

HB 2009 and SB 1084 Omnibus tax incentives for investments

Joint Committee on Tax Expenditures – John Calhoun – 6.2.2023



My name is John Calhoun and I am representing Tax Fairness Oregon, a network of volunteers who advocate for a rational and equitable tax code.

Each of the bills under review today is complex and has provisions that we like and that we do not like. Because HB 2009 covers more elements regarding enterprise zones, Strategic Investments, and Opportunity Zones that are missing in SB 1084 we prefer it as a starting point.

R&D Tax Credit

We prefer the 15% rate for R&D tax credits in SB 1084. We testified previously that the 25% rate in HB 2009 puts Oregon in a race to the bottom as regards tax subsidies. No other state is at that level for all R&D tax credits. Few are above 15%. We strongly oppose the transferable feature in SB 1084. For companies that cannot use the tax credit, make it refundable at a reduced percentage, perhaps 70%. Then businesses will get the same amount as selling their credits at discounts to pay lawyers, accountants and the investors buying the credit while the state saves the cost.

Also, we recommend a lower cap. At \$100 million per year that is a \$600 million decision.

Enterprise Zones

We believe there is no need for an extension beyond 2030. The concept that businesses require more time to invest misconstrues the concept of a sunset. An agreement reached in 2030 will continue forward regardless of changes the legislature considers that year. The current agreement doesn't sunset until 2025, but is being reviewed early to extend it. The same is likely to happen in the future.

We do like the exclusion of fulfillment centers from enterprise zone benefits included in SB 1084. We prefer the transparency language in HB 2009. Residents should have time to understand and testify on agreements that sponsors negotiate that will impact them directly and we have seen nothing proprietary in the many agreements we have read. We remain disappointed that neither bill excludes data centers in metro Portland that consume scarce industrial land and crowd out higher employment manufacturing.

Strategic Investments

We like the protection for special districts in HB 2009 and the push to hire locally. SB 1084 has an increase in Gain Share amounts for Washington County. Why legislators who are not from Washington County want to send money from their district to the second richest county in the state is a mystery to us. We have testified in the past that there is no economic justification for Gain Share. It has nothing to do with encouraging investment by businesses since it is strictly a payment from the General Fund to the county.

Tax Fairness Oregon will testify separately on the Opportunity Zone disconnect.

We read the bills and follow the money