



STATE OF OREGON
LEGISLATIVE REVENUE OFFICE

STATE CAPITOL BUILDING
900 Court St NE Room 160
Salem, Oregon 97301

PHONE (503) 986-1266 — FAX (503) 986-1770

Legislative Revenue Officer
Chris Allanach

TO: Financial Estimate Committee
FROM: Chris Allanach
DATE: July 16, 2018
SUBJECT: Review of Ballot Measures for Potential Indirect Effects

ORS 250.125 directs the Financial Estimate Committee to consult with the Legislative Revenue Office (LRO) regarding the potential indirect economic and fiscal effects associated with ballot measures. It is up to the committee to determine if the potential indirect effects are significant and can be feasibly estimated. LRO has reviewed the following potential ballot measures: Referral 401, IP 1, IP 22, IP 31 and IP 37. We conclude the five measures either do not have such effects or it is not feasible to produce reliable impact estimates, generally due to their prospective nature. Additional detail is provided below for the three measures that are related to the revenue system.

For Referral 401, indirect impacts depend on the scope of bonds that may be passed and the ensuing construction of affordable housing. Assuming this economic activity does not simply replace other activity, the projects would likely increase the income - and therefore income taxes - both for the businesses and their employees. Any impact on employment levels would depend on local conditions and other opportunities. Any impact on property taxes would depend on the taxable nature of affected property before and after construction, as well as the long-term status of the housing property. The magnitude of any such indirect impacts would vary with the size of the housing project. An increase in the supply of housing may have an impact on housing prices depending on local market conditions. At this time, however, making detailed estimates isn't practical given the uncertainty of the timing and magnitude of projects.

For IP 31, indirect effects would be driven by the impact of future Legislative policy choices, assuming the modified voting requirements result in a different mix of tax and fee changes than would otherwise occur. The Legislature currently operates under an interpretation of law that requires a 3/5 vote in each chamber for bills that either change a tax rate or create a tax. Bills that change the tax base, however, are currently deemed to require a simple majority vote as

they are not considered bills for raising revenue. Also, fee increase bills generally require a simple majority vote to pass. In addition to the impact on fee increases, passage of this measure would have an impact on the Legislature's ability to change tax policy via tax exemptions, deductions, or credits; these are examples of policy choices that determine a tax base. There are potential indirect effects but their nature depends on future legislative actions and are not quantifiable at this time.

For IP 37, passage of the measure would preclude the creation of any tax/fee on groceries (as defined by the measure) or the sale/distribution of groceries, and limit any increase in the current corporate minimum tax. There remains uncertainty as to other potential impacts of the measure. The corporate minimum tax could still be increased by the Legislature, but any such change could not apply to groceries. Because passage of the measure would limit policy options, the indirect effects would depend on future policy choices that may not have been otherwise made. Such decisions could have an impact of shifting tax burdens among taxpayers as revenue policy is subsequently crafted and implemented. The indirect effects of the measure would depend entirely on a specific revenue policy under consideration. Without the context of a given policy, it is not feasible to quantify the potential economic impacts on markets or economic metrics such as prices, employment, etc.