

**REVENUE: Revenue Impact Issued**  
**FISCAL: Fiscal Impact Issued**

---

**Action:** Do Pass with Amendments and be Printed A-Engrossed, and Request Referral to Ways and Means.

**Vote:** 5-0-0

**Yeas:** Hass, Morse, Rosenbaum, Telfer, Burdick

**Nays:** 0

**Exc.:** 0

**Prepared By:** Chris Allanach, Economist

**Meeting Dates:** 3/25; 5/26, 6/2

---

**WHAT THE BILL DOES:** 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. Specifies conditions that must be met for a taxpayer to be eligible for the credit and requires a nonrefundable application fee of \$5,000. Limits the amount of qualified investments in a qualified business to \$10 million. Limits the total amount of certified credits to \$78 million. Requires the qualified community development entity to annually report the number of jobs created by the investments, the average annual salary of those jobs, and the number that provide health benefits. Establishes a certification process with the Economic and Community Development Department. Specifies conditions upon which the Department of Revenue may recapture tax credits.

**ISSUES DISCUSSED:**

- The federal New Markets Tax Credit program
- Similar programs in other states
- Value of providing investment capital
- Clawback provision
- Share of investment in rural and urban areas
- Certification process

**EFFECT OF COMMITTEE AMENDMENTS:** Moves the certification process from the Department of Revenue to the Economic and Community Development Department; requires the qualified community development entity to annually report the number of jobs created by the investments, the average annual salary of those jobs, and the number that provide health benefits; replaces the blank amount of the application fee with \$5,000; replaces the blank amount of limit to certified credits with \$78 million; establishes an annual evaluation fee of \$1,000.

**BACKGROUND:** This program is modeled after the federal New Markets Tax Credit which is designed to stimulate investment in low-moderate income rural and urban communities. The federal credit also equals 39 percent of the investment and is taken over seven years (5 percent in the first three years and 6 percent thereafter). According to a 2007 Government Accountability Office (GAO) report, between federal fiscal years 2003 and 2005 a total of 14 Oregon projects resulted in roughly \$111 million dollars of investments through the federal New Markets Tax Credit (NMTC) program.