

## IMPACT STATEMENT

**Legislation title:** Make administrative changes to Motor Vehicle Fuel Tax Code for more efficient implementation of the Street Repair and Traffic Safety Program. (Ordinance; amend Code 17.105)

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**Purpose of proposed legislation and background information:**

Portland streets are one of our most valuable public assets. Due to lack of funding, the City is behind in addressing the maintenance needs of many of our streets and the condition of our streets continues to decline, leading to costlier future maintenance costs. Additionally, we lack funding to complete many critical traffic safety improvements to help take care of Portlanders, providing safe routes to students to walk to school and seniors to access transit.

In January 2016, the City Council referred a measure to the voters asking them to consider voting on the creation of a program dedicated to street repair and traffic safety through a temporary, ten-cents per gallon tax on motor vehicle fuels in Portland for vehicles not subject to weight-mile tax and creating City Code 17.105.

On May 17<sup>th</sup>, 2016 the voters of Portland voted to implement the temporary ten-cents per gallon motor vehicle fuels tax and create City Code Chapter 17.105 to execute Portland's Street Repair and Traffic Safety Program. The City of Portland is working with the Oregon Department of Transportation (ODOT) to administer the tax collections and heavy weight vehicles (vehicles over 26,000 pounds and those that pay Oregon state weight-mile taxes) are exempt from paying the temporary, ten-cents per gallon tax.

As currently written in City Code Chapter 17.105, the tax is applied at first sale which means Dealers will remit the tax and pass the cost of the tax to Sellers and Users. Vehicles subject to the Oregon weight-mile tax will pay the ten-cents per gallon tax and will need to apply for a refund. The code was written this way based on recommendations from ODOT that this was the preferred method to administer the tax.

Based on recent feedback, regarding streamlining collections, from the Oregon weight-mile tax payees as well as the Oregon Department of Transportation, the Portland Bureau of Transportation is proposing to make minor administrative changes to City Code Chapter 17.105 to collect the diesel portion of the motor vehicle fuels tax in a way that is more efficient.

There are four changes that will need to be made to the City of Portland's administrative code, Chapter 17.105, to align it with how the state gas tax is collected. This will allow

Oregon weight-mile tax holders to avoid paying the tax, rather than relying on the refund system, making the collection process more efficient.

In order to be consistent with the state of Oregon Revised Statute (ORS) Chapter 319, the City of Portland will implement the following fairly minor administrative changes. These will have no impact on the end payee of the tax, the timing of the tax, or the amount of revenue raised from the tax.

Administrative Changes to Chapter 17.105 to be consistent with ORS 319

- Adjust the tax due date from the 25<sup>th</sup> of the month to the 20<sup>th</sup> of the month
- Change the late penalty amount from 1% through the end of the month and then 10% additional if not paid by the 1st of the month, to 10% of the unpaid tax
- Change the taxation point from the point of first sale to the when the fuel is placed into the fuel tank of a motor vehicle
- Add a definition of Users that is consistent with ORS to the City of Portland code

**Financial and budgetary impacts:**

This legislation will have no impact on the amount of tax collected through the temporary ten-cents per gallon motor vehicles fuels tax. Payees of the Oregon weight-mile tax are exempt from paying the ten-cents per gallon tax and this legislation will simply make the exemption process more efficient. Currently, Oregon weight-mile tax holders first have to pay the tax and then apply for a refund. With these legislative changes, Oregon Weight-Mile tax payees will never have to pay the tax. These road users, instead pay for their share of road damage through the Heavy Vehicle Use Tax, a separate temporary tax which will be administered through the City's Revenue Division.

As ODOT implements their software system for tax collections, we anticipate a small additional charge to set up the system to accommodate this change. This charge is expected to be a one-time charge of around \$50,000. The total administrative collection charges will still remain under 3% of the revenue collected. This is consistent with the original estimate for administrative costs.

**Community impacts and community involvement:**

The only group of constituents who will be impacted by this change are Heavy Vehicle operators and gas stations. PBOT worked with representatives of the Oregon Trucking Association to determine these administrative changes which make the tax collection more efficient and streamline the exemption process for Heavy Vehicle operators. Representatives from the Oregon Fuels Association was also consulted on these proposed changes.

There will be no other community impacts. The amount of taxes collected will remain the same and the use of the tax funding will remain the same.

### Budgetary Impact Worksheet

**Does this action change appropriations?**

- YES:** Please complete the information below.
- NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

KK 10-31-2016