourage the conversion of used cooking oil to fuel.”

WHO BENEFITS: Producers, consumers and fuel sellers of biodiesel derived from used cooking oil.

EVALUATION: *by the Department of Transportation*

It is too early to determine the effectiveness of this expenditure, since the exemption was just implemented in January 2014. Early indications are that consumers are willing to use higher blends of biodiesel in their vehicles. According to the National Biodiesel Board, nearly 80 percent of manufacturers selling diesel vehicles and equipment in the U.S. now warranty them for use with high-quality B20 biodiesel blends.

3.007 NATURAL GAS AND PROPANE VEHICLES

Oregon Statutes: Oregon Laws 2014, Chapter 13

Sunset Date: None

Year Enacted: 2014 (HB 4131)

Total	
2013-15 Revenue Impact:	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000

DESCRIPTION: Effective July 1, 2015, individuals who use natural gas or propane as fuel in a motor vehicle may pay an annual special use license fee in lieu of a per-gallon tax.

Upon receipt of a complete and valid application, the Department of Transportation will issue a decal to the individual to be displayed on the motor vehicle in a conspicuous place. This decal allows individuals to fuel their vehicle at any commercial fueling station that dispenses propane and/or compressed natural

Gasoline, Use, and Jet Fuel Taxes

gasoline and serves as proof to the seller of fuel that the individual is exempt from paying the per-gallon tax.

PURPOSE:	The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to encourage the use of propane and natural gas as motor vehicle fuel.
WHO BENEFITS:	Individuals who use natural gas or propane as fuel in a motor vehicle who pay annual special use license fee in lieu of a per-gallon tax.
IN LIEU:	<p>The special use fuel license fee is equal to a base amount multiplied by the use fuel tax rate in effect at the time of payment, divided by 12 cents.</p> <p>The base amount is determined by the combined weight of the motor vehicle:</p> <ul style="list-style-type: none">• \$60 for 0 – 10,000 pounds• \$300 for 10,001 – 26,000 pounds• \$400 for more than 26,000 pounds. <p>The combined weight is defined in ORS 801.199 as the total empty weight of all vehicles in a combination plus the total weight of the load carried on that combination of vehicles.</p>
EVALUATION:	Not evaluated.

CHAPTER 4. WEIGHT-MILE TAX

The weight-mile tax is one of the two components of transportation taxes in Oregon, the other being the Gasoline, Use, and Jet Fuel Taxes (see Chapter 3). In general, vehicles are subject to only one of these two components. 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 \$557.6 million in the 2013–15 biennium and \$589.3 million in the 2015–17 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 from 26,001-80,000 pounds (Tax Table A) and those operated under special permit with registered weights from 80,001-105,500 pounds (Tax Table B). The tax tables and additional information are posted at [www.oregon.gov/ODOT/MCT/FORMS.shtml#Taxes Fees](http://www.oregon.gov/ODOT/MCT/FORMS.shtml#Taxes_Fees).

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 www.oregon.gov/DAS/OEA/highway.shtml.

4.001 FARMING OPERATIONS

Oregon Statutes: 825.017(4) and (15), and 825.024

Sunset Date: None

Year Enacted: 1983

Total	
2013-15 Revenue Impact:	\$4,200,000
2015-17 Revenue Impact:	\$4,500,000

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, low speed vehicles, and farm-related equipment as referenced in the three 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. Low speed vehicles must be designed for off-road use, and no more than 15 percent of their mileage can be on the road.

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. Therefore, the revenue impact reported here is the difference between what they pay in fuel tax and what they would pay under the higher weight-mile tax rates.

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 38,100 farming operations in the state and about 22,300 registered farm vehicles in 2013.

EVALUATION: *by the 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
2013-15 Revenue Impact:	\$0
2015-17 Revenue Impact:	\$0

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: This provision does not appear to have been used in at least the last ten years. Potential beneficiaries include businesses that transport forest products to the extent that any required road maintenance costs are surpassed by the amount exempt.

EVALUATION: *by the 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 ELEMENTARY AND SECONDARY SCHOOLS

Oregon Statute: 825.017(1)

Sunset Date: None

Year Enacted: Pre-1953

	Total
2013-15 Revenue Impact:	\$4,300,000
2015-17 Revenue Impact:	\$4,100,000

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

Weight-Mile Tax

transporting students to or from school or authorized school activities or those activities sponsored by the State Board of Higher Education.

Some of these vehicles are exempt from both use fuel and weight-mile taxes. Those vehicles are included in the revenue impact reported here and also in the fuels tax expenditure for 3.004, Public Services, which has information for schools and Education Service Districts. However, it should be noted that vehicles would not be subject to both taxes. Vehicles subject to the weight-mile tax are exempt from taxation on use fuel and vice versa.

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 230 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 60 percent of the miles traveled by school buses are in weight classes equal to or less than 26,000 pounds.

EVALUATION: *by the 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.

4.004 GOVERNMENT OWNED OR OPERATED VEHICLES

Oregon Statutes: 825.017(11) and (13)

Sunset Date: None

Year Enacted: Pre-1953

	Total
2013-15 Revenue Impact:	\$5,800,000
2015-17 Revenue Impact:	\$6,200,000

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, any county, city, town or municipality in this state, or any department of any of them 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.

Some of these vehicles are exempt from both fuel and weight-mile taxes. Those vehicles are included in the revenue impact reported here and also in the fuels tax expenditure for 3.004, Public Services. However, it should be noted that these

vehicles would not be subject to both taxes. Vehicles subject to the weight-mile tax are exempt from taxation on use fuel and vice versa.

PURPOSE: The statutes that allow this expenditure do 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).

WHO BENEFITS: Beneficiaries include state government, 240 incorporated cities and towns, 36 counties, and the Postal Service. As noted above, some public service vehicles are exempt from both use fuel and weight-mile taxes.

EVALUATION: *by the 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.

4.005 PUBLIC MASS TRANSIT VEHICLES

Oregon Statute: 825.017(12)

Sunset Date: None

Year Enacted: 1977

	Total
2013-15 Revenue Impact:	\$3,900,000
2015-17 Revenue Impact:	\$4,100,000

DESCRIPTION: Vehicles owned or operated by a mass transit district are exempt from weight-mile taxes. Mass transit districts are units of government and transit vehicles owned by units of government.
 Most transit vehicles are exempt from both the use fuel and weight-mile taxes. Those vehicles are included in the revenue impact reported here, and are also included in the weight-mile tax expenditure 3.005, Public Transportation. However, it should be noted that vehicles would not be subject to both taxes. Vehicles that were subject to the weight-mile tax on any portion of their use would be exempt from taxation of use fuel for that part, and vice versa.

PURPOSE: 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.

WHO BENEFITS: Three mass transit districts, seven transportation districts, and one county service district in the state provide public transportation service.

EVALUATION: *by the Department of Transportation*
 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.

4.006 FIRE PROTECTION

Oregon Statute: 825.017(18)

Sunset Date: None

Year Enacted: 1977

	Total
2013-15 Revenue Impact:	\$200,000
2015-17 Revenue Impact:	\$200,000

DESCRIPTION: Vehicles used for the purposes of forest protection and fire suppression are exempt from weight-mile taxes when directed by the State Forester. This exemption also applies to the vehicles being moved to or from the work area.

All fire protection vehicles are subject to fuel taxes, but are exempt from the weight-mile tax. Therefore, the revenue estimate reported here is the difference between what they pay in fuel tax and what they would pay under the higher weight-mile tax rates. Many fire protection vehicles are owned by units of government and are exempt from weight-mile taxes under 4.004, 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: *by the 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.

4.007 CHARITABLE ORGANIZATIONS

Oregon Statute: 825.017(14)

Sunset Date: None

Year Enacted: 1977

	Total
2013-15 Revenue Impact:	\$200,000
2015-17 Revenue Impact:	\$200,000

DESCRIPTION: 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.

It should be noted that vehicles used by charitable organizations are subject to fuel taxes. Because they pay fuel taxes, they are not subject to the weight-mile tax. Therefore, the revenue estimate reported here is the difference between what they pay in fuel tax and what they would pay under the higher weight-mile tax rates.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help support services provided by charitable organizations.

WHO BENEFITS: Charitable organizations operating vehicles that are registered by weight. Few are using this exemption.

EVALUATION: *by the Department of Transportation*

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 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. Cigarette tax revenue for the 2013–15 and 2015–17 biennia are forecast to be \$400.4 million and \$368 million respectively.

Program	Pct.	Distribution Forecast 2013-15
Health Plan	68.1%	\$272.9
General Fund	18.0%	\$72.0
Mental Health	5.7%	\$22.9
Tobacco Use-Reduction Acct.	2.8%	\$11.1
Cities	1.8%	\$7.2
Counties	1.8%	\$7.2
Transit	1.8%	\$7.2

The Oregon cigarette tax began in 1966. Generally, the tax is paid through the use of tax stamps that are purchased by the 42 Oregon licensed cigarette distributors. 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. As of January 1, 2014 the Oregon tax per pack of 20 cigarettes is \$1.31. It increases to \$1.32 on January 1, 2016, and increases again to \$1.33 on January 1, 2018.

5.001 SMALL QUANTITY BY CONSUMERS

Oregon Statute: 323.060

Sunset Date: None

Year Enacted: 1965

Total	
2013-15 Revenue Impact:	Less than \$100,000
2015-17 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 VETERAN INSTITUTIONS (CIGARETTE)

Oregon Statute: 323.055

Sunset Date: None

Year Enacted: 1965

Total	
2013-15 Revenue Impact:	\$400,000
2015-17 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 Services (PHS) of the US 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. Legislation in 2012 (SB 1563) added exchanges and commissaries operated by the National Oceanic and Atmospheric Administration (NOAA), and the Public Health

Service (PHS) of the United States Department of Health and Human Services to the list of exchanges and commissaries not taxed by Oregon.

PURPOSE: To comply with federal law.

WHO BENEFITS: Members and veterans of the U.S. Armed Forces, and members of NOAA or PHS that purchase cigarettes at federal institutions.

EVALUATION: *by the Department of Revenue*
This expenditure achieves its purpose of compliance with federal law.

5.003 RESERVATION CIGARETTE SALES

Oregon Statute: 323.401

Sunset Date: None

Year Enacted: 1979

	Total
2013-15 Revenue Impact:	\$2,600,000
2015-17 Revenue Impact:	\$2,600,000

DESCRIPTION: The governing body of any federally recognized Indian reservation in Oregon may enter into a refund agreement with the Department of Revenue. The agreement may provide for a refund of any cigarette tax collected on sales of cigarettes to tribal members.

PURPOSE: To comply with federal law.

WHO BENEFITS: Eight of the nine governing bodies of federally recognized Indian tribes in Oregon have entered into cigarette tax refund agreements.

EVALUATION: *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, and tobacco for chewing or smoking in a pipe. The tax is imposed on the distributor at the time the distributor imports, produces, or ships the tobacco products into Oregon. As of July 2014, there were 193 licensed distributors of other tobacco products.

Other Tobacco Products Tax Rates		
Product	Rate	Min / Max
Moist Snuff	\$1.78 per ounce	Min - \$2.14 per retail container
All Other Products	65% of wholesale sales price	Max - \$0.50 per cigar

Other tobacco products’ tax revenue for the 2013–15 and 2015–17 biennia is forecast to be \$111.3 and \$116.5 million respectively.

Distributions for fiscal year 2013–15 are forecast to be:

General Fund:	\$59.9 million
Oregon Health Plan:	\$46.2 million
Tobacco-Use Reduction Account:	\$5.1 million

6.001 FEDERAL AND VETERAN INSTALLATIONS (OTHER TOBACCO PRODUCTS)

Oregon Statute: 323.515

Sunset Date: None

Year Enacted: 1985

Total	
2013-15 Revenue Impact:	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000

DESCRIPTION: The other tobacco products tax does not apply to tobacco products that are sold to 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 that purchase other tobacco products at federal institutions.

EVALUATION: *by the Department of Revenue*
This expenditure achieves its purpose of compliance with federal law.

6.002 RESERVATION TOBACCO SALES

Oregon Statute: 323.615

Sunset Date: None

Year Enacted: 1985

Total	
2013-15 Revenue Impact:	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000

DESCRIPTION: The governing body of any federally recognized Indian reservation in Oregon may enter into a refund agreement with the Department of Revenue. The agreement may provide for a refund of any tobacco tax collected under the Oregon tobacco products tax in connection with the sale to tribal members, and use, storage, or consumption of tobacco products by tribal members.

PURPOSE: To comply with federal law.

WHO BENEFITS: As of Fiscal Year 2013–14, one tribe is in the process of entering into a tax refund agreement, but no refunds have yet been made.

EVALUATION: *by the Department of Revenue*
This expenditure achieves its purpose of compliance with federal law.

CHAPTER 7. BEER AND WINE TAX

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 Control 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 67 cents per gallon on wines with 14 percent or less alcohol by volume, and 77 cents per gallon on wines with more than 14 percent alcohol by volume. Two cents of the wine tax goes to the Wine Advisory Board. Fifty percent of the remaining beer and wine taxes go to Mental Health and Drug Abuse Prevention Account, and the other 50 percent into the Oregon Liquor Control 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/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 populations):	20%
Cities (by formula):	14%
Counties (by population):	10%

Beer and wine tax revenue is forecast to be \$36.3 million for the 2013–15 biennium and \$36.6 million for the 2015–17 biennium.

7.001 SMALL WINERIES

Oregon Statute: 473.050(5)

Sunset Date: None

Year Enacted: 1977

Total	
2013-15 Revenue Impact:	\$4,000,000
2015-17 Revenue Impact:	\$4,400,000

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 Oregon 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 4.7 million gallons will be claimed as tax exempt during the 2013–15 biennium. This is expected to increase to 5.2 million gallons exempted in the 2015–17 biennium.

EVALUATION: *by the Oregon Liquor Control 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.

Due to the lack of public investors, this appears to be the only practical way to encourage the growth of the wine industry

7.002 WINE MARKETING ACTIVITIES

Oregon Statutes: 473.047

Sunset Date: None

Year Enacted: 2001

	Total
2013-15 Revenue Impact:	\$0
2015-17 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:** *by the Oregon Liquor Control Commission*
No winery has claimed the credit through June 30, 2014.

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. Since October 1, 1995 the rate has been 75 cents per line per month and applies 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 will pay 75 cents per line per month, and each retail transaction for a wireless prepaid phone, such as adding minutes, will be taxed 75 cents. 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 will be collected by retail sellers. The 911 emergency communication tax has been extended six times since inception and under current law and will sunset at the end of 2021.

Emergency communication tax revenue for the 2013–15 and 2015-17 biennia are forecast to be \$78.5 million, and \$80.3 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 communication systems.

8.001 STATE AND LOCAL SUBSCRIBERS

Oregon Statutes: 403.205(1)

Sunset Date: None (The emergency communication tax sunsets 12-31-2021.)

Year Enacted: 1981

Total	
2013-15 Revenue Impact:	\$4,900,000
2015-17 Revenue Impact:	\$5,000,000

DESCRIPTION: State and local governments are exempt from the 911 emergency communications tax. This includes regional housing authorities.

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 260,000 employees in state and local government.

EVALUATION: Not evaluated.

8.002 FEDERAL SUBSCRIBERS

Oregon Statutes: 403.205(1)

Sunset Date: None (The emergency communication tax sunsets 12-31-2021.)

Year Enacted: 1981

Total	
2013-15 Revenue Impact:	\$500,000
2015-17 Revenue Impact:	\$500,000

DESCRIPTION: The federal government is exempt from the 911 emergency communication tax. This includes 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, etc.) 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: *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

8.003 INDIAN RESERVATION SUBSCRIBERS

Oregon Statutes: 403.205(1)

Sunset Date: None (The emergency communication tax sunsets 12-31-2021.)

Year Enacted: 1981

Total	
2013-15 Revenue Impact:	\$500,000
2015-17 Revenue Impact:	\$500,000

DESCRIPTION: Tribal members on federally recognized reservations in Oregon are exempt from the 911 emergency communication tax. They must be enrolled members of the tribe located on the reservation.

PURPOSE: To comply with federal law.

WHO BENEFITS: Tribal members on nine federally recognized reservations in Oregon using telephones with access to the 911 service.

EVALUATION: *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

CHAPTER 9. FOREST PRODUCTS HARVEST TAX

A tax of a specified rate per thousand board feet (one board foot is equal to the volume of a board whose dimensions are one foot by one foot by one inch) is assessed on timber owners when timber is harvested from Oregon private and public lands. The tax revenue is used primarily to support the Oregon Department of Forestry in its efforts to fight forest fires, to support forestry research, to administer Oregon's Forest Practices Act, and to support forest related education through the Oregon Forest Resource Institute and the Oregon State University College of Forestry.

There are five components to the Forest Products Harvest Tax. The 2013 Legislature established the rate for four of the components. The first component does not expire and the second, third and fourth components apply only to tax years 2014 and 2015. The fifth component is levied by the Oregon Forest Resources Institute and does not expire.

**Forest Products Harvest Tax rates by calendar year
per thousand board feet of timber harvested**

Component	2014	2015	2016	2017
Fire Protection	\$0.625	\$0.625	\$0.625	\$0.625
Forestry Research	\$0.8439	\$0.8439	\$0.00	\$0.00
Forest Practices Act	\$0.9727	\$0.9727	\$0.00	\$0.00
OSU College of Forestry	\$0.10	\$0.10	\$0.00	\$0.00
Forest Resources Institute	\$0.99	\$0.99	\$0.99	\$0.99
Total Tax Rate	\$3.5316	\$3.5316	\$1.6150	\$1.6150

Under current law, no components of the forest products harvest tax apply to tax years 2016 and 2017 for forestry research and administration of Oregon's Forestry Practices Act, however traditionally, the Legislature sets the rates that apply to these components every two years for the following two years. The tax to support forestry education at the Oregon State University College of Forestry is new for 2014 and only applies to 2014 and 2015. The total forest products harvest tax rate of \$3.5316 per thousand board feet of timber harvested in 2014 is a slight decrease from the tax rate in effect during the 2013 calendar year of \$3.6841 per thousand board feet of timber harvested.

Forest products harvest tax revenue is forecast to be \$32 million for the 2013–15 biennium. Based on current law with no tax levied to support forestry research, administration of Oregon's Forest Practices Act and the OSU College of Forestry after 2015, revenue is forecast to be \$20.7 million for the 2015–17 biennium.

9.001 FIRST 25,000 BOARD FEET

Oregon Statute: 321.015(6)

Sunset Date: None (partial sunset of tax on 12-31-2015)

Year Enacted: 1953, Tax rates modified in 2013 (HB 2051)

Exemption: 60 million board feet in calendar year 2013

	Total
2013-15 Revenue Impact:	\$500,000
2015-17 Revenue Impact:	\$300,000

DESCRIPTION: This provision excludes the first 25,000 board feet of forest products harvested from the total quantity of harvested forest products by each taxpayer during each calendar year from the forest products harvest tax.

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 harvest of forest products from Oregon private and public lands for all timber harvesters.

WHO BENEFITS: All timber harvesters qualify for this exemption. Because the exemption represents a larger share of total timber harvested for small harvesters, they receive the largest benefit in percentage terms. In calendar year 2013, about 2,900 harvesters benefited from this exemption. Based on the 2013 tax rate of \$3.6841 per thousand board feet harvested, a timber harvester who harvested at least 25,000 board feet of forest products would have saved \$92 dollars in tax.

EVALUATION: *by the Department of Forestry*
 Harvest taxes provide effective mechanism for funding programs important to the state and woodland owners. This exemption provides a benefit to landowners that infrequently harvest small amounts of timber.

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 principle purpose must be to distribute electricity to its members. (See expenditure 2.066, Nonprofit Electrical Distribution Associations for property tax related 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:

$$\begin{aligned} & (RMV \text{ of transmission \& distribution lines}) \times (\text{max school rate allowed under ORS 310.150}) \\ & + (RMV \text{ of transmission \& dist. lines}) \times (\$10 \text{ per 1,000 of RMV}) \\ & + (RMV \text{ of transmission \& dist. lines}) \times (\text{bond tax rates per ORS 310.140}) \end{aligned}$$

For the 2013–2014 tax year, 15 associations paid the gross earnings tax, and four 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 \$15.9 million for the 2013–15 biennium and \$17.1 million for the 2015–17 biennium.

10.001 REVENUE FROM GOVERNMENT LEASED LINES

Oregon Statute: 308.805

Sunset Date: None

Year Enacted: 1969

Total	
2013-15 Revenue Impact:	\$200,000
2015-17 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 gross earnings tax calculation 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 2013–14.
- 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. Receipts for the tax vary with the market for oil and gas, but have generally been less than \$500,000 per biennium since 2000. Receipts are forecast to be less than \$500,000 for the 2013–15 biennium and less than \$500,000 for the 2015–17 biennium. Net revenue derived from this tax is paid into the Common School Fund.

11.001 FIRST \$3,000 IN GROSS SALES VALUE

Oregon Statute: 324.080

Sunset Date: None

Year Enacted: 1981

Total	
2013-15 Revenue Impact:	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000

- DESCRIPTION:** An exemption from the tax levied on oil or gas production is granted for the first \$3,000 in gross sales value of the gross production each calendar quarter from each well.
- PURPOSE:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development of oil and gas reserves.
- WHO BENEFITS:** Producers of natural gas in Oregon with a total of 105 permitted wells in Columbia and Coos Counties. Not all permitted natural gas wells produce gas, and there are no actively producing oil wells in Oregon.
- EVALUATION:** Not evaluated.

11.002 CREDIT FOR PROPERTY TAXES PAID

Oregon Statute: 324.090(2)

Sunset Date: None

Year Enacted: 1981

Total	
2013-15 Revenue Impact:	Not Available*
2015-17 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 with a total of 105 permitted wells in Columbia and Coos Counties. Not all permitted natural gas wells produce gas, and there are no actively producing oil wells in Oregon.

EVALUATION: *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.

11.003 STATE AND LOCAL INTERESTS

Oregon Statute: 324.090(1)

Sunset Date: None

Year Enacted: 1981

Total	
2013-15 Revenue Impact:	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000

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.

CHAPTER 12. MEDICAL PROVIDER TAXES

The 2003 Legislature created the hospital tax, long term care facility tax, and Medicaid managed care tax, collectively referred to here as the Medical Provider Taxes. (A fourth tax on programs of all inclusive care for elderly persons was also created and was repealed in 2007.) 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 tax

The assessment on each hospital subject to this tax is imposed at a rate determined by the director of the Oregon Health Authority and is revised as needed. The tax rate used is the best estimate of the rate needed to fund identified services and costs. Currently, the tax rate is 5.8 percent of net revenues, but has been as low as .15 percent. A 1.5 percent limit on the tax rate was removed by the Legislature in 2009.

The tax applies to net revenues earned by hospitals before the earlier of October 1, 2015, or the date the tax no longer qualifies for federal matching funds. Net proceeds from this tax are deposited in the Hospital Quality Assurance Fund. These revenues are to be used to partially fund the Oregon Health Plan in the Oregon Health Authority (OHA) budget. The OHA 2013-15 Legislatively Adopted Budget includes \$890 million in hospital revenue in Medical Assistance Programs budget to fund the Oregon Health Plan. Hospital tax receipts are forecast to be \$111 million for the 2015-17 biennium.

Hospital Tax Rate History	
Period beginning	Tax rate
July 1, 2004	.95 percent
January 1, 2005	.68 percent
July 1, 2006	.82 percent
January 1, 2008	.63 percent
July 1, 2009	.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

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 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 \$18.35 as of July 2012. The assessment is imposed in calendar quarters beginning before July 1, 2014.

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 \$101.8 million for the 2013-15 biennium and \$120.7 million for the 2015-17 biennium.

Long Term Care Facility Tax Rate History	
Period beginning	Tax rate
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

12.001 TYPE A AND B HOSPITALS

Oregon Statute: Note following 414.872, Section 2(1)

Sunset Date: None (Tax sunsets 09-30-2015 or at cessation of federal matching funds.)

Year Enacted: 2003

Shift*	
2013-15 Revenue Impact:	\$163,100,000
2015-17 Revenue Impact:	\$35,400,000

** There is no loss in revenue because the Oregon Health Authority sets the tax rate to achieve specific funding goals. However, the tax liability of exempt hospitals is shifted to nonexempt hospitals. The revenue impact estimate includes the effect of the sunset of the hospital provider tax.*

DESCRIPTION: Type A and B hospitals in Oregon, and hospitals that provide only psychiatric care, are waived from paying the hospital provider tax. 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.

In general, to obtain federal matching funds the hospital tax must apply to all hospitals. Exceptions to this rule may be granted by the Centers for Medicare and Medicaid Services under certain circumstances. The Centers for Medicare and Medicaid Services approved Oregon's requested waiver of Type A and B hospitals and psychiatric hospitals from the broad based tax requirement on August 17, 2004.

In 2009, the hospital provider tax was extended to net revenues earned from October 1, 2009 to September 30, 2013, and a 1.5 percent limit on the hospital provider tax rate was removed. In 2013, the hospital provider tax was extended until September 30, 2015.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a state owned facility, the Oregon State Hospital, and to prevent increased costs for Type A and B hospitals which receive Medicaid reimbursement at 100 percent of cost as required by statute (ORS 414.728).

WHO BENEFITS: Three psychiatric hospitals and 32 Type A and Type B hospitals.

EVALUATION: *by the Oregon Health Authority*

The hospital provider tax assessment is used to create a pool of State Other Funds revenue, along with the Federal matching of those funds, to be used to enhance payments to Diagnosis Related Group hospitals for treating Medicaid clients and meet legislative funding targets for the Oregon Health Plan. Type A and B hospitals are reimbursed at 100 percent of the hospital specific cost to charge ratio for Medicaid clients. If a hospital provider tax is assessed, the Oregon Health Authority would be unable to increase reimbursement above 100 percent of cost without losing federal matching dollars. If the tax expenditure were discontinued, the costs for Type A and B hospitals would increase and Medicaid would not be able to reimburse hospitals for this additional cost. Current statutes afford these hospitals preferential reimbursement recognizing their importance to rural Oregon. Additional costs would strain their financial health.

12.002 VETERANS AFFAIRS AND PEDIATRIC SPECIALTY HOSPITALS

Oregon Statute: Note following 414.872, Section 2(5)

Sunset Date: None (Tax sunsets 09-30-2015 or at cessation of federal matching funds.)

Year Enacted: 2003

Shift*	
2013-15 Revenue Impact:	\$29,700,000
2015-17 Revenue Impact:	\$5,000,000

** There is no loss in revenue because the Oregon Health Authority sets the tax rate to achieve specific funding goals. However, the tax liability of exempt hospitals is shifted to nonexempt hospitals.*

DESCRIPTION: Hospitals operated by the U.S. Department of Veterans Affairs and pediatric specialty hospitals providing care to children at no charge are exempt from the hospital tax.

In 2009, the hospital provider tax was extended to net revenues earned from October 1, 2009 to September 30, 2013, and a 1.5 percent limit on the hospital provider tax rate was removed. In 2013, the hospital provider tax was extended until September 30, 2015.

PURPOSE: To comply with federal law. The U.S. Department of Veterans Affairs is a federal entity and not subject to state taxation. Also, to exempt pediatric specialty hospitals that provide care to children at no charge.

WHO BENEFITS: Three U.S. Department of Veterans Affairs hospitals benefit from this provision.

EVALUATION: *by the Oregon Health Authority*

The hospital provider tax assessment is used to create a pool of State Other Funds revenue, along with the federal matching of those funds, to be used to enhance payments to Diagnosis Related Group hospitals for treating Medicaid clients and meet legislative funding targets for the Oregon Health Plan. Department of Veterans Affairs hospitals are exempt from taxation because the Oregon Health Authority does not pay for services provided by the facilities, and the facilities would not receive enhanced reimbursement if they were taxed.

12.003 OREGON VETERANS' HOME

Oregon Statute: Note after 409.750, Section 18

Sunset Date: None (Tax sunsets 06-30-2020)

Year Enacted: 2003

Shift*	
2013-15 Revenue Impact:	\$1,700,000
2015-17 Revenue Impact:	\$1,800,000

** There is no loss in revenue because 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 Oregon Veterans' Home, providing long term skilled nursing care in The Dalles, Oregon, is exempt from the long term care facility tax. It is state owned and privately managed. In 2013, the long term care facility tax was extended until June 30, 2020.

Medical Provider Taxes

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a state owned facility.

WHO BENEFITS: The Oregon Veterans' Home and its residents and the spouses of residents.

EVALUATION: Not evaluated.

CHAPTER 13. LODGING TAX

Established in 2003 by House Bill 2267, the Oregon Lodging tax applies a one percent tax rate on the fee charged to a customer for overnight lodging. The revenue this tax generates funds Oregon Tourism Commission programs. Passed in 2005, House Bill 2197 expanded the definition of “transient lodging,” and expanded the list of those who must pay the tax. The 2013 Legislative Assembly (HB 2656) 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, including all charges other than taxes, paid by the customer for occupancy of transient lodging. These legislative changes became effective on October 7, 2013. More detailed information describing the recent legislative changes is available at <http://www.oregon.gov/dor/BUS/Pages/lodging.aspx>.

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 would be subject to the tax if the statutory exemption did not exist. Lodging tax receipts are forecast to be \$33.7 and \$37.7 million for the 2013–15 and the 2015–17 biennia.

13.001 EXEMPT DWELLING UNITS

Oregon Statute: 320.308

Sunset Date: None

Year Enacted: 2003

Total	
2013-15 Revenue Impact:	Not Available
2015-17 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 Department of Human Services or the Oregon Health Authority
- Mental health and substance abuse treatment facilities
- Units used for temporary occupancy for fewer than 30 days per year
- Emergency shelters funded through a government agency
- Nonprofit facilities
- Units occupied by the same person for over 30 consecutive days.

The exclusion of nonprofit facilities represents a small expenditure, though revenue impact estimates are not available.

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.

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 FEDERAL EMPLOYEES ON FEDERAL BUSINESS

Oregon Statute: 320.302

Sunset Date: None

Year Enacted: 2006

Total	
2013-15 Revenue Impact:	Less than \$100,000
2015-17 Revenue Impact:	Less than \$100,000

DESCRIPTION: Federal employees on federal business who pay for lodging with a credit card billed directly to a federal government agency are exempt from the lodging tax.

PURPOSE: To comply with federal law that prohibits states from taxing the federal government.

WHO BENEFITS: The federal government.

EVALUATION: *by the Department of Revenue*
This expenditure achieves 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 measured by the square footage of the new construction. Beginning July 1, 2012, the tax rates are limited to \$1.11 per square foot for residential construction and 55 cents per square foot for other construction, with a maximum of \$27,700 per structure. The tax rate limitation is updated based on an average construction cost index for years beginning on or after June 30, 2009. School districts may use construction tax proceeds for construction purposes only. 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.

Other local districts may impose a construction tax if the tax was in effect or was the subject of a public hearing before May 1, 2007. All other local districts are not allowed to impose a construction tax until January 2, 2018. Proceeds from local construction taxes currently in effect may be used for construction or transportation.

For the 2012-13 school year, 56 school districts imposed a local construction tax for total revenue of \$15.5 million.

14.001 EXEMPT CONSTRUCTION

Oregon Statute: 320.173

Sunset Date: None

Year Enacted: 2007

Total	
2013-15 Revenue Impact:	Not Available
2015-17 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).
- 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. INHERITANCE AND ESTATE TRANSFER TAX

The Oregon inheritance tax and the federal estate tax have undergone considerable change. Both are taxes on the transfer of wealth and, for much of recent history, Oregon's inheritance tax 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. This was a somewhat simultaneous determination in that Oregon's tax was the maximum federal estate tax credit and the credit against federal estate tax was the Oregon inheritance tax.

In 2001, federal legislation substantially changed the estate tax, including a phase-out of the state inheritance tax credit over several years. As this maximum credit phased out, Oregon and any other state that used the "pick up tax" faced a reduction of revenue from this source.

In 2003, Oregon made a fixed link between the federal estate tax and Oregon inheritance taxes by tying Oregon's inheritance tax determination to the Internal Revenue Code as in effect on December 31, 2000 (HB 3072). For deaths occurring in 2003 through 2011, Oregon's filing requirement was different from the federal requirements. If the gross estate was \$1,000,000 or more, an Oregon inheritance tax return was required to be filed even if a federal return was not. The tax was equal to the maximum state death tax credit allowed on the 2000 federal return.

In 2012, the Oregon inheritance tax changed to the Oregon estate transfer tax with the passage of HB 2541. 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. The Oregon estate transfer tax is tied to the federal estate tax as the federal tax existed on December 31, 2010.

Receipts for this source are very volatile, depending on the circumstances of a small number of taxpayers. 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 \$183.1 million in 2013–15 and \$202.1 million in 2015–17.

15.001 NATURAL RESOURCE AND FISHING PROPERTY

Oregon Statute: 118.140

Sunset Date: None

Year Enacted: 2007

	Total
2013-15 Revenue Impact:	\$4,700,000
2015-17 Revenue Impact:	\$5,200,000

DESCRIPTION: A credit against estate taxes is allowed for some estates with natural resource or commercial fishing properties. The credit amount is determined by the value of natural resources property. 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 and at least one family member must materially participate in the business after the transfer.

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 HB3618 (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. For tax years 2012 and 2013, 47 estate tax returns were received claiming a total of \$4.5 million in natural resource credits.

EVALUATION: *by the Department of Agriculture*

These assets represent lifetime investment and “savings” of a family business that may be forced into selling off assets to pay estate taxes without this credit. The credit is an effective method to offset taxes owed in order to preserve working farm, forest, and other natural resource businesses across the state.

Farm transition from one generation to the next, and access to land for young and beginning farmers, are extremely important issues in Oregon agriculture today. The estate transfer tax credit helps make it possible for younger farmers to afford to inherit land from their parents and continue operating the family farm.

APPENDIX A: OREGON STATUTE REQUIRING TAX EXPENDITURE REPORT

68th OREGON LEGISLATIVE ASSEMBLY—1995 Regular Session

Oregon Laws 1995, Chapter 746

SECTION 61. Sections 62, 63, and 65 of this Act may be cited as the Budget Accountability Act.

SECTION 62. (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 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.

SECTION 63. As used in ORS 291.202 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.

SECTION 64. ORS 291.202 is amended to read:

291.202. (1) Except as otherwise provided in ORS 291.222, the Governor shall prepare in each even-numbered year [*a budget report*] for the biennium beginning July 1 of the following year:

- (a) A budget report; and
- (b) A tax expenditure report.

(2) The Oregon Department of Administrative Services shall advise and assist the Governor in the preparation of the budget report and tax expenditure report and shall perform such duties in connection therewith as the Governor requires.

(3) The Department of Revenue shall advise and assist the Governor in the preparation of the tax expenditure report.

SECTION 65. (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 is the most fiscally effective means of achieving each purpose of the tax expenditure;

(g) 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

(h) Categorize each tax expenditure according to the programs or functions each tax expenditure supports.

SECTION 66. ORS 291.210 is amended to read:

291.210. (1) The Oregon Department of Administrative Services, in connection with its direct studies of the operations, plans and needs of state agencies and of the existing and prospective sources of income, shall prepare a tentative budget plan **and tentative tax expenditure report** for the two fiscal years for which a budget report [is] **and tax expenditure report** are required to be prepared.

(2) **The Department of Revenue shall advise and assist in the preparation of the tentative tax expenditure report.**

SECTION 67. ORS 291.214 is amended to read:

291.214. The Governor, during the preparation of the budget report and before its submission to the Legislative Assembly, shall:

(1)(a) Examine the budget forms filed by the various agencies [*The Governor*] **and** may make or cause to be made such further investigations by the Oregon Department of Administrative Services, with such hearings before the Governor or any state agency, as the Governor deems advisable, and may make such changes or revisions in policy and program and in specific details of the tentative budget report **or tentative tax expenditure report** as the Governor finds warranted ; **and** [.]

(b) 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.

SECTION 67a. **If Senate Bill 251 becomes law, section 19, chapter 610, Oregon Laws 1995 (Enrolled Senate Bill 251) (amending ORS 291.214), is repealed.**

SECTION 68. ORS 291.216 is amended to read:

291.216. (1) Not later than November 10 of each even-numbered year the Governor shall cause the budget report to be compiled and prepared for printing.

(2) The budget report 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 plan, embracing a general budget summary setting forth the aggregate figures of the budget report 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.

(3) The budget plan shall be supported by explanatory schedules or statements, classifying the expenditures reported therein, 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 plan.

(4) The budget plan 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.

(5) The budget report shall embrace the detailed estimates of expenditures and revenues. It shall include 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. **It shall contain the Governor's recommendations concerning tax expenditures identified under ORS 291.214.** It shall also contain any statements relative to the financial plan which the Governor may deem desirable or which may be required by the legislature.

(6) The budget plan shall use the estimated revenues under ORS 291.342 for the fiscal year in which the plan is submitted as the basis for total anticipated income under subsection (2) of this section, subject to such adjustment as may be necessary to reflect accurately projections for the next biennium.

(7) As supplemental information to the budget report, the Governor shall publish an existing level tentative budget plan for the two fiscal years for which the budget report is required. This summary budget shall reflect only existing revenues estimated under subsection (6) of this section; subject to such adjustment as may be necessary to reflect accurately projections for the next biennium. The supplemental information to the budget report shall be submitted at the same time as the budget report.

SECTION 69. ORS 291.218 is amended to read:

291.218. Except when the Governor under whose supervision the budget report [*has*] **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 approved budget report **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 [*thereof*] **of each report** to each member of the legislature who is to serve during the next session.

(3) Upon request, the Governor shall distribute copies free of charge, under such regulations as the Governor may establish, to public libraries, schools and state officials. The Governor shall make copies available to the general public at a reasonable charge for each copy.

SECTION 70. ORS 291.220 is amended to read:

291.220. The Governor, upon request, shall furnish the Legislative Assembly any further information required concerning the budget report **and the tax expenditure report**. The Oregon Department of Administrative Services, upon request, shall furnish a representative to assist the Legislative Assembly, its Joint Committee on Ways and Means, appointed under ORS 171.555, and the Legislative Revenue Officer in the consideration of the budget report, **the tax expenditure report** and any accompanying measures.

SECTION 71. ORS 291.222 is amended to read:

291.222. If the Governor under whose supervision the budget report **and tax expenditure report have** [*has*] been prepared will be succeeded in office in January next following:

(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 tentative budget report **and tentative tax expenditure report are** [*is*] based, and upon completion of [*the tentative budget*] **each report** shall supply the Governor-elect with a copy [*thereof*] **of each report** but shall not cause the tentative budget report **or tentative tax expenditure report** to be printed and distributed. 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 tentative

budget report or tentative tax expenditure report.

(2) After a review of the tentative budget report or tentative tax expenditure report the Governor-elect may prepare revisions and additions thereto. The **Oregon Department of Administrative Services and the Department of Revenue** shall assist, upon request, in the preparation of such revisions or additions.

(3) The **Oregon Department of Administrative Services** shall have **printed** as many copies of the revised budget report [*printed*] and revised tax expenditure report as the Governor-elect requests.

(4) (a) Not later than the convening of the next Legislative Assembly the **Oregon Department of Administrative Services** shall transmit a copy of a summary of the revised budget report containing the revenue and expenditure recommendations of the Governor-elect and a **summary of the revised tax expenditure report estimating the amount of revenue loss caused by each tax expenditure.**

(b) Not later than February 1, the **Oregon Department of Administrative Services** shall transmit a copy of the revised budget report and revised tax expenditure report to each member of the Legislative Assembly.

(5) Upon request, the department shall distribute copies of the revised budget report and revised tax expenditure report free of charge, under such regulations as it may establish, to public libraries, schools and state officials. It shall make copies of the revised budget report and revised tax expenditure report available to the general public at a reasonable charge for each copy.

SECTION 72. ORS 173.820 is amended to read:

173.820. Pursuant to policies and directions of the appointing authority, the Legislative Revenue Officer shall:

(1) Upon written request of a member of the Legislative Assembly or any committee thereof, prepare or assist in the preparation of studies and reports and provide information and research assistance on matters relating to taxation and to the revenue of this state and to any other relevant matters.

(2) (a) Ascertain facts concerning revenues and make estimates concerning state revenues ; and [.]

(b) Ascertain facts and make recommendations to the Legislative Assembly concerning the Governor's tax expenditure report.

(3) Prepare analyses of and recommendations on the fiscal impact of all revenue measures before the Legislative Assembly and of all other measures affecting the revenue of this state.

(4) Perform such duties as may be directed by joint or concurrent resolution of the Legislative Assembly.

(5) Adopt rules relating to the submission, processing and priorities of requests. Rules adopted under this subsection shall be in conformance with any applicable rule of the House of Representatives or the Senate. Requests made by joint or concurrent resolution of the Legislative Assembly shall be given priority over other requests received or initiated by the Legislative Revenue Officer. Rules adopted under this subsection shall be reviewed and approved by the appointing authority prior to their adoption.

(6) Seek the advice and assistance of political subdivisions of this state, governmental agencies and any interested persons, associations or organizations in the performance of the duties of the Legislative Revenue Officer.

(7) Enter into such contracts as considered necessary by the appointing authority to carry out the functions of the Legislative Revenue Officer.

(8) Perform such other duties as may be prescribed by law.

SECTION 73. ORS 176.110 is amended to read:

176.110. (1) The person elected to the office of Governor may take any action prior to the date the official term of office commences that is necessary to enable the Governor to exercise on such date the powers and duties of the office of Governor.

(2) The Governor-elect shall cause the budget report and the tax expenditure report for the biennium beginning July 1 of the year in which the Governor takes office to be compiled and prepared for printing as required in ORS 291.222.

(3) All necessary expenses of the Governor-elect incurred in carrying out the provisions of this section shall be audited by the Secretary of State and paid from any funds appropriated for this purpose in the same manner as other claims against the state are paid.

SECTION 74. Sections 63 and 65 of this Act are added to and made a part of ORS 291.202 to 291.222.

SECTION 75. If Senate Bill 719 becomes law, sections 61 to 74 of this Act are repealed.

Approved by the Governor July 19, 1995
Filed in the office of Secretary of State July 21, 1995
Effective date September 9, 1995

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:

Mark Beilby	Research Analyst
Debra Bodenhamer	Research Assistant
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The following agencies evaluated the effectiveness of the tax expenditures and provided other important information:

Agriculture, Department of	Office of Economic Analysis
Aviation, Department of	Marine Board, Oregon
Chief Financial Office	Military Department, Oregon
Consumer and Business Services, Department of	Oregon Business Development Department
Energy, Department of	Oregon Film and Video Office
Fish and Wildlife, Department of	Oregon Health Authority
Forestry Department, Department of	Oregon Lottery
Geology and Mineral Industries, Department of	Parks and Recreation Department
Higher Education Coordinating Commission	Public Utility Commission of Oregon
Housing and Community Services, Oregon	Rural Health, Office of
Human Services, Department of	Secretary of State, Oregon
Land Conservation and Development, Dept. of	State Lands, Department of
Legislative Revenue Office	Transportation, Oregon Department of
Liquor Control Commission, Oregon	Veterans' Affairs, Department of

APPENDIX C: TAX PROGRAMS WITHOUT TAX EXPENDITURES

Amusement Device Tax

Real Estate Recording Tax

Health Insurance Assessment

Medicaid Managed Care Tax

APPENDIX D: 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 *2013–15 Tax Expenditure Report*. Although most of the tax expenditures reflected here were created or changed during Oregon’s 2013 and/or 2014 Legislative sessions, a small 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 *2013–15 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.

Tax Expenditure	Type	Oregon Legislation Creating or Modifying Tax Expenditure
NEW TAX EXPENDITURES		
<i>Income Tax</i>		
1.305 Medical Subtraction for Elderly	Subtraction	HB 3601 (2013), SB 1534 (2014)
1.311 Dividend Received from an IC-DISC	Subtraction	HB 3601 (2013), SB 1534 (2014)
1.449 Alternative Fuel Vehicle Fund Contributions	Credit	SB 583 (2013) HB 4107 (2014)
1.502 Tax Rates for Certain Pass Through Income	Other	HB 3601 (2013), SB 1534 (2014)
<i>Property Tax</i>		
2.013 Certain Property Owned by a Port	Full	HB 3276 (2013)
2.026 Local Government Owned Low Income Housing	Full	HB 3112 (2013)
2.078 Interstate Bridges of Other States or Subdivisions	Full	SB 1534 (2014)
2.082 Federally Leased High-Voltage Electricity Transmission Property	Full	SB 261 (2013)
2.114 Aircraft Under 75,000 Pounds Owned by Air Transportation Companies	Partial	
<i>Gas and Fuel Tax</i>		
3.006 Diesel Fuel Blended with Biodiesel	Exclusion	HB 2435 (2013)
3.007 Natural Gas and Propane Vehicles	Exclusion	HB 4131 (2014)
MODIFIED TAX EXPENDITURES		
<i>Income Tax</i>		
1.201 Charitable Contributions: Education	Deduction	HB 2060 (2013)
1.202 Charitable Contributions: Health	Deduction	HB 2060 (2013)
1.238 Charitable Contributions: Other	Deduction	HB 2060 (2013)
1.305 Medical Subtraction for Elderly	Subtraction	HB 3601 (2013), SB 1534 (2014)
1.307 Artist's Charitable Contribution	Subtraction	HB 2060 (2013)
1.313 Mobile Home Park Capital Gain	Subtraction	HB 3367 (2013)
1.317 Depletion Costs for Metal Mines	Subtraction	Reclassified as a Subtraction
1.319 Hydroelectric Dam and Waterway Workers	Subtraction	SB 1534 (2014)
1.324 Federal Income Tax Subtraction	Subtraction	HB 3367 (2013)
1.325 Military Active Duty and Related Pay	Subtraction	HB 2230 (2013)
1.402 Employer Provided Scholarships	Credit	HB 3367 (2013)
1.403 Earned Income Credit	Credit	HB 3367 (2013), HB 3601 (2013)
1.404 Child with a Disability	Credit	HB 3601(2013) SB 1534 (2014)
1.405 Rural Medical Practice	Credit	HB 3367 (2013)
1.406 Volunteer Rural Emergency Medical Technicians	Credit	HB 3367 (2013)

Appendix D

Tax Expenditure	Type	Oregon Legislation Creating or Modifying Tax Expenditure
1.411 Severe Disability	Credit	HB 3601(2013) SB 1534 (2014)
1.412 Film Production Development Contributions	Credit	HB 3367 (2013)
1.413 Qualified Low Income Community Investments	Credit	HB 2763 (2013)
1.415 Qualified Research Activities (Alternative)	Credit	HB 3367 (2013)
1.418 Electronic Commerce Enterprise Zone (Income Tax)	Credit	HB 4005 (2014)
1.420 Public University Venture Development Fund	Credit	HB 3367 (2013)
1.423 Employer Provided Dependent Care Assistance	Credit	HB 3234 (2013)
1.425 Contributions To Office of Child Care	Credit	HB 3234 (2013)
1.429 Agriculture Workforce Housing Construction	Credit	HB 3367 (2013)
1.432 Mobile Home Park Closure	Credit	HB 3367 (2013)
1.433 Crop Donation	Credit	SB 1541 (2014)
1.445 Transportation Projects	Credit	SB 583 (2013), HB 4107 (2014)
1.448 Production or Collection of Biomass	Credit	HB 3367 (2013)
1.453 Workers' Compensation Assessments	Credit	HB 3367 (2013)
1.455 Political Contributions	Credit	HB 3367 (2013)
1.456 Personal Exemption	Credit	HB 3601 (2013)
1.457 Oregon Cultural Trust	Credit	HB 3367 (2013)
1.458 Retirement Income	Credit	HB 3367 (2013)
<i>Property Tax</i>		
2.001 Academies, Day Care, and Student Housing	Full	HB 3234 (2013)
2.014 Rural Renewable Energy Development Zone	Full	HB 2981 (2013)
2.017 Cargo Containers	Full	HB 2904 (2013)
2.020 Aircraft Being Repaired	Full	HB 2227 (2013)
2.022 Federal Land Under Recreation Facility	Full	SB 549 (2013)
2.023 Defense Contractor With Federal Property	Full	HB 2227 (2013)
2.025 Housing Authority Rental Units	Full	HB 2227 (2013)
2.028 Farm Labor Housing and Day Care Facilities	Full	HB 2227 (2013)
2.031 Food Processing Equipment	Full	HB 2735 (2013)
2.061 Railroad Right of Way Used for Alternative Transportation	Full	HB 2227 (2013)
2.067 Nonprofit Telephone Associations	Full	HB 2227 (2013)
2.068 Private Service Telephone Equipment	Full	HB 2227 (2013)
2.072 Low Value Manufactured Structure in Large County	Full	HB 2676 (2013)
2.083 Charitable, Literary, and Scientific Organizations	Full	HB 4039 (2014)
2.089 Exempt Lease from Exempt Owner	Full	HB 2227 (2013)
2.092 Convention Facilities	Full	HB 2227 (2013)
2.100 Vertical Housing Development Zone	Partial	HB 2227 (2013)
2.101 New Single Unit Housing	Partial	HB 2227 (2013), HB 2349 (2013)
2.102 Rehabilitated Housing	Partial	HB 2227 (2013)
2.103 Multi-Family Rental Housing in City Core	Partial	HB 2227 (2013)
2.104 Low Income Multi-Unit Housing	Partial	HB 2227 (2013)
2.105 New Housing for Low Income Rental	Partial	HB 2227 (2013)
2.106 Nonprofit Low Income Rental Housing	Partial	HB 2227 (2013)
2.110 Alternative Energy Systems	Partial	HB 2227 (2013)
2.129 Farmland	Special	HB 2788 (2013)
<i>Medical Provider Tax</i>		
12.001 Type A and B Hospitals	Exclusion	HB 2216 (2013)
12.002 Veterans Affairs and Pediatric Specialty Hospitals	Exclusion	HB 2216 (2013)
12.003 Oregon Veterans' Home	Exclusion	HB 2216 (2013)

Tax Expenditure	Type	Reason for Removal
REMOVED TAX EXPENDITURES		
<i>Income Tax</i>		
Redevelopment Costs in Contaminated Areas	Deduction	Deduction expired at federal level
Out-of-State Financial Institutions	Subtraction	Removed during 2013 legislative session (HB 3477)
Physicians in Medically Disadvantaged Areas	Subtraction	Removed during 2013 legislative session (SB 330)
Additional Medical Deduction for Elderly	Subtraction	Deduction eliminated, now subtraction (see 1.305)
Service in Vietnam on Missing Status	Subtraction	Removed during 2013 legislative session (SB 330)
TRICARE Payments	Subtraction	Expired
Water Transit Vessel Manufacturing	Credit	Expired
Farm Machinery and Equipment (Income Tax)	Credit	Expired
Biofuels and Fuel Blends	Credit	Expired
Biodiesel Used in Home Heating	Credit	Expired
Single Sales Factor Corporate Apportionment	Other	The single sales apportionment formula defines the structure of an established tax, so the single sales factor formula does not meet the statutory definition of tax expenditure.
<i>Medical Provider Tax</i>		
Nursing Facilities	Exclusion	Removed during 2013 legislative session (HB 2216)

APPENDIX E: PERSONAL AND CORPORATION INCOME TAX EXPENDITURES

Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013-15	2015-17	
<i>Federal Exclusions</i>						
1.001	Scholarship and Fellowship Income	Education	1954	316.048	21,500	23,700
1.002	Interest on Education Savings Bonds	Education	1988	316.048	Less than 100	Less than 100
1.003	Qualified Education Savings (Federal)	Education	1996	316.048	7,400	10,700
1.004	Exclusion of Employer Provided Tuition Reduction	Education	1984	316.048	2,400	2,400
1.005	Public Assistance Benefits	Human Services	Pre-1955	316.048	28,800	34,100
1.006	Certain Foster Care Payments	Human Services	1982	316.048	3,100	3,100
1.007	Employee Adoption Benefits	Human Services	1996	316.048	Less than 100	Less than 100
1.008	Cafeteria Plan Benefits	Human Services	1974	316.048	298,000	331,500
1.009	Employer Paid Medical Benefits	Human Services	1918	316.048	1,236,700	1,344,500
1.010	Compensatory Damages	Human Services	Pre-1955	316.048	13,200	13,200
1.011	Prescription Drug Insurance (Part D)	Human Services	2003	316.048	61,800	80,500
1.012	Hospital Insurance (Part A)	Human Services	1965	316.048	297,900	334,400
1.013	Supplementary Medical Insurance (Part B)	Human Services	1970	316.048	210,200	236,500
1.014	Pension Contributions and Earnings	Human Services	1921	316.048	695,700	1,154,000
1.015	Special Benefits for Disabled Coal Miners	Human Services	1969	316.048	Less than 100	Less than 100
1.016	Social Security Benefits (Federal)	Human Services	1938	316.048	564,200	615,700
1.017	Income Earned Abroad by U.S. Citizens	Economic/Community	1926	316.048	67,400	74,500
1.018	Magazine, Paperback, and Record Returns	Economic/Community	1978	316.048/317.013	200	200
1.019	Cash Accounting, Other than Agriculture	Economic/Community	1916	316.048/317.013	13,900	14,600
1.020	Regional Economic Development Incentives	Economic/Community	1993	316.048/317.013	Less than 100	Less than 100
1.022	Cancellation of Debt for Nonfarmers	Economic/Community	Pre-1955	316.048/317.013	2,400	Less than 100
1.023	Imputed Interest Rules	Economic/Community	1984	316.048/317.013	4,700	5,300
1.024	Inventory Methods of Valuation	Economic/Community	1938	316.048/317.013	2,400	2,400
1.025	Employer Paid Group Life Insurance Premiums	Economic/Community	1920	316.048	26,700	29,000
1.026	Employer Paid Accident and Disability Insurance	Economic/Community	1954	316.048	33,900	36,300
1.027	Employer Provided Dependent Care	Economic/Community	1981	316.048	14,100	16,000
1.028	Miscellaneous Fringe Benefits	Economic/Community	1984	316.048	62,900	65,600
1.029	Employee Meals and Lodging (Nonmilitary)	Economic/Community	1918	316.048	17,200	18,200
1.030	Employee Stock Ownership Plans	Economic/Community	1974	316.048/317.013	200	200
1.031	Employee Awards	Economic/Community	1986	316.048	2,600	2,600
1.032	Employer Provided Education Benefits	Economic/Community	1997	316.048	10,200	10,200
1.033	Spread on Acquisition of Stock	Economic/Community	1981	316.048	3,100	3,100
1.034	Exclusion of Gain from Certain Small Business Stock	Economic/Community	1993	316.048	8,900	10,700
1.035	Capital Gains on Home Sales	Economic/Community	1997	316.048	282,400	336,100
1.036	Veterans' Benefits and Services	Economic/Community	1917	316.048	85,100	96,700
1.037	Military and Dependents CHAMPUS/TRICARE Insurance	Economic/Community	1925	316.048	32,400	32,700
1.038	Agriculture Cost-Sharing Payments	Natural Resources	1978	316.048/317.013	Less than 100	Less than 100
1.039	Cancellation of Debt for Farmers	Natural Resources	1986	316.048	700	700
1.040	Energy Conservation Subsidies (Federal)	Natural Resources	1992	316.048	200	200
1.043	Pass Through Status of Specified Publicly Traded Partnerships	Natural Resources	1987	316.048	9,600	10,100

Appendix E

Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013-15	2015-17
1.044	Employer Paid Transportation Benefits	1992	316.048	31,500	33,900
1.045	Life Insurance Investment Income	1913	316.048/317.013	214,800	224,600
1.046	Workers' Compensation Benefits (Nonmedical)	1918	316.048	22,400	24,800
1.047	Workers' Compensation Benefits (Medical)	1918	316.048	42,300	42,700
1.051	Certain Disaster Mitigation Payments	2005	316.048/317.013	200	200
1.053	Gain on Nondealer Installment Sales	1921	316.048/317.013	19,200	12,700
1.054	Gain on Like-Kind Exchanges	1921	316.048/317.013	59,500	67,900
1.055	Allowances for Federal Employees Abroad	1943	316.048	5,700	6,300
1.056	Interest on Oregon State and Local Debt	1913	316.048	78,500	85,400
1.057	Capital Gains on Inherited Property	1921	316.048	355,300	383,500
1.058	Gain on Involuntary Conversions in Disaster Areas	1996	316.048	Less than 100	Less than 100
1.059	Deferral of Interest on Savings Bonds	1951	316.048	9,300	10,000
1.060	Voluntary Employees' Beneficiary Associations	1928	316.048	24,200	25,000
1.061	Rental Allowances for Clergy Housing	1921	316.048	5,700	6,200
1.062	Discharge of Certain Student Loan Debt	1984	316.048	1,600	1,600
1.063	Military Disability Benefits	1942	316.048	2,400	3,000
1.064	Benefits and Allowances of Armed Forces Personnel	1925	316.048	20,200	22,500
1.065	Capital Gains on Gifts	1921	316.048	-19,500	144,000
1.066	Restitution Payments for Holocaust Survivors	2001	316.048	Less than 100	Less than 100
1.067	Public Safety Officer Survivor Annuities	1997	316.048	200	200
<i>Federal Adjustments</i>					
1.101	Teacher Classroom Expenses	2002	316.048	700	0
1.102	Interest on Student Loans	1997	316.048	28,200	31,400
1.103	Qualified Higher Education Expenses	2001	316.048	4,200	0
1.104	Self-Employment Health Insurance	1986	316.048	72,300	79,800
1.105	Health Savings Accounts	1996	316.048	12,500	17,400
1.106	IRA Contributions and Earnings	1974	316.048	126,200	150,400
1.107	Moving Expenses	1964	316.048	4,700	5,600
1.108	Overnight Travel Expenses of National Guard and Reserve Members	2003	316.048	300	300
<i>Federal Deductions</i>					
1.201	Charitable Contributions: Education	1917	316.695/317.013	58,700	65,600
1.202	Charitable Contributions: Health	1917	316.695/317.013	29,800	33,600
1.203	Medical and Dental Expenses	1942	316.695	205,500	231,800
1.204	Removal of Architectural Barriers	1976	316.048/317.013	Less than 100	Less than 100
1.205	Accelerated Depreciation of Buildings	1954	316.048/317.013	4,200	2,700
1.206	Accelerated Depreciation of Equipment	1954	316.048/317.013	-28,200	10,300
1.208	Research and Development Costs	1954	316.048/317.013	700	700
1.209	Section 179 Expensing Allowances	1959	316.048/317.013	14,600	7,500
1.210	Amortization of Business Start-Up Costs	1980	316.048/317.013	Less than 100	500
1.211	Deduction of Certain Film and Television Production Costs	2004	316.048/317.013	Less than 100	0
1.212	Accelerated Depreciation of Rental Housing	1954	316.048/317.013	31,000	31,300
1.213	Property Taxes	1913	316.695	397,700	424,900

Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013-15	2015-17
1.214 Home Mortgage Interest	Economic/Community	1913	316.695	929,600	962,400
1.215 Cash Accounting for Agriculture	Natural Resources	1916	316.048/317.013	Less than 100	Less than 100
1.216 Soil and Water Conservation Expenditures	Natural Resources	1954	316.048/317.013	500	500
1.217 Fertilizer and Soil Conditioner Costs	Natural Resources	1960	316.048/317.013	500	500
1.218 Costs of Raising Dairy and Breeding Cattle	Natural Resources	1916	316.048/317.013	1,100	1,100
1.219 Sale of Stock to Farmers' Cooperatives	Natural Resources	1998	316.048/317.013	Less than 100	Less than 100
1.220 Extended Carryback of Farming Loss	Natural Resources	1999	316.048	600	600
1.221 Special Depreciation for Recycling Equipment	Natural Resources	2008	316.048/317.013	Less than 100	Less than 100
1.222 Intangible Development Costs for Fuels	Natural Resources	1978	316.695/317.013	Less than 100	Less than 100
1.223 Tertiary Injectants	Natural Resources	1980	316.695/317.013	Less than 100	Less than 100
1.225 Expensing Timber Growing Costs	Natural Resources	1986	316.048/317.013	500	500
1.226 Expensing and Amortization of Reforestation Costs	Natural Resources	1980	316.048/317.013	900	900
1.227 Development Costs for Nonfuel Minerals	Natural Resources	1951	316.048/317.013	Less than 100	Less than 100
1.228 Mining Reclamation Reserves	Natural Resources	1984	316.048/317.013	Less than 100	Less than 100
1.229 Energy Efficient Commercial Property	Natural Resources	2006	316.695/317.013	1,200	Less than 100
1.230 Advanced Mine Safety Equipment	Natural Resources	2006	316.048/317.013	Less than 100	0
1.234 Magazine Circulation Expenditures	Tax Administration	1950	316.048/317.013	Less than 100	Less than 100
1.235 Completed Contract Rules	Tax Administration	1986	316.048/317.013	Less than 100	Less than 100
1.236 Casualty and Theft Losses	Social Policy	1913	316.695	2,200	2,400
1.237 Local Income Taxes	Social Policy	1913	316.695	0	0
1.238 Charitable Contributions: Other	Social Policy	1917	316.695/317.013	344,500	384,500
<i>Oregon Subtractions</i>					
1.301 Land Donated to Schools	Education	1999	316.852/317.488	Less than 100	Less than 100
1.302 Oregon 529 College Savings Network	Education	1999	316.699	18,300	22,400
1.303 Scholarship Awards Used for Housing Expenses	Education	1999	316.846	1,300	1,400
1.304 Additional Deduction for Elderly or Blind	Human Services	1989	316.695(7)	14,700	16,500
1.305 Medical Subtraction for Elderly	Human Services	2013	316.693	82,000	117,000
1.306 Social Security Benefits (Oregon)	Human Services	1985	316.054	578,800	650,900
1.307 Artist's Charitable Contribution	Economic/Community	1979	316.838	100	100
1.308 Interest from State and Local Government Bonds	Economic/Community	1987	316.056	300	300
1.309 Oregon Investment Advantage	Economic/Community	2001	316.778/317.391	3,400	2,600
1.310 Investment of Severance Pay	Economic/Community	2010	316.856(2)	Less than 100	0
1.311 Dividend Received from an IC-DISC	Economic/Community	2013	316.749(1), OR Laws 2014, Chap. 114, Sect. 3	7,000	10,000
1.312 Individual Development Accounts (Exclusion and Subtraction)	Economic/Community	1999	316.848	Less than 100	Less than 100
1.313 Mobile Home Park Capital Gain	Economic/Community	2005	Note: 317.401	Less than 100	Less than 100
1.314 Mobile Home Tenant Payment	Economic/Community	2007	316.795/317.092	Less than 100	Less than 100
1.315 Film Production Labor Rebate	Economic/Community	2005	316.698/317.394	Less than 100	Less than 100
1.317 Depletion Costs for Metal Mines	Natural Resources	1913	317.374	Less than 100	Less than 100
1.319 Hydroelectric Dam and Waterway Workers	Tax Administration	1997	316.127(8)(10)	Not Available	Not Available
1.320 Oregon State Lottery Prizes	Government	1985	461.560	400	300
1.321 Income Earned in "Indian Country"	Government	1977	316.777	6,100	6,700
1.322 Federal Pension Income	Government	1998	316.680(1)(f)	129,200	129,700
1.323 Legislative Per Diem and Allowance	Government	1967	171.072(9)	100	100
1.324 Federal Income Tax Subtraction	Social Policy	1929	316.680(1)(b)/316.685/31 6.695	715,700	730,900

Appendix E

Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013-15	2015-17
1.325 Military Active Duty and Related Pay	Social Policy	1969	316.792	53,000	58,400
1.326 Interest and Dividends on U.S. Obligations	Federal Law	1970	316.680	47,400	47,800
<i>Oregon Credits</i>					
1.402 Employer Provided Scholarships	Education	2001	315.237	Less than 100	Less than 100
1.403 Earned Income Credit	Human Services	1997	315.266	85,200	104,800
1.404 Child with a Disability	Human Services	1985	316.099(3)	9,300	5,200
1.405 Rural Medical Practice	Human Services	1989	315.613/315.616/315.619	17,100	16,800
1.406 Volunteer Rural Emergency Medical Technicians	Human Services	2005	315.622	300	300
1.407 Costs In Lieu of Nursing Home Care	Human Services	1979	316.147-316.149	Less than 100	Less than 100
1.408 Long Term Care Insurance	Human Services	1999	315.610	18,900	10,000
1.409 Elderly or Permanently Disabled	Human Services	1969	316.087	100	Less than 100
1.410 Loss of Limbs	Human Services	1973	316.079	Less than 100	Less than 100
1.411 Severe Disability	Human Services	1985	316.758/316.765	9,600	5,300
1.412 Film Production Development Contributions	Economic/Community	2003	315.514	19,500	19,500
1.413 Qualified Low Income Community Investments	Economic/Community	2011	315.533(2)	2,000	5,500
1.417 Reservation Enterprise Zone (Income Tax)	Economic/Community	2001	285C.309	Less than 100	Less than 100
1.418 Electronic Commerce Enterprise Zone (Income Tax)	Economic/Community	2001	315.507	200	300
1.419 Renewable Resource Equipment Manufacturing Facilities	Economic/Community	2011	315.341	6,700	2,700
1.420 Public University Venture Development Fund	Economic/Community	2005	315.521	700	700
1.421 Child and Dependent Care	Economic/Community	1975	316.078	16,000	8,600
1.422 Working Family Child Care	Economic/Community	1997	315.262	43,600	21,800
1.423 Employer Provided Dependent Care Assistance	Economic/Community	1987	315.204	200	100
1.424 Employer Provided Dependent Care Facilities	Economic/Community	1987	315.208	Incl. in 1.423	Incl. in 1.423
1.425 Contributions To Office of Child Care	Economic/Community	2001	315.213	1,000	500
1.426 Individual Development Account Donation (Credit)	Economic/Community	1999	315.271	14,300	7,700
1.427 Individual Development Account Withdrawal (Credit)	Economic/Community	2005	315.272	300	200
1.429 Agriculture Workforce Housing Construction	Economic/Community	1989	315.164	1,300	1,000
1.431 Livestock Killed by Wolves	Economic/Community	2012	315.174(2)	Less than 100	Less than 100
1.432 Mobile Home Park Closure	Economic/Community	2007	Note: 316.116	Less than 100	Less than 100
1.433 Crop Donation	Natural Resources	1977	315.156	400	900
1.434 Alternatives to Field Burning	Natural Resources	1975	315.304	Less than 100	Less than 100
1.435 Riparian Lands Removed from Farm Production	Natural Resources	2001	315.113	Less than 100	Less than 100
1.436 Pollution Control	Natural Resources	1967	315.304	600	300
1.437 Fish Screening Devices	Natural Resources	1989	315.138	Less than 100	Less than 100
1.438 Diesel Truck Engines (New)	Natural Resources	2003	Note: 315.356	Less than 100	Less than 100
1.439 Diesel Truck Engines (Retrofit and Repower)	Natural Resources	2007	Note: 315.356	Less than 100	0
1.440 Alternative Energy Devices (Residential)	Natural Resources	1977	316.116	26,000	31,500
1.441 Alternative Fuel Stations	Natural Resources	1997	317.115	Not Applicable	Not Applicable
1.442 Business Energy Facilities, Conservation and Renewables	Natural Resources	1979	315.354	88,300	57,500
1.443 Renewable Energy Development Contributions	Natural Resources	2011	315.326(1)	2,600	2,700
1.444 Energy Conservation Projects	Natural Resources	2011	315.331(1)	2,500	7,100
1.445 Transportation Projects	Natural Resources	2011	315.336(1)	1,000	3,800
1.448 Production or Collection of Biomass	Natural Resources	2007	315.141	6,200	9,300

Personal Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)	
				2013-15	2015-17
1.449 Alternative Fuel Vehicle Fund Contributions	Natural Resources	2013	Note: 315.336	2,700	2,700
1.450 Reforestation	Natural Resources	1979	315.104	Less than 100	Less than 100
1.455 Political Contributions	Government	1969	316.102	10,800	8,800
1.456 Personal Exemption	Social Policy	1985	316.085	1,100,000	1,149,200
1.457 Oregon Cultural Trust	Social Policy	2001	315.675	6,900	7,400
1.458 Retirement Income	Social Policy	1991	316.157	1,200	1,100
1.459 TRICARE Health Care Providers	Social Policy	2007	315.628	0	0
1.460 Oregon Veterans' Home Physicians	Social Policy	2007	315.624	Less than 100	Less than 100
<i>Other</i>					
1.502 Tax Rates for Certain Pass Through Income	Economic/Community	2013	316.043(2)	38,000	205,000
1.503 Income Averaging for Farmers	Natural Resources	2001	314.297	1,200	1,400
1.504 Capital Gains from Farm Property	Natural Resources	2001	316.045/317.063/318.020	2,400	2,800

Appendix E

Corporation Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013-15	2015-17	
<i>Federal Exclusions</i>						
1.018	Magazine, Paperback, and Record Returns	Economic/Community	1978	316.048/317.013	Less than 100	Less than 100
1.019	Cash Accounting, Other than Agriculture	Economic/Community	1916	316.048/317.013	Less than 100	Less than 100
1.020	Regional Economic Development Incentives	Economic/Community	1993	316.048/317.013	Less than 100	Less than 100
1.021	Income of Controlled Foreign Corporations	Economic/Community	1909	317.013	384,100	392,900
1.022	Cancellation of Debt for Nonfarmers	Economic/Community	Pre-1955	316.048/317.013	Less than 100	Less than 100
1.023	Imputed Interest Rules	Economic/Community	1984	316.048/317.013	Less than 100	Less than 100
1.024	Inventory Methods of Valuation	Economic/Community	1938	316.048/317.013	7,600	8,000
1.030	Employee Stock Ownership Plans	Economic/Community	1974	316.048/317.013	4,700	4,700
1.038	Agriculture Cost-Sharing Payments	Natural Resources	1978	316.048/317.013	Less than 100	Less than 100
1.041	Earnings of Certain Environmental Settlement Funds	Natural Resources	2005	317.013	100	100
1.042	Nonprofit's Gain from Brownfield	Natural Resources	2004	317.013	100	Less than 100
1.045	Life Insurance Investment Income	Consumer and Business Services	1913	316.048/317.013	12,800	13,200
1.048	Credit Union Income	Consumer and Business Services	1951	317.080(1)	9,700	11,400
1.049	Elimination of Tax Exempt Interest Allocation for Banks	Consumer and Business Services	2009	317.013	2,400	2,400
1.050	Structured Settlement Accounts	Consumer and Business Services	1982	317.013	Less than 100	Less than 100
1.051	Certain Disaster Mitigation Payments	Consumer and Business Services	2005	316.048/317.013	Less than 100	Less than 100
1.052	Contributions in Aid of Construction for Utilities	Consumer and Business Services	1996	317.013	200	200
1.053	Gain on Nondealer Installment Sales	Tax Administration	1921	316.048/317.013	32,600	32,000
1.054	Gain on Like-Kind Exchanges	Tax Administration	1921	316.048/317.013	57,600	65,700
<i>Federal Deductions</i>						
1.201	Charitable Contributions: Education	Education	1917	316.695/317.013	1,400	1,800
1.202	Charitable Contributions: Health	Human Services	1917	316.695/317.013	8,700	9,100
1.204	Removal of Architectural Barriers	Human Services	1976	316.048/317.013	Less than 100	Less than 100
1.205	Accelerated Depreciation of Buildings	Economic/Community	1954	316.048/317.013	3,100	2,400
1.206	Accelerated Depreciation of Equipment	Economic/Community	1954	316.048/317.013	-35,400	22,700
1.207	Deferral of Certain Financing Income of Foreign Corporations	Economic/Community	1997	317.013	11,700	0
1.208	Research and Development Costs	Economic/Community	1954	316.048/317.013	22,100	27,900
1.209	Section 179 Expensing Allowances	Economic/Community	1959	316.048/317.013	1,000	500
1.210	Amortization of Business Start-Up Costs	Economic/Community	1980	316.048/317.013	Less than 100	200
1.211	Deduction of Certain Film and Television Production Costs	Economic/Community	2004	316.048/317.013	Less than 100	0
1.212	Accelerated Depreciation of Rental Housing	Economic/Community	1954	316.048/317.013	2,400	2,400
1.215	Cash Accounting for Agriculture	Natural Resources	1916	316.048/317.013	Less than 100	Less than 100
1.216	Soil and Water Conservation Expenditures	Natural Resources	1954	316.048/317.013	Less than 100	Less than 100
1.217	Fertilizer and Soil Conditioner Costs	Natural Resources	1960	316.048/317.013	Less than 100	Less than 100
1.218	Costs of Raising Dairy and Breeding Cattle	Natural Resources	1916	316.048/317.013	400	400
1.219	Sale of Stock to Farmers' Cooperatives	Natural Resources	1998	316.048/317.013	Less than 100	Less than 100
1.221	Special Depreciation for Recycling Equipment	Natural Resources	2008	316.048/317.013	Less than 100	Less than 100
1.222	Intangible Development Costs for Fuels	Natural Resources	1978	316.695/317.013	2,400	2,700
1.223	Tertiary Injectants	Natural Resources	1980	316.695/317.013	Less than 100	Less than 100
1.224	Deferral of Capital Gains From FERC Restructuring Requirements	Natural Resources	2004	317.013	5,000	-900

Corporation Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013-15	2015-17	
1.225	Expensing Timber Growing Costs	Natural Resources	1986	316.048/317.013	1,200	1,600
1.226	Expensing and Amortization of Reforestation Costs	Natural Resources	1980	316.048/317.013	600	600
1.227	Development Costs for Nonfuel Minerals	Natural Resources	1951	316.048/317.013	200	200
1.228	Mining Reclamation Reserves	Natural Resources	1984	316.048/317.013	Less than 100	Less than 100
1.229	Energy Efficient Commercial Property	Natural Resources	2006	316.695/317.013	800	Less than 100
1.230	Advanced Mine Safety Equipment	Natural Resources	2006	316.048/317.013	Less than 100	0
1.231	Life Insurance Company Reserves	Consumer and Business Services	1984	317.655(2)(f) and (g)	13,000	15,100
1.232	Addition to Bad Debt Reserves of Small Financial Institutions	Consumer and Business Services	1947	317.310	Less than 100	Less than 100
1.233	Property and Casualty Insurance Company Reserves	Consumer and Business Services	1986	317.655(2)(f) and (g)	10,100	11,900
1.234	Magazine Circulation Expenditures	Tax Administration	1950	316.048/317.013	Less than 100	Less than 100
1.235	Completed Contract Rules	Tax Administration	1986	316.048/317.013	4,000	4,200
1.238	Charitable Contributions: Other	Social Policy	1917	316.695/317.013	4,700	5,100
<i>Oregon Subtractions</i>						
1.301	Land Donated to Schools	Education	1999	316.852/317.488	Less than 100	Less than 100
1.309	Oregon Investment Advantage	Economic/Community	2001	316.778/317.391	1,400	1,400
1.313	Mobile Home Park Capital Gain	Economic/Community	2005	Note: 317.401	Less than 100	Less than 100
1.315	Film Production Labor Rebate	Economic/Community	2005	316.698/317.394	600	600
1.316	Energy Conservation Subsidies (Oregon)	Natural Resources	1981	316.744/317.386	Less than 100	Less than 100
1.317	Depletion Costs for Metal Mines	Natural Resources	1913	317.374	Less than 100	Less than 100
1.318	Wet Marine and Transportation Policies	Consumer and Business Services	1995	317.080(8)	300	300
<i>Oregon Credits</i>						
1.401	Contributions of Computer Equipment	Education	1985	317.151	Less than 100	Less than 100
1.402	Employer Provided Scholarships	Education	2001	315.237	Less than 100	Less than 100
1.408	Long Term Care Insurance	Human Services	1999	315.610	Less than 100	Less than 100
1.412	Film Production Development Contributions	Economic/Community	2003	315.514	Less than 100	Less than 100
1.413	Qualified Low Income Community Investments	Economic/Community	2011	315.533(2)	8,000	21,800
1.414	Qualified Research Activities	Economic/Community	1989	317.152	14,300	15,500
1.415	Qualified Research Activities (Alternative)	Economic/Community	1989	317.154	Incl. in 1.414	Incl. in 1.414
1.416	Long Term Rural Enterprise Zone Facilities (Income Tax)	Economic/Community	1997	317.124	Not Available	Not Available
1.417	Reservation Enterprise Zone (Income Tax)	Economic/Community	2001	285C.309	Less than 100	Less than 100
1.418	Electronic Commerce Enterprise Zone (Income Tax)	Economic/Community	2001	315.507	300	400
1.419	Renewable Resource Equipment Manufacturing Facilities	Economic/Community	2011	315.341	32,300	20,500
1.420	Public University Venture Development Fund	Economic/Community	2005	315.521	Less than 100	Less than 100
1.423	Employer Provided Dependent Care Assistance	Economic/Community	1987	315.204	600	600
1.424	Employer Provided Dependent Care Facilities	Economic/Community	1987	315.208	Incl. in 1.423	Incl. in 1.423
1.425	Contributions To Office of Child Care	Economic/Community	2001	315.213	Less than 100	Less than 100

Appendix E

Corporation Income Tax Expenditures

Tax Expenditure	Program or Function	Year Enacted	Oregon Statute	Revenue Impact (\$ Thousands)		
				2013-15	2015-17	
1.426 Individual Development Account Donation (Credit)	Economic/Community	1999	315.271	Less than 100	Less than 100	
1.428 Oregon Affordable Housing Lender's Credit	Economic/Community	1989	317.097	9,800	10,200	
1.429 Agriculture Workforce Housing Construction	Economic/Community	1989	315.164	500	500	
1.430 Farmworker Housing Lender's Credit	Economic/Community	1989	317.147	Less than 100	Less than 100	
1.431 Livestock Killed by Wolves	Economic/Community	2012	315.174(2)	Less than 100	Less than 100	
1.433 Crop Donation	Natural Resources	1977	315.156	Less than 100	Less than 100	
1.434 Alternatives to Field Burning	Natural Resources	1975	315.304	Less than 100	Less than 100	
1.435 Riparian Lands Removed from Farm Production	Natural Resources	2001	315.113	Less than 100	Less than 100	
1.436 Pollution Control	Natural Resources	1967	315.304	1,800	700	
1.437 Fish Screening Devices	Natural Resources	1989	315.138	Less than 100	Less than 100	
1.438 Diesel Truck Engines (New)	Natural Resources	2003	Note: 315.356	Less than 100	Less than 100	
1.439 Diesel Truck Engines (Retrofit and Repower)	Natural Resources	2007	Note: 315.356	200	0	
1.441 Alternative Fuel Stations	Natural Resources	1997	317.115	Less than 100	Less than 100	
1.442 Business Energy Facilities, Conservation and Renewables	Natural Resources	1979	315.354	135,200	94,400	
1.443 Renewable Energy Development Contributions	Natural Resources	2011	315.326(1)	Less than 100	Less than 100	
1.444 Energy Conservation Projects	Natural Resources	2011	315.331(1)	1,900	8,800	
1.445 Transportation Projects	Natural Resources	2011	315.336(1)	900	4,000	
1.446 Energy Conservation Lender's Credit	Natural Resources	1981	317.112	Less than 100	Less than 100	
1.447 Weatherization Lender's Credit	Natural Resources	1977	317.111	Less than 100	Less than 100	
1.448 Production or Collection of Biomass	Natural Resources	2007	315.141	600	900	
1.449 Alternative Fuel Vehicle Fund Contributions	Natural Resources	2013	Note: 315.336	Less than 100	Less than 100	
1.450 Reforestation	Natural Resources	1979	315.104	Less than 100	Less than 100	
1.451 Mile-Based or Time-Based Motor Vehicle Insurance	Consumer and Business Services	2003	Note: 317.122	Less than 100	0	
1.452 Fire Insurance	Consumer and Business Services	1969	317.122(1)	7,000	7,300	
1.453 Workers' Compensation Assessments	Consumer and Business Services	1995	317.122(2)	1,400	0	
1.454 Oregon Life and Health IGA Assessments	Consumer and Business Services	1975	734.835	Not Available	Not Available	
1.457 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	
1.505 Apportionment for Utility and Telecommunication Companies	Consumer and Business Services	2001	314.280	200	200	

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
529 College Savings Network, Oregon	1.302	Income
Abroad by U.S. Citizens, Income Earned	1.017	Income
Academies, Day Care, and Student Housing	2.001	Property
Accelerated Depreciation of Buildings	1.205	Income
Accelerated Depreciation of Equipment	1.206	Income
Accelerated Depreciation of Rental Housing	1.212	Income
Accident and Disability Insurance, Employer Paid	1.026	Income
Accounting for Agriculture, Cash	1.215	Income
Accounting, Other than Agriculture, Cash	1.019	Income
Accounts, Health Savings	1.105	Income
Accounts, Structured Settlement	1.050	Income
Acquisition of Stock, Spread on	1.033	Income
Active Duty and Related Pay, Military	1.325	Income
Active Duty Military Servicemember, Homestead Exemption for Federal	2.118	Property
Addition to Bad Debt Reserves of Small Financial Institutions	1.232	Income
Additional Deduction for Elderly or Blind	1.304	Income
Adoption Benefits, Employee	1.007	Income
Advanced Mine Safety Equipment	1.230	Income
Agricultural Products Held by the Farmer	2.035	Property
Agriculture Cost-Sharing Payments	1.038	Income
Agriculture Workforce Housing Construction	1.429	Income
Agriculture, Cash Accounting for	1.215	Income
Agriculture, Cash Accounting, Other than	1.019	Income
Air Transportation Companies, Aircraft Under 75,000 Pounds Owned by Aircraft Being Repaired	2.114	Property
Aircraft Being Repaired	2.020	Property
Aircraft Departing U.S., Fuel for	3.003	Gas and Use Fuel
Aircraft Under 75,000 Pounds Owned by Air Transportation Companies	2.114	Property
Aircraft, Foreign Owned and Aircraft Not Owned by Air Transportation Companies	2.113	Property
Airports, Leased Docks and	2.018	Property
Allowance, Legislative Per Diem and	1.323	Income
Allowances for Federal Employees Abroad	1.055	Income
Allowances of Armed Forces Personnel, Benefits and	1.064	Income
Allowances, Section 179 Expensing	1.209	Income
Alternative Energy Devices (Residential)	1.440	Income
Alternative Energy Systems	2.110	Property
Alternative Fuel Stations	1.441	Income
Alternative Fuel Vehicle Fund Contributions	1.449	Income
Alternative Transportation, Railroad Right of Way Used for	2.061	Property
Alternatives to Field Burning	1.434	Income
Amortization of Business Start-Up Costs	1.210	Income
Amortization of Reforestation Costs, Expensing and	1.226	Income
Amtrak Passenger Railroad	2.095	Property
Annuities, Public Safety Officer Survivor	1.067	Income
Apportionment for Utility and Telecommunication Companies	1.505	Income
Apprenticeship/Training Trust, Industry	2.030	Property
Aquaculture/Egg Equipment, Other Farm/	2.041	Property
Architectural Barriers, Removal of	1.204	Income
Armed Forces Personnel, Benefits and Allowances of	1.064	Income
Artist's Charitable Contribution	1.307	Income
Assessed, Watercraft Centrally	2.111	Property

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Assessed, Watercraft Locally	2.131	Property
Assessments, Oregon Life and Health IGA	1.454	Income
Assessments, Workers' Compensation	1.453	Income
Assistance, Employer Provided Dependent Care	1.423	Income
Association, Forest Fire Protection	2.055	Property
Associations, Voluntary Employees' Beneficiary	1.060	Income
Averaging for Farmers, Income	1.503	Income
Awards, Employee	1.031	Income
Banks, Elimination of Tax Exempt Interest Allocations for	1.049	Income
Barriers, Removal of Architectural	1.204	Income
Beach Lands	2.081	Property
Benefits and Allowances of Armed Forces Personnel	1.064	Income
Benefits and Services, Veterans'	1.036	Income
Benefits for Disabled Coal Miners, Special	1.015	Income
Benefits, Cafeteria Plan	1.008	Income
Benefits, Employee Adoption	1.007	Income
Benefits, Employer Paid Medical	1.009	Income
Benefits, Employer Paid Transportation	1.044	Income
Benefits, Employer Provided Education	1.032	Income
Benefits, Military Disability	1.063	Income
Benefits, Miscellaneous Fringe	1.028	Income
Benefits, Public Assistance	1.005	Income
Benefits, Social Security (Federal)	1.016	Income
Benefits, Social Security (Oregon)	1.306	Income
Benefits, Workers' Compensation (Medical)	1.047	Income
Benefits, Workers' Compensation (Nonmedical)	1.046	Income
Beverage Containers Requiring Deposit	2.073	Property
Biodiesel, Diesel Fuel Blended with	3.006	Gas and Use Fuel
Biomass, Production or Collection of	1.448	Income
Blind, Additional Deduction for Elderly or	1.304	Income
Board Feet, First 25,000	9.001	Forest Products Harvest
Bonds, Interest from State and Local Government	1.308	Income
Breeding Cattle, Costs of Raising Dairy and	1.218	Income
Bridges of Other States or Subdivisions, Interstate	2.078	Property
Brownfield, Nonprofit's Gain from	1.042	Income
Buildings Under Construction, Commercial	2.008	Property
Buildings, Accelerated Depreciation of	1.205	Income
Burial Grounds, and Mausoleums, Cemeteries	2.087	Property
Business Energy Facilities, Conservation and Renewables	1.442	Income
Business Personal Property Cancellation	2.016	Property
Business Start-Up Costs, Amortization of	1.210	Income
Business, Federal Employees on Federal	13.002	Lodging Tax
Businesses Transferring or Leasing Property	2.012	Property
Businesses, Enterprise Zone	2.010	Property
Business Energy Tax Credit (BETC)	1.442	Income
Cafeteria Plan Benefits	1.008	Income
Cancellation of Debt for Farmers	1.039	Income
Cancellation of Debt for Nonfarmers	1.022	Income
Cancellation, Business Personal Property	2.016	Property
Capital Gain, Mobile Home Park	1.313	Income
Capital Gains from Farm Property	1.504	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Capital Gains from FERC Restructuring Requirements, Deferral of	1.224	Income
Capital Gains on Gifts	1.065	Income
Capital Gains on Home Sales	1.035	Income
Capital Gains on Inherited Property	1.057	Income
Cargo Containers	2.017	Property
Carryback of Farming Loss, Extended	1.220	Income
Cash Accounting for Agriculture	1.215	Income
Cash Accounting, Other than Agriculture	1.019	Income
Casualty and Theft Losses	1.236	Income
Casualty Insurance Company Reserves, Property	1.233	Income
Cattle, Costs of Raising Dairy and Breeding	1.218	Income
Cemeteries, Burial Grounds, and Mausoleums	2.087	Property
Cemetery to School, Transfer of Land	2.086	Property
Center Pivot Irrigation Equipment	2.040	Property
Centers, Senior Services	2.007	Property
Centrally Assessed, Watercraft	2.111	Property
Certain Disaster Mitigation Payments	1.051	Income
Certain Foster Care Payments	1.006	Income
Certain Property Owned by a Port	2.013	Property
Certain Small Business Stock, Exclusion of Gain from	1.034	Income
CHAMPUS/TRICARE Insurance, Military and Dependents	1.037	Income
Charitable Contribution, Artist's	1.307	Income
Charitable Contributions: Education	1.201	Income
Charitable Contributions: Health	1.202	Income
Charitable Contributions: Other	1.238	Income
Charitable Organizations	4.007	Weight-Mile
Charitable, Literary, and Scientific Organizations	2.083	Property
Child and Dependent Care	1.421	Income
Child Care, Working Family	1.422	Income
Child with a Disability	1.404	Income
Cigarette Sales, Reservation	5.003	Cigarette
Circulation Expenditures, Magazine	1.234	Income
City Owned Sports Facility	2.091	Property
Classroom Expenses, Teacher	1.101	Income
Clergy Housing, Rental Allowances for	1.061	Income
Coal Miners, Special Benefits for Disabled	1.015	Income
Collection of Biomass, Production or	1.448	Income
College Savings Network, Oregon 529	1.302	Income
Commercial Buildings Under Construction	2.008	Property
Commercial Property, Energy Efficient	1.229	Income
Communications Equipment for Maritime Emergency Response	2.077	Property
Compensation Assessments, Workers'	1.453	Income
Compensatory Damages	1.010	Income
Completed Contract Rules	1.235	Income
Computer Equipment, Contributions of	1.401	Income
Conservation and Renewables, Business Energy Facilities	1.442	Income
Conservation Easements	2.123	Property
Conservation Expenditures, Soil and Water	1.216	Income
Conservation Projects, Energy	1.444	Income
Conservation Subsidies, Energy (Federal)	1.040	Income
Conservation Subsidies, Energy (Oregon)	1.316	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Construction for Utilities, Contributions in Aid of	1.052	Income
Construction in Process in an Enterprise Zone	2.009	Property
Construction, Agriculture Workforce Housing	1.429	Income
Construction, Commercial Buildings Under	2.008	Property
Construction, Exempt	14.001	Local Construction Tax
Consumers, Small Quantity by	5.001	Cigarette
Containers Requiring Deposit, Beverage	2.073	Property
Containers, Cargo	2.017	Property
Contract Rules, Completed	1.235	Income
Contract, Federal Standing Timber Under	2.050	Property
Contract, State and Local Standing Timber Under	2.051	Property
Contribution, Artist's Charitable	1.307	Income
Contribution, Individual Development Account (Credit)	1.426	Income
Contributions and Earnings, IRA	1.106	Income
Contributions and Earnings, Pension	1.014	Income
Contributions in Aid of Construction for Utilities	1.052	Income
Contributions of Computer Equipment	1.401	Income
Contributions To Office of Child Care	1.425	Income
Contributions, Alternative Fuel Vehicle Fund	1.449	Income
Contributions, Film Production Development	1.412	Income
Contributions, Office of Child Care	1.425	Income
Contributions, Political	1.455	Income
Contributions, Renewable Energy Development	1.443	Income
Contributions: Education, Charitable	1.201	Income
Contributions: Health, Charitable	1.202	Income
Contributions: Other, Charitable	1.238	Income
Control, Pollution	1.436	Income
Convention Facilities	2.092	Property
Cooperatives, Fraternities, Sororities and	2.096	Property
Cooperatives, Sale of Stock to Farmers'	1.219	Income
Corporation, LLC Owned by Nonprofit	2.090	Property
Corporations for Irrigation, Drainage, Water Supply or Flood Control	2.075	Property
Corporations, Deferral of Certain Financing Income of Foreign	1.207	Income
Corporations, Income of Controlled Foreign	1.021	Income
Costs for Fuels, Intangible Development	1.222	Income
Costs for Nonfuel Minerals, Depletion	1.317	Income
Costs for Nonfuel Minerals, Development	1.227	Income
Costs In Lieu of Nursing Home Care	1.407	Income
Costs of Raising Dairy and Breeding Cattle	1.218	Income
Costs, Amortization of Business Start-Up	1.210	Income
Costs, Deduction of Certain Film and Television Production	1.211	Income
Costs, Expensing and Amortization of Reforestation	1.226	Income
Costs, Expensing Timber Growing	1.225	Income
Costs, Fertilizer and Soil Conditioner	1.217	Income
Costs, Research and Development	1.208	Income
Cost-Sharing Payments, Agriculture	1.038	Income
County Roads, Forest Products on	4.002	Weight-Mile
Crab Pots	2.043	Property
Credit for Property Taxes Paid	11.002	Oil and Gas Privilege
Credit Union Income	1.048	Income
Credit, Earned Income	1.403	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Credit, Energy Conservation Lender's	1.446	Income
Credit, Farmworker Housing Lender's	1.430	Income
Credit, Individual Development Account Contribution	1.426	Income
Credit, Individual Development Account Withdrawal	1.427	Income
Credit, Oregon Affordable Housing Lender's	1.428	Income
Credit, Weatherization Lender's	1.447	Income
Crop Donation	1.433	Income
Crops, Plants, and Fruit Trees	2.034	Property
Cultural Trust, Oregon	1.457	Income
Dairy and Breeding Cattle, Costs of Raising	1.218	Income
Dam and Waterway Workers, Hydroelectric	1.319	Income
Damaged Property, Destroyed or	2.132	Property
Damages, Compensatory	1.010	Income
Day Care and Student Housing, Academies	2.001	Property
Day Care Facilities, Farm Labor Housing and	2.028	Property
Debt for Farmers, Cancellation of	1.039	Income
Debt for Nonfarmers, Cancellation of	1.022	Income
Debt Reserves of Small Financial Institutions, Addition to Bad	1.232	Income
Debt, Discharge of Certain Student Loan	1.062	Income
Debt, Interest on Oregon State and Local	1.056	Income
Deduction for Elderly or Blind, Additional	1.304	Income
Deduction of Certain Film and Television Production Costs	1.211	Income
Defense Contractor With Federal Property	2.023	Property
Deferral of Capital Gains From FERC Restructuring Requirements	1.224	Income
Deferral of Certain Financing Income of Foreign Corporations	1.207	Income
Deferral of Interest on Savings Bonds	1.059	Income
Dental Expenses, Medical and	1.203	Income
Dependent Care Assistance, Employer Provided	1.423	Income
Dependent Care Facilities, Employer Provided	1.424	Income
Dependent Care, Child and	1.421	Income
Dependent Care, Employer Provided	1.027	Income
Depletion Costs for Metal Mines	1.317	Income
Deposit, Beverage Containers Requiring	2.073	Property
Depreciation for Recycling Equipment, Special	1.221	Income
Depreciation of Buildings, Accelerated	1.205	Income
Depreciation of Equipment, Accelerated	1.206	Income
Depreciation of Rental Housing, Accelerated	1.212	Income
Destroyed or Damaged Property	2.132	Property
Development Costs for Nonfuel Minerals	1.227	Income
Development Costs, Research and	1.208	Income
Development Zone, Rural Renewable Energy	2.014	Property
Development Zone, Vertical Housing	2.100	Property
Devices, Fish Screening	1.437	Income
Diesel Fuel Blended with Biodiesel	3.006	Gas and Use Fuel
Diesel Truck Engines (New)	1.438	Income
Diesel Truck Engines (Retrofit and Repower)	1.439	Income
Disability Benefits, Military	1.063	Income
Disability Insurance, Employer Paid Accident and	1.026	Income
Disability, Child with a	1.404	Income
Disability, Severe	1.411	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Disabled Coal Miners, Special Benefits for	1.015	Income
Disabled Veterans or Their Surviving Spouses	2.107	Property
Disabled, Elderly or Permanently	1.409	Income
Disaster Areas, Gain on Involuntary Conversions in	1.058	Income
Disaster Mitigation Payments, Certain	1.051	Income
Discharge of Certain Student Loan Debt	1.062	Income
Dividend Received from an IC-DISC	1.311	Income
Dividends on U.S. Obligations, Interest and	1.326	Income
Docks and Airports, Leased	2.018	Property
Domestic International Sales Corporation, Subtraction of Dividend Received	1.311	Income
Donated to Schools, Land	1.301	Income
Donation, Crop	1.433	Income
Dwelling Units, Exempt	13.001	Lodging Tax
Earned Income Credit	1.403	Income
Earnings of Certain Environmental Settlement Funds	1.041	Income
Earnings, IRA Contributions and	1.106	Income
Earnings, Pension Contributions and	1.014	Income
Easements, Conservation	2.123	Property
Eastern Private Forestland	2.127	Property
Eastern Private Standing Timber	2.053	Property
Economic Development Incentives, Regional	1.020	Income
Education Benefits, Employer Provided	1.032	Income
Education Expenses, Qualified Higher	1.103	Income
Education Parking Space, Higher	2.004	Property
Education Savings Bonds, Interest on	1.002	Income
Education, Charitable Contributions:	1.201	Income
Effluent, Property Used for Golf Course and	2.046	Property
Egg Processing Equipment	2.112	Property
Elderly Housing State Funded, Nonprofit	2.027	Property
Elderly Housing, Veterans in Nonprofit	2.108	Property
Elderly or Blind, Additional Deduction for	1.304	Income
Elderly or Permanently Disabled	1.409	Income
Elderly, Medical Subtraction for	1.305	Income
Elderly, Nonprofit Housing for the	2.119	Property
Electrical Distribution Associations, Nonprofit	2.066	Property
Electricity Transmission Property, Federally Leased High-Voltage	2.082	Property
Electronic Commerce Enterprise Zone (Income Tax)	1.418	Income
Elementary and Secondary Schools	4.003	Weight-Mile
Elimination of Tax Exempt Interest Allocation for Banks	1.049	Income
Emergency Medical Technicians, Volunteer Rural	1.406	Income
Emergency Response, Communications Equipment for Maritime	2.077	Property
Employee Adoption Benefits	1.007	Income
Employee Awards	1.031	Income
Employee Meals and Lodging (Nonmilitary)	1.029	Income
Employee Stock Ownership Plans	1.030	Income
Employees on Federal Business, Federal	13.002	Lodging Tax
Employer Paid Accident and Disability Insurance	1.026	Income
Employer Paid Group Life Insurance Premiums	1.025	Income
Employer Paid Medical Benefits	1.009	Income
Employer Paid Transportation Benefits	1.044	Income
Employer Provided Dependent Care	1.027	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Employer Provided Dependent Care Assistance	1.423	Income
Employer Provided Dependent Care Facilities	1.424	Income
Employer Provided Education Benefits	1.032	Income
Employer Provided Scholarships	1.402	Income
Employer Provided Tuition Reduction, Exclusion of	1.004	Income
Energy Conservation Lender's Credit	1.446	Income
Energy Conservation Projects	1.444	Income
Energy Conservation Subsidies (Federal)	1.040	Income
Energy Conservation Subsidies (Oregon)	1.316	Income
Energy Development Contributions, Renewable	1.443	Income
Energy Development Zone, Rural Renewable	2.014	Property
Energy Devices, Alternative (Residential)	1.440	Income
Energy Efficient Commercial Property	1.229	Income
Energy Systems, Alternative	2.110	Property
Engines, Diesel Truck (New)	1.438	Income
Engines, Diesel Truck (Retrofit and Repower)	1.439	Income
Enterprise Zone Businesses	2.010	Property
Enterprise Zone, Construction in Process in an	2.009	Property
Enterprise Zone, Electronic Commerce (Income Tax)	1.418	Income
Enterprise Zone, Long Term Rural (Income Tax)	1.416	Income
Enterprise Zone, Long Term Rural (Property Tax)	2.011	Property
Enterprise Zone, Reservation (Income Tax)	1.417	Income
Environmental Settlement Funds, Earnings of Certain	1.041	Income
Environmentally Sensitive Logging Equipment	2.048	Property
Equipment for Maritime Emergency Response, Communications	2.077	Property
Equipment Manufacturing Facilities, Renewable Resource	1.419	Income
Equipment, Accelerated Depreciation of	1.206	Income
Equipment, Advanced Mine Safety	1.230	Income
Equipment, Center Pivot Irrigation	2.040	Property
Equipment, Contributions of Computer	1.401	Income
Equipment, Egg Processing	2.112	Property
Equipment, Environmentally Sensitive Logging	2.048	Property
Equipment, Farm Machinery and (Property Tax)	2.032	Property
Equipment, Field Burning Smoke Management	2.042	Property
Equipment, Food Processing	2.031	Property
Equipment, Other Farm/Aquaculture/Egg	2.041	Property
Equipment, Private Service Telephone	2.068	Property
Equipment, Special Depreciation for Recycling	1.221	Income
Exchanges, Gain on Like-Kind	1.054	Income
Exclusion and Subtraction, Individual Development Accounts	1.312	Income
Exclusion of Employer Provided Tuition Reduction	1.004	Income
Exclusion of Gain from Certain Small Business Stock	1.034	Income
Exempt Construction	14.001	Local Construction Tax
Exempt Dwelling Units	13.001	Lodging Tax
Exempt Lease from Exempt Owner	2.089	Property
Exempt Lease from Taxable Owner	2.088	Property
Exemption for Federal Active Duty Military Servicemember, Homestead	2.118	Property
Exemption, Personal	1.456	Income
Exemption, Public Warehouse Sales Throwback	1.501	Income
Expenditures, Magazine Circulation	1.234	Income
Expenditures, Soil and Water Conservation	1.216	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Expenses of National Guard and Reserve Members, Overnight Travel	1.108	Income
Expenses, Medical and Dental	1.203	Income
Expenses, Moving	1.107	Income
Expenses, Qualified Higher Education	1.103	Income
Expenses, Scholarship Awards Used for Housing	1.303	Income
Expenses, Teacher Classroom	1.101	Income
Expensing Allowances, Section 179	1.209	Income
Expensing and Amortization of Reforestation Costs	1.226	Income
Expensing Timber Growing Costs	1.225	Income
Extended Carryback of Farming Loss	1.220	Income
Facilities, Convention	2.092	Property
Facilities, Employer Provided Dependent Care	1.424	Income
Facilities, Farm Labor Housing and Day Care	2.028	Property
Facilities, Long Term Care	2.098	Property
Facilities, Nonprofit Sewage Treatment	2.045	Property
Facilities, Pollution Control	2.109	Property
Facilities, Rural Health Care	2.097	Property
Facility Materials, Ship Repair	2.019	Property
Facility, City Owned Sports	2.091	Property
Facility, Federal Land Under Recreation	2.022	Property
Fairground Leased Storage Space	2.029	Property
Farm and Logging Roads, Private	2.054	Property
Farm Homesites	2.130	Property
Farm Labor Housing and Day Care Facilities	2.028	Property
Farm Machinery and Equipment (Property Tax)	2.032	Property
Farm Production, Riparian Lands Removed from	1.435	Income
Farm Property, Capital Gains from	1.504	Income
Farm/Aquaculture/Egg Equipment, Other	2.041	Property
Farmer, Agricultural Products Held by	2.035	Property
Farmers' Cooperatives, Sale of Stock to	1.219	Income
Farmers, Cancellation of Debt for	1.039	Income
Farmers, Income Averaging for	1.503	Income
Farming and Grazing Land, Leased State and Local	2.037	Property
Farming Loss, Extended Carryback of	1.220	Income
Farming Operations	4.001	Weight-Mile
Farmland	2.129	Property
Farmworker Housing Construction	1.429	Income
Farmworker Housing Lender's Credit	1.430	Income
FCC Licenses	2.069	Property
Federal and Veteran Institutions (Cigarette)	5.002	Cigarette
Federal and Veteran Institutions (Other Tobacco Products)	6.001	Other Tobacco Products
Federal Employees Abroad, Allowances for	1.055	Income
Federal Employees on Federal Business	13.002	Lodging Tax
Federal Grazing Land, Leased	2.038	Property
Federal Income Tax Subtraction	1.324	Income
Federal Land Under Recreation Facility	2.022	Property
Federal Land Under Summer Homes	2.024	Property
Federal Land, Mining Claims on	2.057	Property
Federal Pension Income	1.322	Income
Federal Property	2.093	Property
Federal Property, Defense Contractor With	2.023	Property

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Federal Standing Timber Under Contract	2.050	Property
Federal Subscribers	8.002	911 Emergency Communications
Federally Leased High-Voltage Electricity Transmission Property	2.082	Property
Fellowship and Scholarship Income	1.001	Income
FERC Restructuring Requirements, Deferral of Capital Gains From	1.224	Income
Fertilizer and Soil Conditioner Costs	1.217	Income
Field Burning Smoke Management Equipment	2.042	Property
Field Burning, Alternatives to	1.434	Income
Field Incinerators, Mobile	2.033	Property
Film and Television Production Costs, Deduction of Certain	1.211	Income
Film Production Development Contributions	1.412	Income
Film Production Labor Rebate	1.315	Income
Financial Institutions, Addition to Bad Debt Reserves of Small	1.232	Income
Fire District, Railroad Right of Way in Rural	2.117	Property
Fire Insurance	1.452	Income
Fire Protection	4.006	Weight-Mile
Fire Protection Association, Forest	2.055	Property
First \$3,000 in Gross Sales Value	11.001	Oil and Gas Privilege
First 25,000 Board Feet	9.001	Forest Products Harvest
Fish Screening Devices	1.437	Income
Fishing Property, Natural Resource and	15.001	Estate Transfer
Food Processing Equipment	2.031	Property
Foreign Corporations, Deferral of Certain Financing Income of	1.207	Income
Foreign Corporations, Income of Controlled	1.021	Income
Foreign Owned Aircraft and Aircraft Not Owned by Air Transportation Companies	2.113	Property
Forest Fire Protection Association	2.055	Property
Forest Homesites	2.125	Property
Forest Products on County Roads	4.002	Weight-Mile
Forest Products: Gasoline	3.001	Gas and Use Fuel
Forest Products: Other than Gasoline	3.002	Gas and Use Fuel
Forestland Option, Small Tract	2.128	Property
Forestland, Eastern Private	2.127	Property
Forestland, Western Private	2.126	Property
Foster Care Payments, Certain	1.006	Income
Fraternal Organizations	2.084	Property
Fraternal Organizations, Sororities, and Cooperatives	2.096	Property
Fruit Trees, Crops, Plants, and	2.034	Property
Fuel for Aircraft Departing U.S.	3.003	Gas and Use Fuel
Fuel Stations, Alternative	1.441	Income
Fuels, Intangible Development Costs for	1.222	Income
Furnishings, Student Housing	2.002	Property
Gain from Certain Small Business Stock, Exclusion of	1.034	Income
Gain on Involuntary Conversions in Disaster Areas	1.058	Income
Gain on Like-Kind Exchanges	1.054	Income
Gain on Nondealer Installment Sales	1.053	Income
Gas Pipeline Extension, Natural	2.060	Property
Gasoline, Forest Products	3.001	Gas and Use Fuel
Gasoline, Forest Products -- Other than	3.002	Gas and Use Fuel
Gifts, Capital Gains on	1.065	Income
Golf Course and Effluent, Property Used for	2.046	Property

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Government Bonds, Interest from State and Local	1.308	Income
Government Leased Lines, Revenue from	10.001	Electric Cooperative
Government Owned or Operated Vehicles	4.004	Weight-Mile
Government Services, Indian Property used Exclusively for	2.079	Property
Grazing Land, Leased Federal	2.038	Property
Grazing Land, Leased State and Local Farming and Habitat, Wildlife	2.037	Property
Health Care Facilities, Rural	2.122	Property
Health Care Property, Leased	2.097	Property
Health Care Providers, TRICARE	2.006	Property
Health IGA Assessments, Oregon Life and	1.459	Income
Health Insurance, Self-Employment	1.454	Income
Health Savings Accounts	1.104	Income
Health, Charitable Contributions:	1.105	Income
Higher Education Parking Space	1.202	Income
Highway Lighting District, Railroad Right of Way in	2.004	Property
Historic Property	2.116	Property
Holocaust Survivors, Restitution Payments for	2.121	Property
Home Care, Costs In Lieu of Nursing	1.066	Income
Home Mortgage Interest	1.407	Income
Home Park Closure, Mobile	1.214	Income
Home Sales, Capital Gains on	1.432	Income
Home, Oregon Veterans'	1.035	Income
Homes, Federal Land Under Summer	12.003	Medical Provider
Homesites, Farm	2.024	Property
Homesites, Forest	2.130	Property
Homestead Exemption for Active Duty Military	2.125	Property
Hospital Insurance (Part A)	2.118	Property
Hospitals, Type A and B	1.012	Income
Hospitals, Veterans Affairs and Pediatric Specialty	12.001	Medical Provider
Housing and Day Care Facilities, Farm Labor	12.002	Medical Provider
Housing Authority Rental Units	2.028	Property
Housing Construction, Agriculture Workforce	2.025	Property
Housing Development Zone, Vertical	1.429	Income
Housing Expenses, Scholarship Awards Used for	2.100	Property
Housing for Low Income Rental, New	1.303	Income
Housing for the Elderly, Nonprofit	2.105	Property
Housing Furnishings, Student	2.119	Property
Housing in City Core, Multi-Family Rental	2.002	Property
Housing Lender's Credit, Farmworker	2.103	Property
Housing Lender's Credit, Oregon Affordable	1.430	Income
Housing Publicly Owned, Leased Student	1.428	Income
Housing State Funded, Nonprofit Elderly	2.003	Property
Housing, Academies, Day Care and Student	2.027	Property
Housing, Accelerated Depreciation of Rental	2.001	Property
Housing, Low Income Multi-Unit	1.212	Income
Housing, Multi-Unit Rental	2.104	Property
Housing, New Single Unit	2.120	Property
Housing, Nonprofit Low Income Rental	2.101	Property
Housing, Rehabilitated	2.106	Property
Housing, Rental Allowances for Clergy	2.102	Property
	1.061	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Housing, Veterans in Nonprofit Elderly	2.108	Property
Hydroelectric Dam and Waterway Workers	1.319	Income
IC-DISC, Subtraction of Dividend Received from	1.311	Income
Imputed Interest Rules	1.023	Income
Inactive Mineral Interests	2.056	Property
Incentives, Regional Economic Development	1.020	Income
Incinerators, Mobile Field	2.033	Property
Income Averaging for Farmers	1.503	Income
Income Credit, Earned	1.403	Income
Income Earned Abroad by U.S. Citizens	1.017	Income
Income Earned in "Indian Country"	1.321	Income
Income of Controlled Foreign Corporations	1.021	Income
Income of Foreign Corporations, Deferral of Certain Financing	1.207	Income
Income Tax Subtraction, Federal	1.324	Income
Income Taxes, Local	1.237	Income
Income, Credit Union	1.048	Income
Income, Federal Pension	1.322	Income
Income, Life Insurance Investment	1.045	Income
Income, Retirement	1.458	Income
Income, Scholarship and Fellowship	1.001	Income
Indian Country, Income Earned in	1.321	Income
Indian Property on Reservation	2.094	Property
Indian Property Used Exclusively for Government Services	2.079	Property
Indian Reservation Subscribers	8.003	911 Emergency Communications
Individual Development Account Donation (Credit)	1.426	Income
Individual Development Account Withdrawal (Credit)	1.427	Income
Individual Development Accounts (Exclusion and Subtraction)	1.312	Income
Industry Apprenticeship/Training Trust	2.030	Property
Inherited Property, Capital Gains on	1.057	Income
Injectants, Tertiary	1.223	Income
Installations, Federal	6.001	Other Tobacco Products
Installment Sales, Gain on Nondealer	1.053	Income
Institutions, Federal and Veteran	5.002	Cigarette
Insurance Company Reserves, Life	1.231	Income
Insurance Company Reserves, Property and Casualty	1.233	Income
Insurance Investment Income, Life	1.045	Income
Insurance Premiums, Employer Paid Group Life	1.025	Income
Insurance, Employer Paid Accident and Disability	1.026	Income
Insurance, Fire	1.452	Income
Insurance, Hospital (Part A)	1.012	Income
Insurance, Long Term Care	1.408	Income
Insurance, Mile-Based or Time-Based Motor Vehicle	1.451	Income
Insurance, Military and Dependents CHAMPUS/TRICARE	1.037	Income
Insurance, Prescription Drug (Part D)	1.011	Income
Insurance, Self-Employment Health	1.104	Income
Insurance, Supplementary Medical (Part B)	1.013	Income
Intangible Development Costs for Fuels	1.222	Income
Intangible Personal Property	2.070	Property
Interest Allocation for Banks, Elimination of Tax Exempt	1.049	Income
Interest and Dividends on U.S. Obligations	1.326	Income
Interest from State and Local Government Bonds	1.308	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Interest on Education Savings Bonds	1.002	Income
Interest on Oregon State and Local Debt	1.056	Income
Interest on Savings Bonds, Deferral of	1.059	Income
Interest on Student Loans	1.102	Income
Interest Rules, Imputed	1.023	Income
Interest, Home Mortgage	1.214	Income
Interests, Inactive Mineral	2.056	Property
Interests, State and Local	11.003	Oil and Gas Privilege
Interstate Bridges of Other States or Subdivisions	2.078	Property
Inventory	2.015	Property
Inventory Methods of Valuation	1.024	Income
Investment Advantage, Oregon	1.309	Income
Investment Income, Life Insurance	1.045	Income
Investment of Severance Pay	1.310	Income
Investment Program, Strategic	2.099	Property
Investments, Qualified Low Income Community	1.413	Income
IRA Contributions and Earnings	1.106	Income
Irrigation Equipment, Center Pivot	2.040	Property
Irrigation, Drainage, Water Supply or Flood Control, Corporations for	2.075	Property
Land Being Placed in U. S. Trust, Tribal	2.080	Property
Land Donated to Schools	1.301	Income
Land Under Use Permit, ODOT	2.063	Property
Land, Farm	2.129	Property
Land, Leased Federal Grazing	2.038	Property
Land, Leased State and Local Farming and Grazing	2.037	Property
Land, Leased State Land Board	2.044	Property
Land, Mining Claims on Federal	2.057	Property
Land, Nonprofit Public Park Use	2.059	Property
Land, Open Space	2.124	Property
Land, Riparian	2.047	Property
Land, Shellfish Growing on State	2.039	Property
Lands Removed from Farm Production, Riparian	1.435	Income
Lands, Beach	2.081	Property
Lease from Exempt Owner, Exempt	2.089	Property
Lease from Taxable Owner, Exempt	2.088	Property
Leased Docks and Airports	2.018	Property
Leased Federal Grazing Land	2.038	Property
Leased Health Care Property	2.006	Property
Leased Lines, Revenue from Government	10.001	Electric Cooperative
Leased State and Local Farming and Grazing Land	2.037	Property
Leased State Land Board Land	2.044	Property
Leased Storage Space, Fairground	2.029	Property
Leased Student Housing Publicly Owned	2.003	Property
Leasing Property, Businesses Transferring or	2.012	Property
Legislative Per Diem and Allowance	1.323	Income
Lender's Credit, Energy Conservation	1.446	Income
Lender's Credit, Farmworker Housing	1.430	Income
Lender's Credit, Oregon Affordable Housing	1.428	Income
Lender's Credit, Weatherization	1.447	Income
Libraries for Public Use, Private	2.005	Property
Licenses, FCC	2.069	Property

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Life and Health IGA Assessments, Oregon	1.454	Income
Life Insurance Company Reserves	1.231	Income
Life Insurance Investment Income	1.045	Income
Life Insurance Premiums, Employer Paid Group	1.025	Income
Lighting District, Railroad Right of Way in Highway	2.116	Property
Like-Kind Exchanges, Gain on	1.054	Income
Limbs, Loss of	1.410	Income
Literary and Scientific Organizations, Charitable	2.083	Property
Livestock Killed by Wolves	1.431	Income
LLC Owned by Nonprofit Corporation	2.090	Property
Loans, Interest on Student	1.102	Income
Local Government Owned Low Income Housing	2.026	Property
Local Government Public Ways	2.076	Property
Local Income Taxes	1.237	Income
Locally Assessed Watercraft	2.131	Property
Lodging, Employee Meals and (Nonmilitary)	1.029	Income
Logging Equipment, Environmentally Sensitive	2.048	Property
Logging Roads, Private Farm and	2.054	Property
Long Term Care Facilities	2.098	Property
Long Term Care Insurance	1.408	Income
Long Term Rural Enterprise Zone (Property Tax)	2.011	Property
Long Term Rural Enterprise Zone Facilities (Income Tax)	1.416	Income
Loss of Limbs	1.410	Income
Losses, Casualty and Theft	1.236	Income
Lottery Prizes, Oregon State	1.320	Income
Low Income Community Investments, Qualified	1.413	Income
Low Income Housing, Local Government Owned	2.026	Property
Low Income Multi-Unit Housing	2.104	Property
Low Income Rental Housing, Nonprofit	2.106	Property
Low Income Rental, New Housing for	2.105	Property
Low Value Manufactured Structure in Large County	2.072	Property
Machinery and Equipment, Farm (Property Tax)	2.032	Property
Magazine Circulation Expenditures	1.234	Income
Magazine, Paperback, and Record Returns	1.018	Income
Manufactured Structure in Large County, Low Value	2.072	Property
Manufacturing Facilities, Renewable Resource Equipment	1.419	Income
Marine and Transportation Policies, Wet	1.318	Income
Maritime Emergency Response, Communications Equipment for	2.077	Property
Marketing Activities, Wine	7.002	Beer and Wine
Mass Transit Vehicles, Public	4.005	Weight-Mile
Materials, Ship Repair Facility	2.019	Property
Mausoleums, Cemeteries, Burial Grounds and	2.087	Property
Meals and Lodging, Employee (Nonmilitary)	1.029	Income
Medical and Dental Expenses	1.203	Income
Medical Benefits, Employer Paid	1.009	Income
Medical Insurance, Supplementary (Part B)	1.013	Income
Medical Practice, Rural	1.405	Income
Medical Subtraction for Elderly	1.305	Income
Medical Technicians, Volunteer Rural Emergency	1.406	Income
Medical, Workers' Compensation Benefits	1.047	Income
Mile-Based or Time-Based Motor Vehicle Insurance	1.451	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Military Active Duty and Related Pay	1.325	Income
Military and Dependents CHAMPUS/TRICARE Insurance	1.037	Income
Military Disability Benefits	1.063	Income
Military Servicemember, Homestead Exemption for Federal Active Duty	2.118	Property
Mine Safety Equipment, Advanced	1.230	Income
Mineral Interests, Inactive	2.056	Property
Minerals, Depletion Costs for Nonfuel	1.317	Income
Minerals, Development Costs for Nonfuel	1.227	Income
Mining Claims on Federal Land	2.057	Property
Mining Reclamation Reserves	1.228	Income
Miscellaneous Fringe Benefits	1.028	Income
Mobile Field Incinerators	2.033	Property
Mobile Home Park Capital Gain	1.313	Income
Mobile Home Park Closure	1.432	Income
Mobile Home Tenant Payment	1.314	Income
Mortgage Interest, Home	1.214	Income
Motor Vehicles and Trailers	2.062	Property
Moving Expenses	1.107	Income
Multi-Family Rental Housing in City Core	2.103	Property
Multi-Unit Rental Housing	2.120	Property
National Guard and Reserve Members, Overnight Travel Expenses of	1.108	Income
Natural Gas and Propane Vehicles	3.007	Gas and Use Fuel
Natural Gas Pipeline Extension	2.060	Property
Natural Resource and Fishing Property	15.001	Estate Transfer
New Housing for Low Income Rental	2.105	Property
New Rural Health Care Facilities	2.097	Property
New Single Unit Housing	2.101	Property
Nonprofit Corporation, LLC Owned by	2.090	Property
Nonprofit Elderly Housing State Funded	2.027	Property
Nonprofit Elderly Housing, Veterans in	2.108	Property
Nonprofit Electrical Distribution Associations	2.066	Property
Nonprofit Housing for the Elderly	2.119	Property
Nonprofit Low Income Rental Housing	2.106	Property
Nonprofit Public Park Use Land	2.059	Property
Nonprofit Sewage Treatment Facilities	2.045	Property
Nonprofit Telephone Associations	2.067	Property
Nonprofit Water Associations	2.065	Property
Nonprofit's Gain from Brownfield	1.042	Income
Nursery Stock	2.036	Property
Nursing Home Care, Costs In Lieu of	1.407	Income
ODOT Land Under Use Permit	2.063	Property
Open Space Land	2.124	Property
Operations, Farming	4.001	Weight-Mile
Oregon 529 College Savings Network	1.302	Income
Oregon Affordable Housing Lender's Credit	1.428	Income
Oregon Cultural Trust	1.457	Income
Oregon Investment Advantage	1.309	Income
Oregon Life and Health IGA Assessments	1.454	Income
Oregon State and Local Debt, Interest on	1.056	Income
Oregon State Lottery Prizes	1.320	Income
Oregon Veterans' Home	12.003	Medical Provider

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Oregon Veterans' Home Physicians	1.460	Income
Organizations, Charitable	4.007	Weight-Mile
Organizations, Charitable, Literary, and Scientific	2.083	Property
Organizations, Fraternal	2.084	Property
Organizations, Religious	2.085	Property
Other Farm/Aquaculture/Egg Equipment	2.041	Property
Other, Charitable Contributions:	1.238	Income
Overnight Travel Expenses of National Guard and Reserve Members	1.108	Income
Owner, Exempt Lease from Exempt	2.089	Property
Owner, Exempt Lease from Taxable	2.088	Property
Paperback, and Record Returns, Magazine	1.018	Income
Park Closure, Mobile Home	1.432	Income
Park Use Land, Nonprofit Public	2.059	Property
Parking Space, Higher Education	2.004	Property
Partnerships, Pass Through Status of Specified Publicly Traded	1.043	Income
Pass Through Income, Tax Rates for	1.502	Income
Pass Through Status of Specified Publicly Traded Partnerships	1.043	Income
Pay, Military Active Duty and Related	1.325	Income
Payment, Mobile Home Tenant	1.314	Income
Payments for Holocaust Survivors, Restitution	1.066	Income
Payments, Agriculture Cost-Sharing	1.038	Income
Payments, Certain Disaster Mitigation	1.051	Income
Payments, Certain Foster Care	1.006	Income
Pediatric Specialty Hospitals, Veterans Affairs and	12.002	Medical Provider
Pension Contributions and Earnings	1.014	Income
Pension Income, Federal	1.322	Income
Per Diem and Allowance, Legislative	1.323	Income
Permit, ODOT Land Under Use	2.063	Property
Personal Exemption	1.456	Income
Personal Property for Personal Use	2.071	Property
Physicians, Oregon Veterans' Home	1.460	Income
Pipeline Extension, Natural Gas	2.060	Property
Plants, and Fruit Trees, Crops,	2.034	Property
Political Contributions	1.455	Income
Pollution Control	1.436	Income
Pollution Control Facilities	2.109	Property
Port, Certain Property Owned by	2.013	Property
Pots, Crab	2.043	Property
Prescription Drug Insurance (Part D)	1.011	Income
Private Farm and Logging Roads	2.054	Property
Private Libraries for Public Use	2.005	Property
Private Service Telephone Equipment	2.068	Property
Prizes, Oregon State Lottery	1.320	Income
Processing Equipment, Egg	2.112	Property
Processing Equipment, Food	2.031	Property
Production or Collection of Biomass	1.448	Income
Production, Riparian Lands Removed from Farm	1.435	Income
Projects, Energy Conservation	1.444	Income
Projects, Transportation	1.445	Income
Propane and Natural Gas Vehicles	3.007	Gas and Use Fuel
Property and Casualty Insurance Company Reserves	1.233	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Property Cancellation, Business Personal	2.016	Property
Property for Personal Use, Personal	2.071	Property
Property on Reservation, Indian	2.094	Property
Property Taxes	1.213	Income
Property Taxes Paid, Credit for	11.002	Oil and Gas Privilege
Property used Exclusively for Government Services, Indian	2.079	Property
Property Used for Golf Course and Effluent	2.046	Property
Property, Businesses Transferring or Leasing	2.012	Property
Property, Capital Gains from Farm	1.504	Income
Property, Capital Gains on Inherited	1.057	Income
Property, Defense Contractor With Federal	2.023	Property
Property, Destroyed or Damaged	2.132	Property
Property, Energy Efficient Commercial	1.229	Income
Property, Federal	2.093	Property
Property, Historic	2.121	Property
Property, Intangible Personal	2.070	Property
Property, Leased Health Care	2.006	Property
Property, Natural Resource and Fishing	15.001	Estate Transfer
Property, State and Local	2.074	Property
Protection, Fire	4.006	Weight-Mile
Providers, TRICARE Health Care	1.459	Income
Public Assistance Benefits	1.005	Income
Public Mass Transit Vehicles	4.005	Weight-Mile
Public Park Use Land, Nonprofit	2.059	Property
Public Safety Officer Survivor Annuities	1.067	Income
Public Services	3.004	Gas and Use Fuel
Public Transportation	3.005	Gas and Use Fuel
Public University Venture Development Fund	1.420	Income
Public Use, Private Libraries for	2.005	Property
Public Warehouse Sales Throwback Exemption	1.501	Income
Public Ways, Local Government	2.076	Property
Publicly Owned, Leased Student Housing	2.003	Property
Publicly Traded Partnerships, Pass Through Status of Specified	1.043	Income
Qualified Education Savings (Federal)	1.003	Income
Qualified Higher Education Expenses	1.103	Income
Qualified Low Income Community Investments	1.413	Income
Qualified Research Activities	1.414	Income
Qualified Research Activities (Alternative)	1.415	Income
Railroad Cars Being Repaired	2.021	Property
Railroad Right of Way in Highway Lighting District	2.116	Property
Railroad Right of Way in Rural Fire District	2.117	Property
Railroad Right of Way in Water District	2.115	Property
Railroad Right of Way Used for Alternative Transportation	2.061	Property
Railroad, Amtrak Passenger	2.095	Property
Rebate, Film Production Labor	1.315	Income
Reclamation Reserves, Mining	1.228	Income
Record Returns, Magazine, Paperback, and	1.018	Income
Recreation Facility, Federal Land Under	2.022	Property
Reforestation	1.450	Income
Reforestation Costs, Expensing and Amortization of	1.226	Income
Regional Economic Development Incentives	1.020	Income

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Rehabilitated Housing	2.102	Property
Religious Organizations	2.085	Property
Removal of Architectural Barriers	1.204	Income
Renewable Energy Development Contributions	1.443	Income
Renewable Resource Equipment Manufacturing Facilities	1.419	Income
Renewables and Conservation, Business Energy Facilities	1.442	Income
Rental Allowances for Clergy Housing	1.061	Income
Rental Housing, Multi-Unit	2.120	Property
Rental Units, Housing Authority	2.025	Property
Research Activities, Qualified	1.414	Income
Research Activities, Qualified (Alternative)	1.415	Income
Research and Development Costs	1.208	Income
Reservation Cigarette Sales	5.003	Cigarette
Reservation Enterprise Zone (Income Tax)	1.417	Income
Reservation Tobacco Sales	6.002	Other Tobacco Products
Reserves, Life Insurance Company	1.231	Income
Reserves, Mining Reclamation	1.228	Income
Residential Energy Tax Credit (RETC)	1.440	Income
Restitution Payments for Holocaust Survivors	1.066	Income
Retirement Income	1.458	Income
Returns, Magazine, Paperback, and Record	1.018	Income
Revenue from Government Leased Lines	10.001	Electric Cooperative
Right of Way in Highway Lighting District, Railroad	2.116	Property
Right of Way in Rural Fire District, Railroad	2.117	Property
Right of Way in Water District, Railroad	2.115	Property
Right of Way Used for Alternative Transportation, Railroad	2.061	Property
Riparian Habitat Land	2.047	Property
Riparian Lands Removed from Farm Production	1.435	Income
Roads, Private Farm and Logging	2.054	Property
Rural Emergency Medical Technicians, Volunteer	1.406	Income
Rural Enterprise Zone, Long Term (Income Tax)	1.416	Income
Rural Enterprise Zone, Long Term (Property Tax)	2.011	Property
Rural Fire District, Railroad Right of Way in	2.117	Property
Rural Medical Practice	1.405	Income
Rural Renewable Energy Development Zone	2.014	Property
Sale of Stock to Farmers' Cooperatives	1.219	Income
Sales Throwback Exemption, Public Warehouse	1.501	Income
Sales Value, First \$3,000 in Gross	11.001	Oil and Gas Privilege
Sales, Capital Gains on Home	1.035	Income
Sales, Gain on Nondealer Installment	1.053	Income
Sales, Reservation Cigarette	5.003	Cigarette
Sales, Reservation Tobacco	6.002	Other Tobacco Products
Savings Accounts, Health	1.105	Income
Savings Bonds, Deferral of Interest on	1.059	Income
Savings Bonds, Interest on Education	1.002	Income
Savings Network, Oregon 529 College	1.302	Income
Schedule E Pass Through Income, Tax Rates for	1.502	Income
Scholarship and Fellowship Income	1.001	Income
Scholarship Awards Used for Housing Expenses	1.303	Income
Scholarships, Employer Provided	1.402	Income
School, Transfer of Land from Cemetery to	2.086	Property

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Schools, Elementary and Secondary	4.003	Weight-Mile
Schools, Land Donated to	1.301	Income
Scientific Organizations, Charitable, Literary and	2.083	Property
Secondary Schools, Elementary and	4.003	Weight-Mile
Section 179 Expensing Allowances	1.209	Income
Self-Employment Health Insurance	1.104	Income
Senior Services Centers	2.007	Property
Services Centers, Senior	2.007	Property
Services, Public	3.004	Gas and Use Fuel
Services, Veterans' Benefits and	1.036	Income
Settlement Accounts, Structured	1.050	Income
Settlement Funds, Earnings of Certain Environmental	1.041	Income
Severance Pay, Investment of	1.310	Income
Severe Disability	1.411	Income
Sewage Treatment Facilities, Nonprofit	2.045	Property
Shellfish Growing on State Land	2.039	Property
Ship Repair Facility Materials	2.019	Property
Single Unit Housing, New	2.101	Property
Skyline and Swing Yards	2.049	Property
Small Business Stock, Exclusion of Gain from Certain	1.034	Income
Small Quantity by Consumers	5.001	Cigarette
Small Tract Forestland Option	2.128	Property
Small Watercraft	2.058	Property
Small Wineries	7.001	Beer and Wine
Social Security Benefits (Federal)	1.016	Income
Social Security Benefits (Oregon)	1.306	Income
Soil and Water Conservation Expenditures	1.216	Income
Soil Conditioner Costs, Fertilizer and	1.217	Income
Sororities, and Cooperatives, Fraternities	2.096	Property
Special Benefits for Disabled Coal Miners	1.015	Income
Special Depreciation for Recycling Equipment	1.221	Income
Sports Facility, City Owned	2.091	Property
Spouses, Disabled Veterans or Their Surviving	2.107	Property
Spread on Acquisition of Stock	1.033	Income
State and Local Interests	11.003	Oil and Gas Privilege
State and Local Property	2.074	Property
State and Local Standing Timber Under Contract	2.051	Property
State and Local Subscribers	8.001	911 Emergency Communications
State Land Board Land, Leased	2.044	Property
State Land, Shellfish Growing on	2.039	Property
Stock Ownership Plans, Employee	1.030	Income
Stock to Farmers' Cooperatives, Sale of	1.219	Income
Stock, Nursery	2.036	Property
Stock, Spread on Acquisition of	1.033	Income
Storage Space, Fairground Leased	2.029	Property
Strategic Investment Program	2.099	Property
Structured Settlement Accounts	1.050	Income
Student Housing Furnishings	2.002	Property
Student Loan Debt, Discharge of Certain	1.062	Income
Student Loans, Interest on	1.102	Income
Subscribers, Federal	8.002	911 Emergency Communications

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
Subscribers, Indian Reservation	8.003	911 Emergency Communications
Subscribers, State and Local	8.001	911 Emergency Communications
Subsidies, Energy Conservation (Federal)	1.040	Income
Subsidies, Energy Conservation (Oregon)	1.316	Income
Subtraction for Elderly, Medical	1.305	Income
Subtraction, Federal Income Tax	1.324	Income
Subtraction, Individual Development Accounts, Exclusion and	1.312	Income
Summer Homes, Federal Land Under	2.024	Property
Supplementary Medical Insurance (Part B)	1.013	Income
Survivor Annuities, Public Safety Officer	1.067	Income
Swing Yarders, Skyline and	2.049	Property
Tax Rates for Certain Pass Through Income	1.502	Income
Taxes Paid, Credit for Property	11.002	Oil and Gas Privilege
Taxes, Local Income	1.237	Income
Taxes, Property	1.213	Income
Teacher Classroom Expenses	1.101	Income
Telecommunication Companies, Apportionment for Utility and	1.505	Income
Telephone Associations, Nonprofit	2.067	Property
Telephone Equipment, Private Service	2.068	Property
Television Production Costs, Deduction of Certain Film and	1.211	Income
Tenant Payment, Mobile Home	1.314	Income
Tertiary Injectants	1.223	Income
Theft Losses, Casualty and	1.236	Income
Throwback Exemption, Public Warehouse Sales	1.501	Income
Timber Growing Costs, Expensing	1.225	Income
Timber Under Contract, Federal Standing	2.050	Property
Timber Under Contract, State and Local Standing	2.051	Property
Timber, Eastern Private Standing	2.053	Property
Timber, Western Private Standing	2.052	Property
Time-Based Motor Vehicle Insurance, Mile-Based or	1.451	Income
Tobacco Sales, Reservation	6.002	Other Tobacco Products
Tollways and Related Facilities	2.064	Property
Trailers, Motor Vehicles and	2.062	Property
Transfer of Land from Cemetery to School	2.086	Property
Transferring or Leasing Property, Businesses	2.012	Property
Transportation Policies, Wet Marine and	1.318	Income
Transportation Projects	1.445	Income
Transportation, Employer Paid Benefits	1.044	Income
Transportation, Public	3.005	Gas and Use Fuel
Travel Expenses of National Guard and Reserve Members, Overnight	1.108	Income
Tribal Land Being Placed in U.S. Trust	2.080	Property
TRICARE Health Care Providers	1.459	Income
TRICARE Insurance, Military and Dependents CHAMPUS/	1.037	Income
Truck Engines, Diesel (New)	1.438	Income
Truck Engines, Diesel (Retrofit and Repower)	1.439	Income
Trust, Industry Apprenticeship/Training	2.030	Property
Trust, Oregon Cultural	1.457	Income
Trust, Tribal Land Being Placed in U. S.	2.080	Property
Tuition Programs, Qualified (Federal)	1.003	Income
Tuition Reduction, Exclusion of Employer Provided	1.004	Income
Type A and B Hospitals	12.001	Medical Provider

Index of Tax Expenditures by Keyword

Keywords	Tax Expenditure Number	Tax Program
U.S. Citizens, Income Earned Abroad by	1.017	Income
U.S. Obligations, Interest and Dividends on	1.326	Income
Utilities, Contributions in Aid of Construction for	1.052	Income
Utility and Telecommunication Companies, Apportionment for	1.505	Income
Valuation, Inventory Methods of	1.024	Income
Vehicle Fund Contributions, Alternative Fuel	1.449	Income
Vehicles, Government Owned or Operated	4.004	Weight-Mile
Vehicles, Natural Gas and Propane	3.007	Gas and Use Fuel
Vehicles, Public Mass Transit	4.005	Weight-Mile
Venture Development Fund, Public University	1.420	Income
Vertical Housing Development Zone	2.100	Property
Veteran Institutions, Federal and	5.002	Cigarette
Veterans Affairs and Pediatric Specialty Hospitals	12.002	Medical Provider
Veterans' Benefits and Services	1.036	Income
Veterans' Home Physicians, Oregon	1.460	Income
Veterans' Home, Oregon	12.003	Medical Provider
Veterans in Nonprofit Elderly Housing	2.108	Property
Veterans or Their Surviving Spouses, Disabled	2.107	Property
Voluntary Employees' Beneficiary Associations	1.060	Income
Volunteer Rural Emergency Medical Technicians	1.406	Income
Water Associations, Nonprofit	2.065	Property
Water Conservation Expenditures, Soil and	1.216	Income
Water District, Railroad Right of Way in	2.115	Property
Water Supply, Irrigation, Drainage, or Flood Control, Corporations for	2.075	Property
Watercraft Centrally Assessed	2.111	Property
Watercraft Locally Assessed	2.131	Property
Watercraft, Small	2.058	Property
Waterway Workers, Hydroelectric Dam and	1.319	Income
Weatherization Lender's Credit	1.447	Income
Western Private Forestland	2.126	Property
Western Private Standing Timber	2.052	Property
Wet Marine and Transportation Policies	1.318	Income
Wildlife Habitat	2.122	Property
Wine Marketing Activities	7.002	Beer and Wine
Wineries, Small	7.001	Beer and Wine
Withdrawal, Individual Development Account (Credit)	1.427	Income
Wolves, Livestock Killed by	1.431	Income
Workers' Compensation Assessments	1.453	Income
Workers' Compensation Benefits (Medical)	1.047	Income
Workers' Compensation Benefits (Nonmedical)	1.046	Income
Working Family Child Care	1.422	Income
Yarders, Skyline and Swing	2.049	Property



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