

SB 1084 A STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Action Date: 05/22/23

Action: Do pass with amendments. Refer to Tax Expenditures by prior reference. (Printed A-Eng).

Vote: 3-2-0-0

Yeas: 3 - Boquist, Findley, Meek

Nays: 2 - Golden, Jama

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

Prepared By: Chris Allanach, Legislative Revenue Officer

Meeting Dates: 4/5, 5/22

WHAT THE MEASURE DOES:

Reinstates and modifies Oregon's old Qualified Research Activities tax credits. Increases the main tax credit percentage to 15 percent; makes both of them 80 percent refundable for companies with fewer than 150 employees. Sets each maximum tax credit at \$15 million and makes it transferable. Establishes a program cap of \$200 million in tax credits per biennium. Applies to tax years 2024 through 2029. Extends the Enterprise Zone, Long-Term Rural Enterprise Zone, and Gain Share programs to 2035; extends the Industrial Site Readiness program to 2033. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- The Semiconductor Task Force
- Connection between this bill and SB 4
- Broad approach to economic development
- Refundable vs transferable tax credits
- Importance of small companies
- Size of tax credit needed to make a business impact
- Role of enterprise zones as an economic development strategy
- Lack of accountability
- Impact of property tax exemptions on school funding
- Value and function of Gain Share
- Role of in-lieu payments within the Strategic Investment Program
- Oregon's tax policy competitiveness
- Balance between direct and indirect spending (e.g. education grants vs tax incentives)
- Federal guidance for state tax policy with respect to the CHIPS Act
- Research & Development levels across all states

EFFECT OF AMENDMENT:

Excludes "fulfillment centers" from participating in the Enterprise Zone and Long-term Rural Enterprise Zone programs. Increases the maximum fee for the Strategic Investment Program (SIP) from \$2.5M to \$3M and indexes it to inflation. Changes the 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. Increases the maximum amount a county may receive in Gain Share distributions from \$16M to \$20M and indexes it to inflation. Requires the Oregon Business Development Department to produce a report on EZ program transparency and submit the report to an economic development committee by September 15, 2024.

BACKGROUND:

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This bill represents a kind of economic development omnibus bill. From 1989 through 2017 Oregon had two corporation income tax credits for Qualified Research Activities based on the federal research activities tax credit. This bill would reinstate those credits, with modifications. The Enterprise Zone and Long-Term Rural Enterprise Zone programs provide property tax abatements to qualifying companies. Industrial Site Readiness and Gain Share are programs that provide income tax reimbursements to qualifying local governments.