

Overview

Vehicle Privilege Tax

The Vehicle Privilege Tax (VPT) was established by the 2017 Oregon Legislative Assembly ([HB 2017](#)) and went into effect on January 1, 2018. VPT is imposed on vehicle dealers for the privilege of selling vehicles in Oregon. The tax is one-half of one percent (0.005) on the retail price of any taxable vehicle.

A vehicle dealer may collect the tax from their purchaser at the same time and in the same manner that they collect document processing fees. The dealer is responsible for filing and paying VPT quarterly. Returns and payments are due by the last day of the month following the end of each quarter. Revenue from the VPT is distributed to the Department of Environmental Quality (DEQ) Zero-Emission Incentive Fund and the ODOT Connect Oregon Fund.

Companion Use Tax

The Vehicle Use Tax (VUT) is a companion to the VPT. The VUT applies to taxable vehicles that are purchased outside of Oregon but required to be registered in Oregon. The VUT tax rate is identical to the VPT. Revenue from the VUT is dedicated to the State Highway Fund.

Legislative Changes

The legislature has amended the laws governing the tax several times since the privilege tax was originally enacted in 2017. While many of these changes were administrative clarifications, the legislature has made two substantive changes to how VPT revenue is distributed.

As originally enacted in 2017, a flat \$12 million of VPT revenue was annually transferred to the Zero-Emission Incentive Fund, with the remaining revenue dedicated to the Connect Oregon Fund. The annual distribution to the Zero-Emission Incentive Fund was due to sunset at the end of 2023, after which all VPT revenue would be dedicated to Connect Oregon. However, in 2021, the legislature removed the sunset ([HB 2165](#)), ensuring that a portion of VPT revenue would continue to support the Zero-Emission Incentive Fund in 2024 and forward. In 2022, the legislature made another adjustment to VPT revenue distribution, providing that the **greater of \$12 million or 45 percent** of VPT revenue shall be dedicated to the Zero-Emission Fund ([SB 1558](#)).

Revenue Collection and Distribution

After paying refunds and administrative expenses, revenue from the VPT is distributed to two funds: The Zero-Emission Incentive Fund and the Connect Oregon Fund. Under current law, \$12 million or 45 percent (whichever is greater) of VPT revenue is transferred annually to the Zero-Emission Incentive Fund. The remaining revenue is transferred to the Connect Oregon Fund. The table on the next page shows the tax receipts, administrative expenses, and amounts distributed to the Connect Oregon Fund and the Zero-Emission Incentive Fund each calendar year from 2018 through 2024.

Calendar Year	Vehicle Privilege Receipts	DOR Admin Expenses	Connect Oregon Fund	Zero Emission Fund
2018	\$21,152,800.64	\$321,066.09	\$5,817,068.61	\$12,000,000.00
2019	\$27,613,460.90	\$826,790.62	\$16,207,195.04	\$12,000,000.00
2020	\$27,023,686.68	\$375,000.00	\$13,742,136.25	\$12,000,000.00
2021	\$33,090,187.09	\$375,000.00	\$19,850,843.79	\$12,000,000.00
2022	\$33,505,674.47	\$375,000.00	\$21,185,541.75	\$12,000,000.00
2023	\$34,198,991.98	\$385,002.00	\$18,434,574.20	\$15,395,107.25
2024	\$33,713,073.70	\$355,826.46	\$18,898,073.98	\$15,785,245.62

