



HPAC Work Group Recommendation Template

Work Group

- Availability of land
- Land development permit applications
- Codes and design
- Workforce shortages
- Financing

RECOMMENDATION

Generate new, state-level revenue to fund critical local infrastructure.¹ New revenue generation to be limited to duration of HPAC timeline (i.e., sunset in 2032) and in support of the related work plan topics described below. Potential sources include:

Revenue Source (Legislative Revenue Office, 2023, p. B7)	Annual Revenue Generated (FY 23-24 dollars)
Increase all personal income tax brackets by ½ percentage point	\$699 Million
Establish Special \$1 per \$1,000 real property tax assessment outside of M5	\$504 Million
Implement 0.5% Retail Sales Tax	\$501 Million
Implement 0.5% Payroll Tax	\$620 Million ²
Double Fuel Tax	\$686 Million ³

RELATED WORK PLAN TOPICS

- State of Oregon Revolving Loan fund for Critical infrastructure.
- Subsidized SDC loan facility for local jurisdictions

¹ Definition of “critical infrastructure” to be consistent with previously adopted revolving, conditionally forgivable loan fund: “Any improvements which will ultimately be dedicated to the public or transferred to a public utility in such a manner that is critical to housing development”.

² Based on FY2022 estimate for STIF (Legislative Revenue Office, 2023, p. H4)

³ Based on average annual amounts for the 23-25 biennium (ECONorthwest, 2023-2025, p. 31).

WORKGROUP ADOPTION

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Co-chairs Guidance: Standards for Analysis

1. CLEARLY DESCRIBE THE HOUSING PRODUCTION ISSUE THAT THE RECOMMENDED ACTION(S) WILL ADDRESS.

This recommendation is centered on potential revenue sources to support other policy actions recommended by the committee.

2. PROVIDE AN OVERVIEW OF THE HOUSING PRODUCTION ISSUE, INCLUDING QUANTITATIVE/QUALITATIVE CONTEXT IF AVAILABLE.

Significant areas of land remain undeveloped due to the cost of providing them the necessary infrastructure. Some of this land is within the Urban Growth Boundary, but lacking road, water, and sewer connections, while some land, like infill parcels, is too small to warrant the “public improvements” required by the local jurisdiction in order for them to be developed. Tentatively adopted HPAC recommendations describe strategies to tackle these issues; this recommendation provides the corresponding funding.

3. TO ASSESS THE ISSUE AND POTENTIAL ACTION(S), INCLUDE SUBJECT MATTER EXPERTS REPRESENTING ALL SIDES OF THE ISSUE IN WORK GROUP MEETINGS, INCLUDING MAJOR GOVERNMENT, INDUSTRY, AND STAKEHOLDER ASSOCIATIONS.

No SMEs at workgroup level. This recommendation is intended to start a revenue conversation and to give context to the magnitude of action required to implement other HPAC recommendations.

4. PROVIDE AN OVERVIEW OF THE EXPECTED OUTCOME OF THE RECOMMENDED ACTION(S), INCLUDING QUANTITATIVE/QUALITATIVE CONTEXT IF AVAILABLE.

The actions will increase state revenue which will be directed to local governments for critical infrastructure. Implementation is further described in other HPAC recommendations.

5. ESTIMATE OF THE TIME FRAME (IMMEDIATE, SHORT, MEDIUM, LONG-TERM), FEASIBILITY (LOW, MEDIUM, HIGH), AND COST (LOW, MEDIUM, HIGH) FOR IMPLEMENTATION OF THE RECOMMENDED ACTION(S).

	TIME	FEASIBILITY	COST
Increase all personal income tax brackets by ½ percentage point	Short	Medium	N/A
Establish Special \$1 per \$1,000 real property tax assessment outside of M5	Medium	Low	N/A
Implement 0.5% Retail Sales Tax	Long	Low	N/A
Implement 0.5% Payroll Tax	Short	Medium	N/A
Double Fuel Tax	Short	Medium	N/A

6. PROVIDE A GENERAL OVERVIEW OF IMPLEMENTATION, THE WHO AND HOW FOR THE RECOMMENDED ACTION(S).

	CONSTITUTION	STATTUE	RULE
Increase all personal income tax brackets by ½ percentage point	No Action	Yes	Implementation
Establish Special \$1 per \$1,000 real property tax assessment outside of M5	Amend	Yes	Implementation
Implement 0.5% Retail Sales Tax	Amend	Yes	Implementation
Implement 0.5% Payroll Tax	No Action	Yes	Implementation
Double Fuel Tax	Amend <i>If for more than roads</i>	Yes	Implementation

7. OUTLINE THE DATA AND INFORMATION NEEDED FOR REPORTING TO TRACK THE IMPACT AND IMPLEMENTATION OF THE RECOMMENDED ACTION(S).

The largest data gap is estimating the amount of revenue to be raised – there is currently no single dataset of capital improvements and their relationship to housing production. Enabling legislation could provide minimum \$/Unit ratios for award to ensure program meets intent.

8. IDENTIFY ANY MAJOR EXTERNALITIES, UNKNOWNNS, TRADEOFFS, OR POTENTIAL UNINTENDED CONSEQUENCES.

- Definition of “Critical Infrastructure” is broadened to the point where there is no longer a clear nexus to housing production.
- Increased taxes decrease disposable income, which may exacerbate housing unaffordability.
 - Increasing fuel tax may not generate long-term revenue as overall transportation fuel demand declines. Light Vehicles are currently projected to underpay for their use on the public road network by 12.2 percent (while heavy vehicles are overpaying 32.4 percent) during the 23-25 biennium (ECONorthwest, 2023-2025). Fuel tax increases may be calibrated to increase equity in tax incidence.

9. REFERENCES

ECONorthwest. (2023-2025). *Highway Cost Allocation Study*. Retrieved October 17, 2023, from https://www.oregon.gov/das/oea/Documents/ECONW_HCAS-Cost-Allocation-Study-2023-25.pdf

Legislative Revenue Office. (2023, February 20). *2023 Oregon Public Finance: Basic Facts (Research Report #1-23)*. Retrieved September 4, 2023, from Oregon State Legislature: <https://www.oregonlegislature.gov/lro/Documents/Basic%20Facts%202023.pdf>

APPENDIX 1

(Legislative Revenue Office, 2023, p. B7)

TAX INCREASES/NEW TAXES	Revenue Effect (in millions)			
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Statewide Property Tax for School Districts				
Establish an additional tax rate of \$1 per \$1,000 of assessed value for all school districts that is outside the Measure 5 limit	504	526	549	573
Personal Income Tax				
Increase all rates 5% (5, 7.1, 9.2, 10.4%)	600.5	642.5	688.8	731.9
Increase all rates 1 percentage point (5.75, 7.75, 9.75, 10.9%)	1,398.7	1,495.6	1,602.6	1,701.9
Increase 9.9% rate to 10.8, create new 11% rate on income above \$250,000 (single) or \$500,000 (joint)	207.2	227.7	246.0	265.0
Decrease maximum federal tax subtraction to \$3,000 (2021 federal tax subtraction was \$7,050)	284.2	301.8	335.4	375.7
1% Surtax	121.2	129.5	138.7	147.3
Reduce personal exemption credit by \$10	28.5	28.8	29.5	30.0
Reduce itemized deductions 5%	65.2	69.2	77.0	86.2
Reduce itemized deductions 10% if income above \$100,000 (single) or \$200,000 (joint)	58.5	64.6	74.5	86.4
Limit itemized deductions to \$50,000	156.2	169.0	203.0	248.2
Corporate Income Tax				
1% Surtax	6.5	7.2	8.2	8.3
Start 7.6% rate at \$250,000	10.6	11.7	13.4	13.6
Increase Rate One Percentage Point (to 7.6% & 8.6%)	84.8	93.9	107.6	109.2
Sales Taxes (begin 2024)				
Retail Sales Tax (Washington Base) 1% Rate	501	1,036	1,074	1,111
Retail Sales Tax (Washington Base) 3% Rate	1,504	3,109	3,223	3,334
Retail Sales Tax (Washington Base) 5% Rate	2,507	5,182	5,371	5,557
Establish Restaurant 5% Meals Tax (Excluding Drinks)	111	301	303	314
Establish Soda Tax at 2 Cents Per 12 Ounces	5.1	13.0	13.3	13.5
Excise Taxes (begin 2024)				
Washington Real Estate Transfer Tax – 1% Rate	89	182	190	218
Increase 911 tax by 25 cents	14.6	17.2	18.0	18.5
Increase Beer Tax by \$1 per barrel (Currently \$2.60)	1.7	3.5	3.6	3.7
Increase Wine Tax by \$1 per gallon (Currently \$0.67)	6.2	13.1	13.3	13.5
Increase Tax on cannabis by 1% (Currently 17% point of sale)	4.6	10.0	10.2	10.5
Increase OLCC Mark-up by 5%	5.8	10.6	10.7	10.9
Increase Cigarette Tax by 10¢ per Pack	3.3	6.5	6.4	6.3
Increase OTP to 70% of wholesale price (with proportional increase in caps)	3.1	6.3	6.3	6.3
Corporate Activity Tax				
Increase base tax from \$250 to \$500	5.4	5.7	6.0	6.4
Increase tax rate to 0.62%	109.5	115.6	121.6	128.4