REVENUE IMPACT OF PROPOSED LEGISLATION

82nd Oregon Legislative Assembly
2023 Regular Session
Legislative Revenue Office

Bill Number:	**SB 1084 - 1**
Revenue Area:	**State & Local Finance**
Economist:	**Chris Allanach**
Date:	**5.21.23**

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Reinstates and modifies Oregon's old Qualified Research Activities tax credits but with modifications. The primary tax credit percentage would be increased from 5 percent to 15 percent and the maximum credit per taxpayer would increase from $1 million to $15 million (for both tax credits). It would also make the credit 80 percent refundable for companies with fewer than 150 employees and make it transferable. Establishes a program cap of $200 million in tax credits per biennium. Applies to tax years 2024 through 2029. Extends to 2035 the Enterprise Zone and Long-Term Rural Enterprise Zone programs but excludes “fulfillment centers”. Modifies the Strategic Investment Program by increasing the maximum participation fee from $2.5M to $3M while indexing it for inflation. Increases the SIP taxable thresholds as follows: for projects costing up to $500M, the threshold is increased from $25M to the lesser of the cost of the project or $38M; for projects costing between $500M and $1B, from $50M to $75M; and for projects costing more than $1B, from $100M to $150M. Gain Share is extended to 2035 and the maximum amount that any one county may receive is increased from $16M to $20M; this cap is then indexed to inflation. The Industrial Site Readiness program is extended to 2033. Takes effect on the 91st day following adjournment sine die.

Revenue Impact (in $Millions):

This bill would affect both the state’s General Fund and property taxes used to finance local governments. The primary impact on the General Fund would be a reduction due to the reinstated and increased Qualified Research Activities tax credits. The refundability and transferability of the tax credits would lead to larger impacts compared to their prior versions. The other impact on the General Fund is the increased Gain Share payments. This revenue loss would start at $4 million per year and then grow with inflation as the cap is adjusted over time. Similarly, the extension of the Industrial Site Readiness program would likely lead to additional payments made out of the General Fund.

The extension of the EZ programs would likely result in a continuation of the current impacts on property taxes, with some adjustment due to the exclusion of “fulfillment centers”. The cost of the SIP program is likely to be mitigated to some degree by the program modifications; namely the higher taxable thresholds would lead to greater property tax collections compared to the current version of the program. There will also be a modest revenue lift from the increased fee.

Further analysis will be conducted when the bill is in the Joint Committee on Tax Expenditures.

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Impact Explanation:

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is

Further Analysis Required