

April 2020 Revenue Forecast - Transit Payroll Tax, Vehicle Privilege Tax, Vehicle Use Tax, and Bike Excise Tax

Background

The 2017 Oregon Legislature passed House Bill 2017, marking a significant investment in transportation to promote a clean environment, strong communities with good quality of life, a vibrant economy with good jobs, and safe, healthy people. This effort is referred to as Keep Oregon Moving. In addition to increasing the traditional Highway Fund taxes and fees, three new taxes were introduced to provide additional funding for Keep Oregon Moving:

1. Statewide **Transit Payroll Tax** for investments in public transportation
2. **Vehicle Privilege Tax** (on new vehicles purchased and registering in Oregon) dedicated to the Connect Oregon program and to promote electric vehicle sales. New vehicles purchased outside of Oregon and registering in Oregon are subject to a similar tax called **Vehicle Use Tax**. However, these funds go to Highway Fund and thus are treated as a separate line item.
3. **Bike Excise Tax** also dedicated to the Connect Oregon program to provide grants for bicycle and pedestrian projects.

The Vehicle Privilege/Use Tax and Bike Excise Tax were implemented January 2018. The Transit Payroll Tax went into effect in July 2018.

This document provides revenue forecasts through Fiscal Year 2025 for all three of these new tax programs. Summary of the **Net Tax Revenue** forecast to ODOT (total revenue minus collection costs minus transfer of privilege tax funds to DEQ) by tax program is provided in Table 1 below. Table 2 at the end of this publication provides a more detailed look at the total tax collections, collection costs, transfers to DEQ, and net tax revenues to ODOT. Forecasts are based on accrual method (period for which tax is due) rather than cash method (cash collected and available for distribution). The exception is Table 3, where the estimates are based on the distribution period to qualified entities of the Transit Payroll Tax.

Table 1: Net Tax Revenues to ODOT by Tax Program (Millions of Dollars)

	Actual	Forecast		
	BI 2017-19	BI 2019-21	BI 2021-23	BI 2023-25
TRANSIT TAX	\$95.1	\$181.2	\$232.2	\$256.2
VEHICLE PRIVILEGE TAX	\$16.4	\$29.0	\$32.8	\$60.4
VEHICLE USE TAX	\$12.1	\$15.6	\$17.7	\$18.8
BIKE EXCISE TAX	\$0.9	\$1.3	\$1.4	\$1.4
TOTAL NET TAX REVENUE	\$124.4	\$227.2	\$284.1	\$336.8

Note: Individual amounts may not add up to the total due to rounding.

Transit Payroll Tax

Transit Payroll Tax, the largest of these taxes, is a statewide payroll tax. The tax, at the rate of one-tenth of one percent, is imposed on the wages of employees who are Oregon residents regardless of where they work as well as residents of other states who work in Oregon. The revenue from this tax will primarily be shared with the transit agencies in Oregon. The vast majority, 90 percent, will be distributed by formula to the statutorily defined Qualified Entities.

At a gross level the current forecast method is a simple one since we have very limited historical data to help predict future revenues. Payroll data from The Oregon Employment Department (OED) is multiplied by growth rates from the Oregon Office of Economic Analysis (OEA) forecasted growth in Oregon wages and salaries. These values are multiplied by the payroll tax rate to produce the estimated gross quarterly payroll tax, assuming the OED payroll is equivalent to the total transit payroll tax liability.

However, since these are two different payroll programs, the payroll totals will likely not be completely comparable. To adjust for this, a ratio was created measuring the share of transit payroll tax liability to total OED payroll. The ratio is about 97%. Another feature of this data is that the most recent actuals will continue maturing as entities pay the past due tax. Because of that, the Q4-2019 data is considered preliminary and our forecast makes an adjustment to it based on historic data and how it matures over time. The forecast for Q1-2020 through Q2-2021 has been adjusted downwards to reflect the impact of COVID-19 pandemic. The simulated reduction in payroll is similar to 2008 recession experience.

Figure 1. Transit Payroll Tax Collections - Forecast Comparison (Quarterly Collections, Accrual)

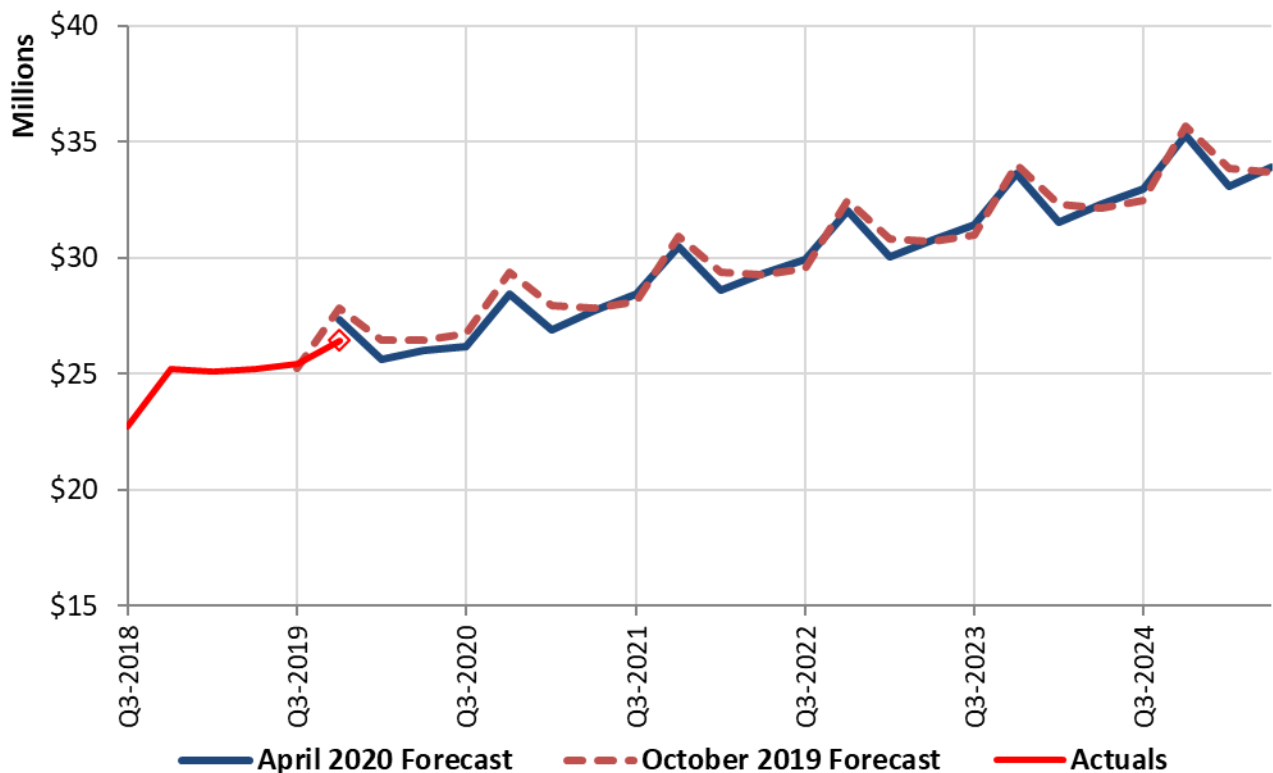


Table 3 at the end of the publication summarizes by fiscal year the revenue each Qualified Entity is projected to receive, based on when the funds will be distributed, not the accrual period. These estimates are based on employer withholding, which will be slightly different from what is actually transferred, because of refunds and late payments that can affect the transfer from DOR to ODOT. In addition, the transfers to each qualified entity are based on having an approved plan, the values in the table assume each qualified entity has an approved plan and will receive all the funds available to them.

Vehicle Privilege and Use Taxes

Vehicle Privilege and Use Taxes only apply to manufacturer or dealer vehicle sales: private vehicle sales are excluded. The tax amount of 0.5% of vehicle's sale price is assessed on the following vehicle types: passenger vehicles, trucks, trailers (except 1,800 lbs. or less), travel trailers, motor homes, campers, motorcycles, mopeds, buses, bus trailers, and fixed load trailers. Only vehicles with odometer reading of 7,500 miles or less (if there is an odometer) and gross vehicle weight rating of 26,000 pounds or less are subject to this tax. If the sale occurred in Oregon, the vehicle dealer is required to pay the **Privilege Tax**. If an Oregon resident purchases a new vehicle out of state they would pay the **Use Tax**. The rates are the same for both taxes, the nuance is that Use Tax revenue is Highway Fund revenue while Privilege Tax revenue is dedicated to the Connect Oregon and electric vehicle rebate programs.

The current forecast is developed using DMV's forecast for New Light Vehicle. The quantities of subject vehicles are forecasted first and then the total revenue collections are estimated by multiplying the vehicle quantity by the price using National Average Light Vehicle Price forecast from IHS Markit, multiplied by the tax rate of 0.5 percent. Figure 2 below compares current forecast with our previous (October 2019) forecast for Vehicle Privilege Tax and Figure 3 shows the forecast comparison for Vehicle Use Tax. The expected revenues for 2020 are lower than previously forecasted due to COVID-19 impact on light vehicle sales.

However, these forecasts were completed early in March before policies to minimize the impact of the virus on the health of Oregon's population were implemented. Because of this timing challenge the forecasted effects are minor. Since then, shutdown/stay home policies were implemented and vehicle sales have likely been significantly impacted. With the benefit of a couple months of data, our office will be publishing a forecast update in July for a select set of our largest revenue sources, which will include an update of the Privilege and Use tax revenues.

Figure 2. Vehicle Privilege Tax - Forecast Comparison (Quarterly Collections, Accrual)

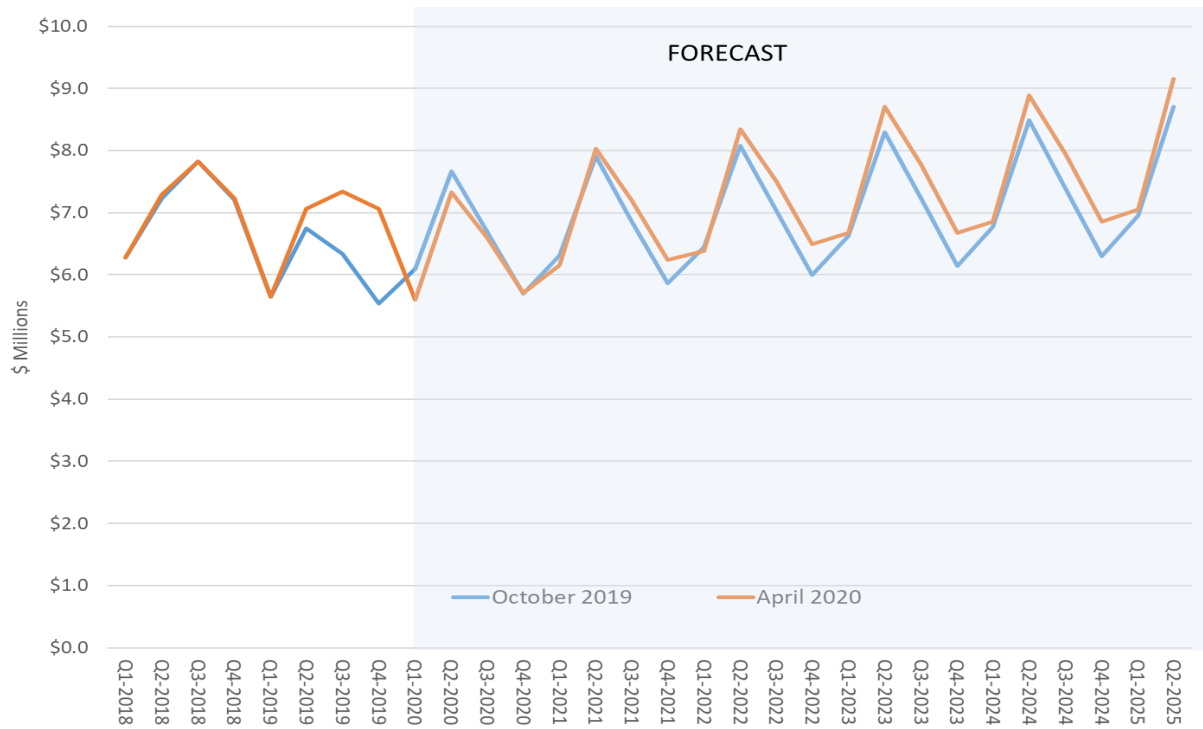


Figure 3. Vehicle Use Tax - Forecast Comparison (Quarterly Collections, Accrual)

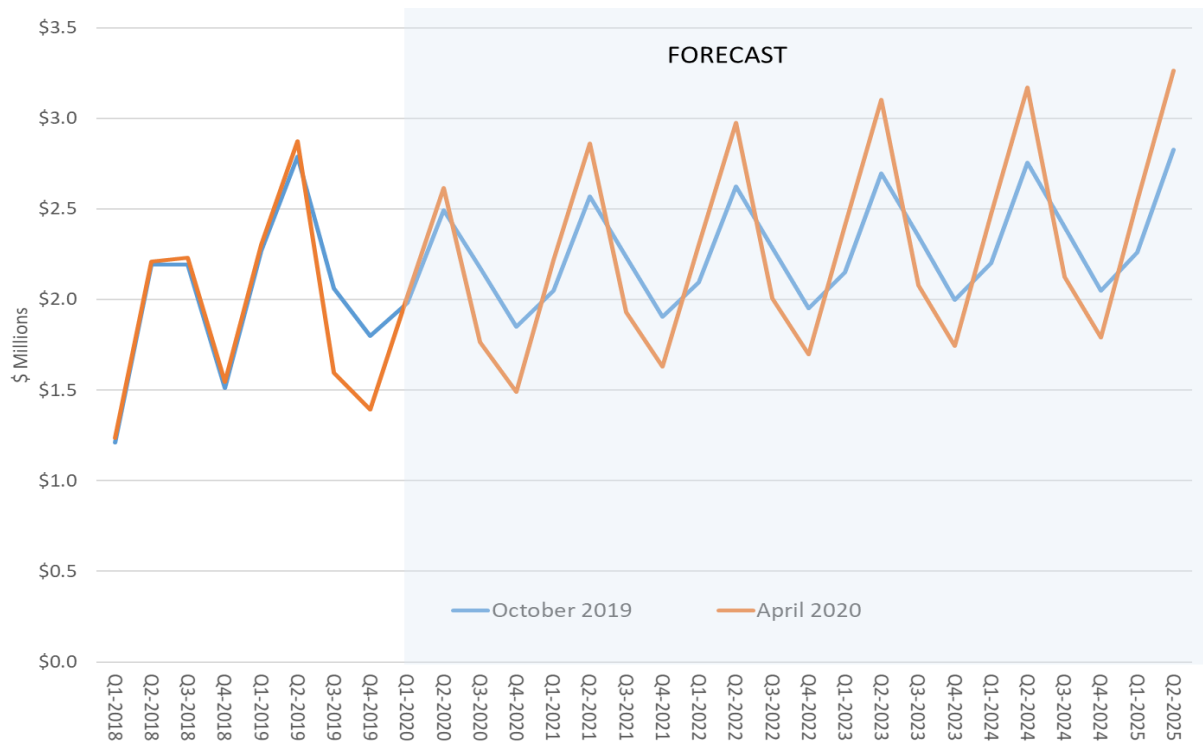


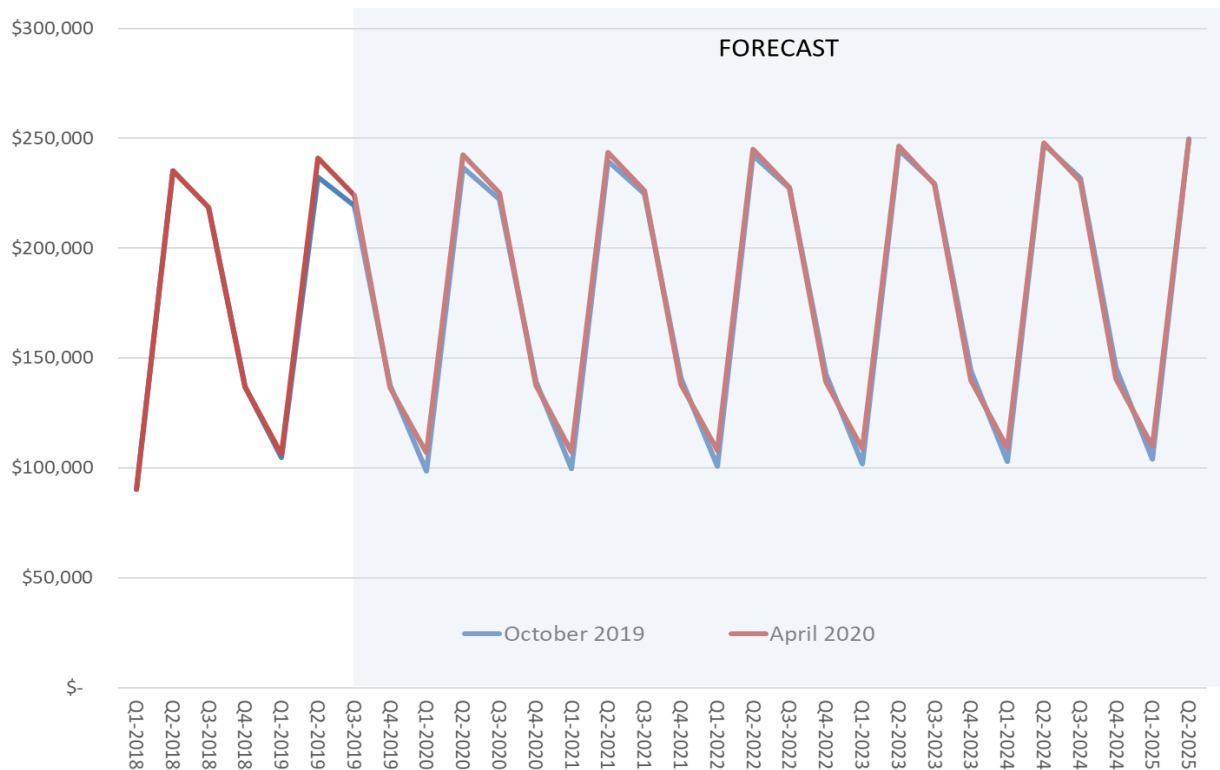
Table 2 provides summary of expected total revenues, collection costs, transfers to DEQ (for electric vehicle rebates and promotions), and net revenues to ODOT. The collection costs are higher for the first biennium due to start-up costs and are expected to level out in the forecast. The transfers of Vehicle Privilege Tax to DEQ will end in CY 2024, at which point the net revenue to ODOT will increase by \$24 million starting with 2023-25 biennium.

Bike Excise Tax

The Oregon bicycle excise tax is a flat tax of \$15, collected at the point of sale starting January 1, 2018. Revenue from the bicycle excise tax goes into the Multimodal Active Transportation Fund to provide grants for bicycle and pedestrian transportation projects. This tax initially applied to bicycles with a wheel diameter of 26-inches or larger and excluded electric-assist bicycles. However, during the 2018 Legislative Session, these restrictions were removed (HB 4059) and now all new bicycles of \$200 and higher are subject to the tax. While the tax is a liability of the purchaser, the seller is ultimately responsible for collecting it, filing quarterly returns with Department of Revenue, and making payments.

The forecast is developed using eight quarters of available data from the Department of Revenue and Oregon population growth rates. The previous forecast was tracking well and the current forecast is just slightly lower than the previous forecast (Figure 5). Given the seasonal nature of bicycle sales, we don't anticipate a big impact from COVID-19 to this forecast.

Figure 5: Bicycle Excise Tax Collections – Forecast Comparison (Quarterly Collections, Accrual)



Collection costs for the Bike Tax program are small, scaled to the revenue collected. Although like the other taxes, fiscal years 2018 and 2019 experienced some one-time costs that bumped up collection costs for those years. Going forward, we expect collection costs to average \$42,000 per year.

Summary

In summary, net tax revenues to ODOT for all three taxes totaled \$124.4 million during the 2017-19 biennium. This is 1.2% (\$1.45 million) higher than the October 2019 forecast. We expect 12.4% reduction in net revenues (\$32.1 million) in the 2019-21 biennium compared to the previous forecast due to COVID-19 impact. The forecast for 2021-23 and 2023-25 biennia is similar to the previous forecast, just slightly lower.

Table 2: Total & Net Tax Revenues (Millions of Dollars)

	Actual		Forecast						Actual BI 2017-19	Forecast		
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025		BI 2019-21	BI 2021-23	BI 2023-25
TAX COLLECTIONS												
TRANSIT TAX	\$0.0	\$98.3	\$79.0	\$109.3	\$116.8	\$122.8	\$128.9	\$135.3	\$98.29	\$188.33	\$239.60	\$264.14
VEHICLE PRIVILEGE TAX	\$13.6	\$27.8	\$27.3	\$26.5	\$28.2	\$29.4	\$30.2	\$31.0	\$41.34	\$53.83	\$57.57	\$61.22
VEHICLE USE TAX	\$3.4	\$9.0	\$7.6	\$8.3	\$8.8	\$9.2	\$9.5	\$9.7	\$12.40	\$15.96	\$18.05	\$19.19
BIKE EXCISE TAX	\$0.3	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$1.03	\$1.42	\$1.44	\$1.46
TOTAL TAX COLLECTIONS	\$17.3	\$135.7	\$114.7	\$144.9	\$154.6	\$162.1	\$169.3	\$176.7	\$153.1	\$259.5	\$316.7	\$346.0
Change from Previous Forecast	\$0.1	\$1.3	-\$27.7	-\$4.4	-\$1.5	-\$0.8	-\$0.4	-\$0.2	\$1.5	(\$32.1)	(\$2.3)	-\$0.62
COLLECTION COSTS:												
TRANSIT TAX	\$0.0	\$3.2	\$3.6	\$3.5	\$3.6	\$3.7	\$3.9	\$4.0	\$3.23	\$7.12	\$7.37	\$7.90
VEHICLE PRIVILEGE TAX	\$0.3	\$0.7	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.93	\$0.78	\$0.80	\$0.86
VEHICLE USE TAX	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.33	\$0.31	\$0.32	\$0.34
BIKE EXCISE TAX	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.12	\$0.08	\$0.08	\$0.09
TOTAL COLLECTION COSTS	\$0.4	\$4.2	\$4.2	\$4.1	\$4.2	\$4.4	\$4.5	\$4.7	\$4.6	\$8.3	\$8.6	\$9.2
TRANSFER TO DEQ:												
VEHICLE PRIVILEGE TAX	\$12.0	\$12.0	\$12.0	\$12.0	\$12.0	\$12.0	\$0.0	\$0.0	\$24.0	\$24.0	\$24.0	\$0.0
NET TAX REVENUES TO ODOT												
TRANSIT TAX	\$0.0	\$95.1	\$75.4	\$105.8	\$113.2	\$119.0	\$125.0	\$131.3	\$95.1	\$181.2	\$232.2	\$256.2
VEHICLE PRIVILEGE TAX	\$1.3	\$15.1	\$14.9	\$14.1	\$15.8	\$17.0	\$29.8	\$30.6	\$16.4	\$29.0	\$32.8	\$60.4
VEHICLE USE TAX	\$3.3	\$8.8	\$7.5	\$8.2	\$8.7	\$9.0	\$9.3	\$9.5	\$12.1	\$15.6	\$17.7	\$18.8
BIKE EXCISE TAX	\$0.3	\$0.6	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.9	\$1.3	\$1.4	\$1.4
TOTAL NET REVENUES TO ODOT	\$4.9	\$119.5	\$98.5	\$128.8	\$138.3	\$145.7	\$164.7	\$172.1	\$124.4	\$227.2	\$284.1	\$336.8
PRIOR FORECAST NET TAX REVENUES												
TRANSIT TAX	\$0.0	\$94.3	\$103.8	\$109.6	\$115.4	\$121.1	\$126.9	\$133.0	\$94.25	\$213.37	\$236.51	\$259.92
VEHICLE PRIVILEGE TAX	\$1.3	\$14.7	\$13.5	\$14.4	\$15.1	\$15.8	\$28.4	\$29.1	\$16.00	\$27.91	\$30.84	\$57.58
VEHICLE USE TAX	\$3.3	\$8.6	\$8.2	\$8.5	\$8.7	\$8.9	\$9.1	\$9.4	\$11.84	\$16.71	\$17.65	\$18.52
BIKE EXCISE TAX	\$0.3	\$0.6	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.89	\$1.35	\$1.38	\$1.40
CHANGE FROM PRIOR FORECAST												
TRANSIT TAX	\$0.0	\$0.8	-\$28.4	-\$3.8	-\$2.2	-\$2.1	-\$1.9	-\$1.8	\$0.80	-\$32.16	-\$4.28	-\$3.68
VEHICLE PRIVILEGE TAX	\$0.1	\$0.3	\$1.5	-\$0.3	\$0.7	\$1.2	\$1.4	\$1.4	\$0.41	\$1.14	\$1.93	\$2.78
VEHICLE USE TAX	\$0.0	\$0.2	-\$0.7	-\$0.3	\$0.0	\$0.1	\$0.2	\$0.2	\$0.23	-\$1.06	\$0.08	\$0.32
BIKE EXCISE TAX	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.01	-\$0.01	-\$0.02	-\$0.04

Note: Individual amounts may not add up to the total due to rounding.

Table 3: Estimated Transit Payroll Tax Revenue Distributed by Fiscal Year (based on when the funds will be distributed)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
TOTAL:	\$ 91,481,217	\$ 102,813,760	\$ 110,013,857	\$ 116,196,211	\$ 122,043,902	\$ 128,138,537
5% for grant programs	\$ 4,574,061	\$ 5,140,688	\$ 5,500,693	\$ 5,809,811	\$ 6,102,195	\$ 6,406,927
4% for community connections	\$ 3,659,249	\$ 4,112,550	\$ 4,400,554	\$ 4,647,848	\$ 4,881,756	\$ 5,125,541
1% to ODOT admin	\$ 914,812	\$ 1,028,138	\$ 1,100,139	\$ 1,161,962	\$ 1,220,439	\$ 1,281,385
90% to Qualified Entities	\$ 82,333,095	\$ 92,532,384	\$ 99,012,471	\$ 104,576,590	\$ 109,839,511	\$ 115,324,683
QUALIFIED ENTITIES:						
Baker County	\$ 165,860	\$ 185,152	\$ 198,347	\$ 209,676	\$ 220,392	\$ 231,561
Basin Transit Service District w/ out of district	\$ 748,143	\$ 828,143	\$ 887,159	\$ 937,833	\$ 985,764	\$ 1,035,718
In district	\$ 619,199	\$ 685,411	\$ 734,256	\$ 776,196	\$ 815,865	\$ 857,210
Out of district	\$ 128,944	\$ 142,732	\$ 152,904	\$ 161,637	\$ 169,898	\$ 178,508
Benton County	\$ 1,640,339	\$ 1,851,186	\$ 1,983,106	\$ 2,096,380	\$ 2,203,521	\$ 2,315,187
Burns Paiute Tribe	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Columbia County	\$ 371,392	\$ 424,299	\$ 454,536	\$ 480,499	\$ 505,056	\$ 530,651
Confederated Tribes of Coos, Lower Umpqua and Siuslaw	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Confederated Tribes of Grand Ronde Community of Oregon	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Confederated Tribes of Siletz Indians	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Confederated Tribes of the Umatilla Indian Reservation	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Confederated Tribes of Warm Springs	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Coos County	\$ 737,251	\$ 837,060	\$ 896,712	\$ 947,931	\$ 996,378	\$ 1,046,870
Coquille Indian Tribe	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Cow Creek Band of Umpqua Tribe of Indians	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Crook County	\$ 208,633	\$ 251,593	\$ 269,523	\$ 284,918	\$ 299,479	\$ 314,656
Curry County	\$ 189,938	\$ 216,539	\$ 231,970	\$ 245,220	\$ 257,752	\$ 270,814
Deschutes County	\$ 3,084,320	\$ 3,474,301	\$ 3,721,889	\$ 3,934,481	\$ 4,135,564	\$ 4,345,139
Douglas County	\$ 1,300,156	\$ 1,473,831	\$ 1,578,860	\$ 1,669,043	\$ 1,754,344	\$ 1,843,248
Gilliam County	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Grant County Transportation District	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Harney County	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Hood River County Transportation District	\$ 454,892	\$ 523,979	\$ 561,319	\$ 593,381	\$ 623,708	\$ 655,315
Jefferson County	\$ 218,912	\$ 252,648	\$ 270,652	\$ 286,111	\$ 300,734	\$ 315,974
Josephine County	\$ 832,794	\$ 941,277	\$ 1,008,355	\$ 1,065,952	\$ 1,120,430	\$ 1,177,209
Klamath Tribes	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Lake County	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Lane Transit District w/out of district	\$ 5,623,906	\$ 6,291,847	\$ 6,740,221	\$ 7,125,217	\$ 7,489,372	\$ 7,868,906
In district	\$ 5,329,410	\$ 5,962,375	\$ 6,387,270	\$ 6,752,106	\$ 7,097,192	\$ 7,456,851
Out of district	\$ 294,496	\$ 329,472	\$ 352,951	\$ 373,112	\$ 392,181	\$ 412,055
Lincoln County	\$ 574,277	\$ 652,839	\$ 699,362	\$ 739,309	\$ 777,093	\$ 816,473
Linn County	\$ 1,633,256	\$ 1,889,703	\$ 2,024,368	\$ 2,139,998	\$ 2,249,369	\$ 2,363,359
Malheur County	\$ 385,794	\$ 421,876	\$ 451,940	\$ 477,754	\$ 502,172	\$ 527,620
Morrow County	\$ 252,176	\$ 287,283	\$ 307,756	\$ 325,334	\$ 341,962	\$ 359,291
Rogue Valley Transportation District w/ out of district	\$ 3,100,688	\$ 3,474,334	\$ 3,721,925	\$ 3,934,518	\$ 4,135,603	\$ 4,345,180
In district	\$ 2,828,591	\$ 3,169,448	\$ 3,395,312	\$ 3,589,249	\$ 3,772,688	\$ 3,963,874
Out of district	\$ 272,097	\$ 304,886	\$ 326,613	\$ 345,268	\$ 362,914	\$ 381,306
Salem Area Mass Transit District w/ out of district	\$ 6,681,920	\$ 7,208,679	\$ 7,722,389	\$ 8,163,485	\$ 8,580,704	\$ 9,015,542
In district	\$ 4,764,550	\$ 5,140,157	\$ 5,506,458	\$ 5,820,982	\$ 6,118,481	\$ 6,428,542
Out of district Marion County	\$ 1,442,121	\$ 1,555,808	\$ 1,666,679	\$ 1,761,878	\$ 1,851,924	\$ 1,945,773
Out of district Polk County	\$ 475,249	\$ 512,715	\$ 549,252	\$ 580,625	\$ 610,299	\$ 641,227
Sherman County	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Sunset Empire Transportation District	\$ 579,429	\$ 652,730	\$ 699,245	\$ 739,185	\$ 776,963	\$ 816,337
Tillamook County Transportation District	\$ 309,837	\$ 346,029	\$ 370,688	\$ 391,862	\$ 411,889	\$ 432,762
Tri County Metropolitan Transportation District w/ out of district	\$ 48,680,148	\$ 55,112,826	\$ 59,040,315	\$ 62,412,648	\$ 65,602,430	\$ 68,926,915
In district	\$ 46,538,002	\$ 52,687,613	\$ 56,442,275	\$ 59,666,210	\$ 62,715,627	\$ 65,893,820
Out of district Clackamas County	\$ 1,654,849	\$ 1,873,524	\$ 2,007,036	\$ 2,121,677	\$ 2,230,111	\$ 2,343,125
Out of district Multnomah County	\$ 45,305	\$ 51,292	\$ 54,947	\$ 58,085	\$ 61,054	\$ 64,148
Out of district Washington County	\$ 441,992	\$ 500,398	\$ 536,057	\$ 566,676	\$ 595,638	\$ 625,823
Umatilla County	\$ 1,007,761	\$ 1,131,448	\$ 1,212,078	\$ 1,281,311	\$ 1,346,796	\$ 1,415,046
Union County	\$ 325,542	\$ 369,557	\$ 395,893	\$ 418,506	\$ 439,895	\$ 462,187
Wallowa County	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Wasco County	\$ 389,301	\$ 422,711	\$ 452,835	\$ 478,700	\$ 503,166	\$ 528,664
Wheeler County	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Yamhill County	\$ 1,236,430	\$ 1,410,513	\$ 1,511,029	\$ 1,597,338	\$ 1,678,975	\$ 1,764,059