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To: Senator Mark Hass and Representative Phil Barnhart, Co-Chairs,
Joint Committee on Tax Credits

From: Senator Brian Boquist, Chair BJB
Committee on Veterans and Emergency Preparedness

Date: 9 March 2015

Subj: Senate Bill 54– Oregon Veterans' Home Physician

The Senate Veterans and Emergency Preparedness Committee (SVEP) heard Senate Bill 54 and concluded that the tax credit should be extended until 2022, as it appears to continue to serve its purpose – of encouraging physicians to provide specialized long-term care to patients at the Oregon Veterans' Home in The Dalles – especially since the Lebanon Veterans' Home has just begun operation, and the Roseburg Veterans' Home is pending.

Below are responses to questions posed at Appendix D, on page 101 of the Legislative Revenue Office's Research Report No. 2-15, *2016 Expiring Tax Credits* (RR 2-15):

- **What is the public policy purpose of this credit? Is there an expected timeline for achieving this goal?**

  According to RR 2-15, the public policy purpose appears to have been, to improve access to long-term, specialized residential care for veterans, by using the tax credit to encourage physicians to treat residents of Oregon Veterans' Homes. SVEP did not discuss timelines.

- **Who (groups of individuals, types of organizations or businesses) directly benefits from this credit? Does this credit target a specific group? If so, is it effectively reaching this group?**

According to RR 2-15: physicians benefit directly from this credit, and the credit is designed to target them. According to testimony from the Oregon Department of Veterans' Affairs (ODVA), the tax credit is reaching its intended target and has indirectly benefitted residents of the Veterans' Home in The Dalles.

- **What is expected to happen if this credit fully sunsets? Could adequate results be achieved with a scaled down version of the credit? What would be the effect of reducing the credit by 50%?**

  According to testimony from ODVA, if the tax credit were to expire, the Veterans' Home in The Dalles would be concerned about its ability to draw visiting physicians. (Even *with* the tax credit, the facility has difficulty drawing visiting physicians.) SVEP did not discuss a scaled-down version or a reduction.

- **What background information on the effectiveness of this type of credit is available from other states?**

  SVEP did not discuss whether background information was available from other states.

- **Is use of a tax credit an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Would a direct appropriation achieve the goal of this credit more efficiently?**

  SVEP did not discuss whether this tax credit was effective or efficient; nor direct appropriations. According to RR 2-15, the revenue impact of the credit varied between $10,000 and $25,000 per year between 2005 and 2012, and administrative costs are minimal, borne by the Department of Revenue.

- **What other incentives (including state or local subsides, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?**

  SVEP did not discuss alternative incentives.