

HB 3302 A STAFF MEASURE SUMMARY

House Committee On Revenue

Action Date: 05/20/21

Action: Do pass with amendments and be referred to Tax Expenditures. (Printed A-Eng.)

Vote: 5-2-0-0

Yeas: 5 - Levy, Marsh, Nathanson, Reschke, Smith G

Nays: 2 - Pham, Valderrama

Fiscal: Has minimal fiscal impact

Revenue: Revenue impact issued

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Meeting Dates: 3/22, 5/20

WHAT THE MEASURE DOES:

Creates income tax credit available to individuals and corporations that make contributions to a tax-exempt workforce training organization. Defines terms. Limits credit to least of, amount of contribution, \$250 for individuals or \$2,500 for corporations, or taxpayer's tax liability. Specifies National Taxonomy of Exempt Entities - Core Codes that a nonprofit organization must be classified in for purposes of meeting definition of workforce training organization. Requires contributions to be cash contributions. Allows unused credit amounts to be carried forward up to three succeeding tax years. Requires Department of Justice to certify credit. Applies to tax years beginning on or after January 1, 2021 and before January 1, 2031.

ISSUES DISCUSSED:

3/22/2021

- Further refinement language expected
- Unemployment in Klamath County and Oregon
- Effects of unemployment on individuals
- Workforce development organizations in Klamath County
- Difficulty in determining which nonprofits and nonprofit causes are worthy of a specific tax credit encouraging donations.

5/20/2021

- Overview of credit modifications contained in amendment
- Policy purpose behind proposed amendment
- Credit available for contributions that would otherwise meet charitable income tax deductibility
- Amendment intended to limit taxpayer ability to claim both the credit and a charitable deduction on taxpayer's Oregon tax return
- Preparing Oregon's workforce for new and/or developing industries and future employment, renewable energy being an example.

EFFECT OF AMENDMENT:

Specifies National Taxonomy of Exempt Entities - Core Codes that a nonprofit organization must be classified in for purposes of meeting definition of "workforce training organization". Requires contributions to be cash contributions. Reduces credit limit to \$250 for individuals and \$2,500 for corporations. Reduces qualifying contribution by amount of corresponding charitable deduction claimed. Replaces Department of Revenue with Department of Justice as agency responsible for credit certification.

BACKGROUND:

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An organization may qualify for exemption from federal income tax under section 501(c)(3) if it is organized and operated exclusively for one or more specified purposes including: religious, charitable, scientific, literary, and educational. Contributions to domestic tax exempt organizations are generally deductible as charitable contributions on a donor's federal and state income tax return. To deduct charitable contributions, a taxpayer generally must itemized their deductions though in recent years charitable contributions have been deductible to non-itemizing taxpayers up to specified dollar limits.

Measure would provide a tax credit for contributions to specified tax-exempt entities organized and operated in a manner supporting and promoting work and self-sufficiency. According to the Internal Revenue Service's Exempt Organizations Business Master File, about 100 nonprofit organizations reported in Oregon as operating in the employment and vocational categories of the National Taxonomy of Exempt Entities.