

Tax Credit Review

Senate Committee on Finance & Revenue

1/24/2019 | LRO



Overview of Discussion

- General background on tax expenditures
- Specified and implicit sunsets
- Tax credit review
 - Statutory requirements
 - Past Legislative tax credit review process
 - Tax credit report from LRO
- Tax credit table and preliminary cost to extend revenue estimates

General Background on Tax Expenditures

- ORS 291.201 Tax Expenditure defined:
 - “**tax expenditure**” means any law of the federal government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.
- Governor’s Tax Expenditure Report
 - Governor’s recommendations on tax expenditures scheduled to sunset:
 - 2019-21 recommendation was to extend the sunsets of all tax expenditures
- Income Tax Expenditures
 - Federal exclusions | Federal adjustments | Federal deductions | Oregon subtractions | Oregon credits

Specified and Implicit Sunsets

➤ ORS 315.037

(2) Any **tax credit** enacted by the Legislative Assembly on or after January 1, 2010, shall apply for a maximum of six tax years beginning with the initial tax year for which the credit is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

(3) Any **tax expenditure** enacted by the Legislative Assembly on or after January 1, 2014, shall apply for a maximum of six tax years beginning with the initial tax year for which the tax expenditure is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

Statutory Requirements

► ORS 315.051 | Report by Legislative Revenue Officer

- Report prepared prior to beginning of odd-numbered regular session
- Statute requires 11 deliverables in report:

• Stated policy purpose	• Purpose achievement timeline	• Achievement measurements
• Beneficiaries	• Effectiveness	• Expected results if allowed to expire
• Background information other states	• Effectiveness / efficiency of achieving stated policy goal	• Administrative costs
• Analysis of direct appropriation alternative	• Other incentives with similar policy	

► ORS 315.047 | List of tax credits with revenue impact in excess of projection

- List of recently enacted or modified tax credits where revenue impact exceeds original revenue impact statement accompanying the enactment/modification

► ORS 315.044 | Statement of purpose

- Legislative requirement that proposed tax credit or expansion of a tax credit includes statement of purpose provided by chief sponsor or a proponent of the measure

Past Tax Credit Legislative Review Process

- Three general stages of legislative review process
 - 1) Interim process
 - 2) Policy committee process
 - 3) Joint Tax Credit Committee process
- Committee legislative concepts (LCs) prepared with standard six-year sunset extensions
 - LCs may contain statutory changes identified as necessary to maintain status quo or align with legislative intent (E.G. – LC 2252, Agriculture Workforce Housing)

LRO Tax Credit Review Report

- Introduction and background of tax expenditures and credit review process
- Credit report sections
 - 1) Description
 - 2) Policy Purpose (identified in bolded statement)
 - 3) Beneficiaries
 - 4) Similar Incentives Available in Oregon
 - 5) Credit Effectiveness and Efficiency
 - 6) Analysis of: Direct Appropriation, Admin. & Compliance Costs, Other States
- Legislative history
- Comparison of past estimates with actual revenue impacts (HB 3542, 2015)
- LRO presents credit review to relevant policy committees and Joint Tax Credit Review Committee

Sunseting Tax Credits to be Reviewed

Tax Credit Costs Under Current Law and Costs to Extend Sunset Dates

Tax Credit	Biennium (\$M)							
	Cost Under Current Law				Cost to Extend Sunset Date			
	2017-19	2019-21	2021-23	2023-25	2017-19	2019-21	2021-23	2023-25
Employer Provided Scholarships	< 50K	< 50K	< 50K	< 50K	0	< 50K	< 50K	< 50K
Earned Income	104.6	53.4	0.0	0.0	0	54.2	113.3	120.0
Volunteer Rural Emergency Medical Services Providers	0.2	0.1	0.0	0.0	0	0.1	0.2	0.2
Agriculture Workforce Housing Construction	4.8	2.7	0.5	0.3	0	2.0	4.1	4.1
Manufactured Dwelling Park Closure	0.1	0.0	0.0	0.0	0	< 50K	0.1	0.1
Crop Donations	0.4	0.3	0.1	0.0	0	0.2	0.4	0.5
Political Contributions	11.6	5.8	0.0	0.0	0	6.7	12.7	13.5
Oregon Cultural Trust	7.9	4.1	0.0	0.0	0	4.2	8.6	9.0
Certain Retirement Income	1.4	0.7	0.0	0.0	0	0.7	1.3	1.2
Total	131.0	67.1	0.6	0.3	0.0	68.0	140.6	148.5