

HB 2095 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Senior Economist

Meeting Dates: 4/8

WHAT THE MEASURE DOES:

Eliminates obsolete reference to Internal Revenue Code contained in statute of Oregon's income tax credit for semiconductor research and development. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In 2023, Oregon created a new income tax credit available to taxpayers investing in qualified research and development (R&D) essential to the semiconductor industry in Oregon. The Oregon semiconductor R&D credit is based on the federal research activities income tax credit and Oregon statute contains multiple references to the Internal Revenue Code (IRC). One such reference, ORS 315.518(2)(c), references 'Section 41(c)(4) of the Internal Revenue Code (relating to the alternative incremental credit)' and specifies that Oregon's R&D credit is determined without using the alternative incremental credit formula. The now expired federal alternative incremental credit was available in years 1996 through 2008, though the credit remained in the IRC until 2018. In 2018, federal legislation (Tax Technical Corrections Act, P.L. 115-141) removed the alternative incremental credit from the IRC and renumbered the subsequent paragraphs causing IRC section 41(c)(4) to now be the alternative simplified credit calculation of the federal R&D credit (which was previously IRC section 41(c)(5)). Oregon's semiconductor R&D credit incorporates the alternative simplified credit calculation.