

A-Engrossed
House Bill 3206

Ordered by the House June 23
Including House Amendments dated June 23

Sponsored by Representatives MCLANE, RESCHKE (at the request of Klamath County Commissioner Kelley Minty Morris)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

[Creates tax credit for taxpayer located in qualifying county who purchases software or hardware for electronic commerce.]

Creates tax credit for taxpayer located in qualifying county who establishes and implements employee training program in collaboration with local community college.

[Creates tax credit for taxpayer located in qualifying county who hires and retains graduate of Oregon Institute of Technology.]

[Creates tax credit for taxpayer who establishes new business in qualifying county and hires at least one full-time employee for job with new business.]

[Creates tax credit for taxpayer located in qualifying county who hires graduate of Oregon Institute of Technology in new insured position.]

[Creates tax credit for taxpayer who rehabilitates vacant rural building for commercial use.]

[Increases amount of qualified research expenses tax credit for taxpayers located in qualifying county.]

[Increases amount of alternative qualified research expenses tax credit for taxpayers located in qualifying county.]

Applies to tax years beginning on or after January 1, 2017.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to tax credits; creating new provisions; amending ORS 314.752 and 318.031; and prescribing
3 an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Section 2 of this 2017 Act is added to and made a part of ORS chapter 315.**

6 **SECTION 2. (1) As used in this section, "qualifying county" means a county with a pop-**
7 **ulation greater than 60,000 but less than 80,000 that:**

8 **(a) Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth**
9 **Boundary and the acknowledged urban growth boundary of cities with populations of 30,000**
10 **or more;**

11 **(b) Has an annual economic development budget of \$500,000 or greater;**

12 **(c) Has an unemployment rate at least 1.5 percentage points greater than the comparable**
13 **unemployment rate for the state;**

14 **(d) Is party to an agreement with an institute of higher education to coordinate efforts**
15 **to promote enterprise throughout the county;**

16 **(e) Is the site of a base or installation of the Armed Forces of the United States that**
17 **employs at least 750 civilian and military personnel; and**

18 **(f) Has access to Internet service with the minimum connection speed required to effec-**
19 **tively conduct electronic commerce.**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **(2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-**
2 **payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who is located**
3 **in a qualifying county and who establishes and implements an employee training program in**
4 **collaboration with a local community college operated under ORS chapter 341.**

5 **(3) The credit allowed under this section shall be equal to 12 percent of the taxpayer's**
6 **expenses to establish and implement the employee training program described in subsection**
7 **(2) of this section.**

8 **(4) For each tax year for which a credit is claimed under this section, the taxpayer shall**
9 **maintain records sufficient to prove the taxpayer's eligibility for the credit allowed under**
10 **this section. A taxpayer shall maintain the records required under this subsection for at**
11 **least five years.**

12 **(5) The credit allowed under this section may not exceed the tax liability of the taxpayer**
13 **for the tax year.**

14 **(6) Any tax credit otherwise allowable under this section that is not used by the taxpayer**
15 **in a particular tax year may be carried forward and offset against the taxpayer's tax liability**
16 **for the next succeeding tax year. Any credit remaining unused in the next succeeding tax**
17 **year may be carried forward and used in the second succeeding tax year, and likewise any**
18 **credit not used in that second succeeding tax year may be carried forward and used in the**
19 **third succeeding tax year, but may not be carried forward for any tax year thereafter.**

20 **(7) A nonresident taxpayer shall be allowed the credit under this section. The credit shall**
21 **be computed in the same manner and be subject to the same limitations as the credit**
22 **granted to a resident taxpayer. However, the credit shall be prorated using the proportion**
23 **provided in ORS 316.117.**

24 **(8) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,**
25 **or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,**
26 **the credit allowed by this section shall be prorated or computed in a manner consistent with**
27 **ORS 314.085.**

28 **(9) If a change in the status of a taxpayer from resident to nonresident or from nonres-**
29 **ident to resident occurs, the credit allowed by this section shall be determined in a manner**
30 **consistent with ORS 316.117.**

31 **(10) Spouses in a marriage who file separate returns for a taxable year may each claim**
32 **a share of the tax credit that would have been allowed on a joint return in proportion to the**
33 **adjusted gross income of each.**

34 **SECTION 3.** ORS 314.752 is amended to read:

35 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a
36 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The
37 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are
38 allowable to the shareholders of the S corporation.

39 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.734, on
40 income of the shareholder of an S corporation, there shall be taken into account the shareholder's
41 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but
42 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-
43 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the
44 manner prescribed under section 1377(a) of the Internal Revenue Code.

45 (3) The character of any item included in a shareholder's pro rata share under subsection (2)

1 of this section shall be determined as if such item were realized directly from the source from which
2 realized by the corporation, or incurred in the same manner as incurred by the corporation.

3 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax
4 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS
5 316.117, then that provision shall apply to the nonresident shareholder.

6 (5) As used in this section, "business tax credit" means a tax credit granted to personal income
7 taxpayers to encourage certain investment, to create employment, economic opportunity or incentive
8 or for charitable, educational, scientific, literary or public purposes that is listed under this sub-
9 section as a business tax credit or is designated as a business tax credit by law or by the Depart-
10 ment of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309
11 (tribal taxes on reservation enterprise zones and reservation partnership zones), ORS 315.104 (fore-
12 station and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141
13 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture
14 workforce housing), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care facili-
15 ties), ORS 315.213 (contributions for child care), ORS 315.304 (pollution control facility), ORS 315.326
16 (renewable energy development contributions), ORS 315.331 (energy conservation projects), ORS
17 315.336 (transportation projects), ORS 315.341 (renewable energy resource equipment manufacturing
18 facilities), ORS 315.354 and 469B.151 (energy conservation facilities), ORS 315.507 (electronic com-
19 merce) and ORS 315.533 (low income community jobs initiative) **and section 2 of this 2017 Act**
20 **(employee training program with local community college).**

21 **SECTION 4.** ORS 318.031 is amended to read:

22 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter
23 317 shall be administered as uniformly as possible (allowance being made for the difference in im-
24 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-
25 corporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.141, 315.156, 315.204,
26 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.507 and 315.533 **and section 2 of this 2017**
27 **Act** (all only to the extent applicable to a corporation) and ORS chapter 317.

28 **SECTION 5.** **Section 2 of this 2017 Act and the amendments to ORS 314.752 and 318.031**
29 **by sections 3 and 4 of this 2017 Act apply to tax years beginning on or after January 1, 2017.**

30 **SECTION 6.** **This 2017 Act takes effect on the 91st day after the date on which the 2017**
31 **regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**

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