79th OREGON LEGISLATIVE ASSEMBLY--2017 Regular Session

# House Bill 3206

Sponsored by Representative MCLANE; Representative 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 **as introduced.**

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

Relating to tax credits; creating new provisions; amending ORS 314.752, 317.152, 317.154 and 318.031 and section 6, chapter 911, Oregon Laws 1989; and prescribing an effective date.

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

<u>SECTION 1.</u> **Sections 2 to 7 of this 2017 Act are added to and made a part of ORS chapter 315.**

<u>SECTION 2.</u> **(1) As used in this section:**

**(a) "Electronic commerce" means engaging in commercial or retail transactions predominantly over the Internet for transacting business or facilitating the use of the Internet by other persons for business transactions.**

**(b) "Qualifying county" means a county with a population greater than 60,000 but less than 80,000 that:**

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

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

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

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

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

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.

**(F) Has access to Internet service with the minimum connection speed required to effectively conduct electronic commerce.**

**(2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who is located in a qualifying county and who purchases software or hardware for engaging in electronic commerce.**

**(3) The credit allowed under this section shall be equal to three percent of all purchases of software or hardware for engaging in electronic commerce made by the taxpayer.**

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

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

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

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

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

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

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

**SECTION 3. (1) As used in this section, "qualifying county" means a county with a population greater than 60,000 but less than 80,000 that:**

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

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

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

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

**(e) Is the site of a base or installation of the Armed Forces of the United States that**

**employs at least 750 civilian and military personnel; and**

**(f) Has access to Internet service with the minimum connection speed required to effectively conduct electronic commerce.**

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

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

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

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

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

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

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

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

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

**SECTION 4. (1) As used in this section:**

**(a) "New job" means a full-time job that created a net increase in the number of full-time employees employed by an employer.**

**(b) "Qualifying county" means a county with a population greater than 60,000 but less than 80,000 that:**

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

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

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

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

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

**(F) Has access to Internet service with the minimum connection speed required to effectively conduct electronic commerce.**

**(2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who is located in a qualifying county and who during the tax year retained a graduate of the Oregon Institute of Technology in a new job for a minimum of 24 months.**

**(3) The credit allowed under this section shall be in the amount of $1,100 per graduate employed by the taxpayer as described in subsection (2) of this section.**

**(4) A taxpayer may claim the credit allowed under this section only for the tax year during which the graduate employed in a new job completed 24 consecutive months of employment.**

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

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

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

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

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

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

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

**SECTION 5. (1) As used in this section, "qualifying county" means a county with a population greater than 60,000 but less than 80,000 that:**

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

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

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

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

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

**(f) Has access to Internet service with the minimum connection speed required to effectively conduct electronic commerce.**

**(2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who establishes a new business during the tax year in a qualifying county and hires at least one full-time employee not previously employed by the taxpayer for a job with the new business. The credit allowed under this section shall be in the amount of $2,000 per new job.**

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

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

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

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

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

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

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

**SECTION 6. (1) As used in this section:**

**(a) "Insured position" means a job that offers employee health insurance coverage as a**

**component of the compensation and benefits package.**

**(b) "Qualifying county" means a county with a population greater than 60,000 but less than 80,000 that:**

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

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

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

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

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

**(F) Has access to Internet service with the minimum connection speed required to effectively conduct electronic commerce.**

**(2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who is located in a qualifying county and who during the tax year hires a graduate of the Oregon Institute of Technology in a new insured position. The credit allowed under this section shall be in the amount of $1,000 per new insured position.**

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

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

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

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

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

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

**(9) Spouses in a marriage who file separate returns for a taxable year may each claim a share of the tax credit that would have been allowed on a joint return in proportion to the**

**adjusted gross income of each.**

**SECTION 7. (1) As used in this section:**

**(a) "Qualifying county" means a county with a population greater than 60,000 but less than 80,000 that:**

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

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

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

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

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

**(F) Has access to Internet service with the minimum connection speed required to effectively conduct electronic commerce.**

**(b) "Vacant rural building" means a structure located in a qualifying county that is at least 20 years old and has been vacant for at least two years.**

**(2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who rehabilitates a vacant rural building for commercial use. The credit allowed shall be equal to 25 percent of the taxpayer's costs to rehabilitate the vacant rural building, not to exceed $50,000.**

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

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

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

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

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

**(8) If a change in the status of a taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner**

**consistent with ORS 316.117.**

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

**SECTION 8.** ORS 317.152 is amended to read:

317.152. **(1) As used in this section:**

**(a) "Eligible taxpayer" means a corporation, other than a corporation excluded under section 41(e)(7)(E) of the Internal Revenue Code.**

**(b) "Qualifying county" means a county with a population greater than 60,000 but less than 80,000 that:**

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

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

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

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

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

**(F) Has access to Internet service with the minimum connection speed required to effectively conduct electronic commerce.**

[*(1)*] **(2)** A credit against taxes otherwise due under this chapter shall be allowed to eligible taxpayers for increases in qualified research expenses and basic research payments. The credit shall be determined in accordance with section 41 of the Internal Revenue Code, except as follows:

(a) The applicable percentage specified in section 41(a) of the Internal Revenue Code shall be five percent.

(b) "Qualified research" and "basic research" shall consist only of research conducted in Oregon.

(c) The following do not apply to the credit allowable under this section:

(A) Section 41(c)(4) of the Internal Revenue Code (relating to the alternative incremental credit).

(B) Section 41(h) of the Internal Revenue Code (relating to termination of the federal credit).

[*(2) For purposes of this section, "eligible taxpayer" means a corporation, other than a corporation excluded under Internal Revenue Code section 41(e)(7)(E).*]

**(3) Notwithstanding subsection (2)(a) of this section, for an eligible taxpayer located in a qualifying county, the applicable percentage specified in section 41(a) of the Internal Revenue Code shall be eight percent.**

[*(3)*] **(4)** The Income Tax Regulations as prescribed by the Secretary of the Treasury under authority of section 41 of the Internal Revenue Code apply for purposes of this section, except as modified by this section or as provided in rules adopted by the Department of Revenue.

[*(4)*] **(5)** The maximum credit under this section may not exceed $1 million.

[*(5)*] **(6)** A deduction may not be taken for the portion of expenses or payments, otherwise allowable as a deduction, that is equal to the amount of the credit claimed under this section.

[*(6)*] **(7)** Any tax credit that is otherwise allowable under this section and that is not used by the taxpayer in that year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding tax year may be carried forward and used in the fourth succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

**SECTION 9.** ORS 317.154 is amended to read:

317.154. (1) A credit against taxes otherwise due under this chapter shall be allowed for qualified research expenses that exceed 10 percent of Oregon sales.

(2) For purposes of this section:

(a) "Oregon sales" shall be computed using the laws and administrative rules for calculating the numerator of the Oregon sales factor under ORS 314.665.

(b) "Qualified research" has the meaning given the term under section 41(d) of the Internal Revenue Code and shall consist only of research conducted in Oregon.

**(c) "Qualifying county" means a county with a population greater than 60,000 but less than 80,000 that:**

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

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

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

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

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

**(F) Has access to Internet service with the minimum connection speed required to effectively conduct electronic commerce.**

(3)**(a)** The credit under this section is equal to five percent of the amount by which the qualified research expenses exceed 10 percent of Oregon sales.

**(b) Notwithstanding paragraph (a) of this subsection, for taxpayers located in a qualifying county, the credit under this section is equal to eight percent of the amount by which the qualified research expenses exceed 10 percent of Oregon sales.**

(4) The credit under this section shall not exceed $10,000 times the number of percentage points by which the qualifying research expenses exceed 10 percent of Oregon sales.

(5) The maximum credit under this section may not exceed $1 million.

(6) A deduction may not be taken for the portion of expenses or payments, otherwise allowable as a deduction, that is equal to the amount of the credit claimed under this section.

(7) Any tax credit that is otherwise allowable under this section and that is not used by the taxpayer in that year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding tax year may be carried forward and used in the fourth

succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

**SECTION 10.** Section 6, chapter 911, Oregon Laws 1989, as amended by section 14, chapter 746, Oregon Laws 1995, section 1, chapter 548, Oregon Laws 2001, section 15, chapter 739, Oregon Laws 2003, section 86, chapter 94, Oregon Laws 2005, and section 7, chapter 730, Oregon Laws 2011, is amended to read:

**Sec. 6.** ORS [*317.152 to 317.154*] **317.152, 317.153 and 317.154** apply to amounts paid or incurred in tax years beginning on or after January 1, 1989, and before January 1, [*2018*] **2024**.

**SECTION 11.** ORS 314.752 is amended to read:

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

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

(3) The character of any item included in a shareholder's pro rata share under subsection (2) of this section shall be determined as if such item were realized directly from the source from which realized by the corporation, or incurred in the same manner as incurred by the corporation.

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

(5) As used in this section, "business tax credit" means a tax credit granted to personal income taxpayers to encourage certain investment, to create employment, economic opportunity or incentive or for charitable, educational, scientific, literary or public purposes that is listed under this subsection as a business tax credit or is designated as a business tax credit by law or by the Department of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309 (tribal taxes on reservation enterprise zones and reservation partnership zones), ORS 315.104 (forestation and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture workforce housing), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care facilities), ORS 315.213 (contributions for child care), ORS 315.304 (pollution control facility), ORS 315.326 (renewable energy development contributions), ORS 315.331 (energy conservation projects), ORS 315.336 (transportation projects), ORS 315.341 (renewable energy resource equipment manufacturing facilities), ORS 315.354 and 469B.151 (energy conservation facilities), ORS 315.507 (electronic commerce) and ORS 315.533 (low income community jobs initiative) **and section 2 of this 2017 Act (purchase of software and hardware for electronic commerce), section 3 of this 2017 Act (employee training program with local community college), section 4 of this 2017 Act (hiring and retaining Oregon Institute of Technology graduates), section 5 of this 2017 Act (establishing new business and creating new jobs), section 6 of this 2017 Act (creating new insured positions) and section 7 of this 2017 Act (rehabilitation of vacant rural buildings)**.

**SECTION 12.** ORS 318.031 is amended to read:

318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter 317 shall be administered as uniformly as possible (allowance being made for the difference in imposition of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are incorporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.141, 315.156, 315.204, 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.507 and 315.533 **and sections 2 to 7 of this 2017 Act** (all only to the extent applicable to a corporation) and ORS chapter 317.

**SECTION 13. Sections 2 to 7 of this 2017 Act and the amendments to ORS 314.752, 317.152, 317.154 and 318.031 by sections 8, 9, 11 and 12 of this 2017 Act apply to tax years beginning on or after January 1, 2017.**

**SECTION 14. This 2017 Act takes effect on the 91st day after the date on which the 2017 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**