

HB 2095 -2 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 4/8, 5/13

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:

- Background on federal IRC changes leading to obsolete reference in Oregon statute.

EFFECT OF AMENDMENT:

-2 Aligns statutory language of affordable housing lender tax credit with existing sunset of the credit. Aligns deadline (sunset) for making credit qualifying donations for distribution to Individual Development Accounts (IDA) with the underlying sunset of that tax credit.

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.

The affordable housing lender tax credit has an existing law sunset via a requirement that new certifications for the credit may not be issued on or after January 1, 2032. ORS 317.097(2)(a) requires qualified loans to be made before January 1, 2026. This provision was not updated when the credit's underlying sunset was extended to 2032. Measure as amended removes the timing of the qualified loan requirement which effectively aligns credit statutory provisions with the 2032 sunset date.

In 2023, House Bill 2071 extended the sunset of the Individual Development Account (IDA) donation tax credit to January 1, 2030. However, the requirement that donations be made prior to April 15, 2028 was not changed. Measure as amended aligns the donation requirement with the credit's underlying sunset by extending the donation deadline to April 15, 2030.