

# Senate Bill 562

Sponsored by Senator KNOPP (Presession filed.)

## 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 income tax credit for taxpayers that expand workforce with positions that pay above average wage by 10 percent or more in tax year.

Applies to tax years beginning on or after January 1, 2020.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to a tax credit for workforce expansion; creating new provisions; amending ORS 314.752  
3 and 318.031; and prescribing an effective date.

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

5 **SECTION 1. Section 2 of this 2019 Act is added to and made a part of ORS chapter 315.**

6 **SECTION 2. (1)(a) "Qualified employment position" means an employment position that**  
7 **provides a wage that is greater than the average wage of the county in which the employee**  
8 **performs a plurality of the employee's work.**

9 (b) "Qualified wages" means wages paid in the preceding tax year as a result of the  
10 qualified employment positions added in the qualifying year.

11 (c) "Qualifying year" means a tax year during which a taxpayer adds qualified employ-  
12 ment positions that create a net increase of 10 percent or more in the taxpayer's number  
13 of full-time equivalent employment positions.

14 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-  
15 payer is a corporation, under ORS chapter 317 or 318 is allowed to a taxpayer that completes  
16 a qualifying year.

17 (3) The credit allowed under this section is calculated as follows:

18 (a) In the first tax year after a qualifying year, the credit is equal to 25 percent of qual-  
19 ified wages.

20 (b) In the second tax year after a qualifying year, the credit is equal to 20 percent of  
21 qualified wages.

22 (c) In the third tax year after a qualifying year, the credit is equal to 15 percent of  
23 qualified wages.

24 (d) In the fourth tax year after a qualifying year, the credit is equal to 10 percent of  
25 qualified wages.

26 (e) In the fifth tax year after a qualifying year, the credit is equal to five percent of  
27 qualified wages.

28 (4) A taxpayer may claim the credit allowed under this section for multiple qualifying  
29 years.

30 (5) Prior to claiming the credit allowed under this section, a taxpayer is required to re-

**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 **ceive written certification of eligibility from the Department of Revenue.**

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

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

10 **(8) A nonresident shall be allowed the credit under this section. The credit shall be**  
11 **computed in the same manner and be subject to the same limitations as the credit granted**  
12 **to a resident. However, the credit shall be prorated using the proportion provided in ORS**  
13 **316.117.**

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

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

21 **(11) The Department of Revenue shall adopt rules for the purposes of this section, in-**  
22 **cluding policies and procedures for certifying taxpayers as eligible for the credit allowed un-**  
23 **der this section as required in subsection (5) of this section.**

24 **SECTION 3.** ORS 314.752, as amended by section 7, chapter 108, Oregon Laws 2018, is amended  
25 to read:

26 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a  
27 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The  
28 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are  
29 allowable to the shareholders of the S corporation.

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

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

39 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax  
40 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS  
41 316.117, then that provision shall apply to the nonresident shareholder.

42 (5) As used in this section, "business tax credit" means the following credits: ORS 315.104  
43 (forestation and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141  
44 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture  
45 workforce housing), ORS 315.176 (bovine manure), ORS 315.204 (dependent care assistance), ORS

1 315.208 (dependent care facilities), ORS 315.213 (contributions for child care), ORS 315.237 (employee  
2 and dependent scholarships), ORS 315.271 (individual development accounts), ORS 315.304 (pollution  
3 control facility), ORS 315.326 (renewable energy development contributions), ORS 315.331 (energy  
4 conservation projects), ORS 315.336 (transportation projects), ORS 315.341 (renewable energy re-  
5 source equipment manufacturing facilities), ORS 315.354 and 469B.151 (energy conservation facili-  
6 ties), ORS 315.506 (tribal taxes on reservation enterprise zones and reservation partnership zones),  
7 ORS 315.507 (electronic commerce), ORS 315.514 (film production development contributions), ORS  
8 315.521 (university venture development funds), ORS 315.523 (employee training programs), ORS  
9 315.533 (low income community jobs initiative), ORS 315.675 (Trust for Cultural Development Ac-  
10 count contributions), ORS 317.097 (loans for affordable housing), ORS 317.124 (long term enterprise  
11 zone facilities), ORS 317.147 (loans for agriculture workforce housing), ORS 317.152 (qualified re-  
12 search expenses) and ORS 317.154 (alternative qualified research expenses) and section 9, chapter  
13 774, Oregon Laws 2013 (alternative fuel vehicle contributions), and section 2, chapter 108, Oregon  
14 Laws 2018 (Opportunity Grant Fund contributions), **and section 2 of this 2019 Act (workforce  
15 expansion).**

16 **SECTION 4.** ORS 318.031, as amended by section 8, chapter 108, Oregon Laws 2018, is amended  
17 to read:

18 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter  
19 317 shall be administered as uniformly as possible (allowance being made for the difference in im-  
20 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-  
21 corporated into and made a part of this chapter: ORS 315.104, 315.141, 315.156, 315.176, 315.204,  
22 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.506, 315.507, 315.523 and 315.533 and section  
23 2, chapter 108, Oregon Laws 2018, **and section 2 of this 2019 Act** (all only to the extent applicable  
24 to a corporation) and ORS chapter 317.

25 **SECTION 5.** **Section 2 of this 2019 Act and the amendments to ORS 314.752 and 318.031**  
26 **by sections 3 and 4 of this 2019 Act apply to tax years beginning on or after January 1, 2020.**

27 **SECTION 6.** **This 2019 Act takes effect on the 91st day after the date on which the 2019**  
28 **regular session of the Eightieth Legislative Assembly adjourns sine die.**

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