Brownfields Tax Credit

Upon a study of the states offering brownfield tax credits, it is apparent that impacts of the credits can vary considerably, even when they are extended at similar levels. This is likely due to differences in the economic conditions between states. The wealthier northeastern states appear to have more utilization of the credits relative to southern states. The economic conditions for development in Oregon are assumed to be better than the national average due to inmigration. However, historical population density may also be a factor. States with historically higher densities likely have more brownfields and contaminated sites. While net migration to Oregon is greater than the national average, the brownfields per capita may be lower. For these reasons, the impacts in Oregon of a brownfields tax credit are likely to be near the national average impact for similar credits.

Massachusetts offers a tax credit of 50% of the costs of cleanup and 25% of the costs of cleanup if the resulting property has limits to its use due to ongoing contamination. At this level, the average annual amount of credits used in the years 2011 to 2014 is $41.2 million. The population of Massachusetts is 6.79 million people while the population of Oregon is 4.03 million people. Scaling by population, a similar tax incentive in Oregon would likely have an annual revenue impact of $24.5 million. The tax credit in Massachusetts is also transferrable.

The brownfields tax credit in New York reduces income taxes for site preparation and on-site groundwater remediation credits from 22% to 50% of the costs dependent on the level of cleanup and the type of use (Unrestricted, Residential, Commercial, or Industrial.) In 2016, the revenue loss from the site prep/groundwater remediation was forecast at $68.5 million. Scaling by population, a similar credit structure in Oregon would have an impact of $32.3 million annually.

Missouri's brownfields tax credit covers up to 100% of remediation costs. However, it requires the Department of Economic development to determine that the economic impacts of the project must be greater than the revenue loss to the state. Additionally, the project must be accepted into the "Voluntary Cleanup Program" of the Missouri Department of Natural resources. Due to the barriers to participation, the Missouri program is not considered in the revenue impact.

Florida has a 50% to 75% credit but a limit of $5 million a year. This limit is likely to be lower than the demand for the credit and therefore it is not possible to extrapolate a revenue estimate from Florida's impact. Colorado's program has a limit of $3 million per year so it is not used to provide a revenue estimate either.

Louisiana has a credit of 15% of investigation costs and 50% of environmental remediation costs for brownfields. The revenue impact was estimated at $600,376 in 2011. A similar program in Oregon, scaled by population, would have a revenue impact of $512,579 annually.

South Carolina has a credit for 50% of cleanup costs paid, with a limit of $100,000. Upon completion of the project, an additional 10% is allocated. The limit on this final payment is $50,000. The revenue impact of this was $61,726 in 2013. The credit in South Carolina is not directly applicable to Oregon, as the costs of a project can greatly exceed the limits applied.

The credit structures in Massachusetts, New York, and Louisiana are considered to be the most applicable to Oregon. The revenue impact in those states is averaged for the percentage of cleanup supported and adjusted by population to be applicable to Oregon. The resulting revenue impacts are:

Revenue Impact of Oregon Brownfields Tax Credit ($M)			
	2017-19	2019-21	2021-23
25% of Evaluation and Cleanup Costs	-$18.2	-$26.0	-$26.0
50% of Evaluation and Cleanup Costs	-$36.4	-$52.1	-$52.1
75% of Evaluation and Cleanup Costs	-$54.7	-$78.1	-$78.1

Additional Policy Options and Considerations:

Overall annual limit on tax credits

Individual limit on tax credit amount

Certification of costs by third party in order to receive the tax credit

Approval criteria/agency in charge of approval

Varying levels of credits for different degrees of cleanup

Transferability to other parties

Credit for cleanup costs, redevelopment costs, or both. Additional credits for desired finished projects (e.g. Affordable Housing)

Level of credit (Percentage) 25%, 50%, etc.

Reduction of the credit for grant funds or federal incentives received

Sunset (statutorily required due to the creation of a new tax expenditure)