REVENUE IMPACT OF PROPOSED LEGISLATION

75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office

Bill Number:	SB 878 A
Revenue Area:	Income Taxes
Economist:	Chris Allanach
Date:	6-5-09

Measure Description: Creates the Oregon New Markets Development Program and defines terms. Creates an income and corporate excise tax credit for qualified equity investments in businesses located in low-income communities. The tax credit equals 39 percent of the qualified equity investment taken over seven years; no credit is allowed in the first two years after the initial investment, seven percent is allowed in the third year, and eight percent is allowed in each of the subsequent four years. The credit is non-refundable but may be carried-forward to any succeeding tax year. Limits the total amount of certified credits to $78 million.

Revenue Impact ($Millions):

	Fiscal Year		Biennium		
	2009-10	**2010-11**	**2009-11**	**2011-2013**	**2013-2015**
General Fund	**$0**	**$0**	**$0**	**- $12.1**	**- $31.4**

Impact Explanation: The revenue impact estimates are based on all projects that would be eligible for the credit, with the assumption that $125 million of investment would occur in 2010 and the remaining $75 million in 2011. Because no credit is allowed for the first two years of the investment, there is no revenue impact until tax year 2012. A study prepared by Economic Research suggests that if these projects represent new investment then Oregon is likely to see direct output increase by roughly $500 million and an additional 3,089 jobs created. When indirect and induced effects are incorporated, those totals reach an estimated $886 million and 6,061 jobs.

A 2007 Government Accountability Office (GAO) study examined the federal New Markets Tax Credit (NMTC) program for tax years 2003-05, during which 14 projects in Oregon resulted in $111 million of investments. The authors of the study concluded that corporate investors were not, in general, increasing their level of investment but were shifting investment away from higher-income communities and toward low-income communities. Individual investors, on the other hand, appear to have increased their total level of investment by participating in the federal program.

Creates, Extends, or Expands Tax Expenditure: Yes

The purpose of this bill is to increase private capital investments in Oregon's low-income communities.

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