HB 3049 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 4/8, 4/15, 5/29, 6/10

WHAT THE MEASURE DOES:
Modifies provisions regarding the Oregon Investment Advantage income tax subtraction available to qualifying businesses. Limits annual subtraction per business firm to no more than $___ per tax year. Expands locations in which a business may locate and qualify for subtraction to include areas zoned for industrial use that are outside the urban growth boundary (UGB) of a city with a population of 100,000 or more, or within the UGB of a city with a population less than or equal to 15,000 and located in a county ranked in the bottom half of counties for unemployment and per capita income. Modifies compensation requirements of qualifying firms to require at minimum five newly hired employees to receive minimum annual wage of 110% of the average wage where the business facility is located. Makes conforming and clarifying changes to statute. Changes made to location eligibility are made applicable to preliminary certifications issued on or after effective date of act. Changes made to compensation requirements are made applicable to preliminary certifications filed on or after July 1, 2017, for which annual certification is issued on or after the effective date of act. Annual per business firm subtraction limit is made applicable to annual certifications issued on or after January 1, 2026. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:
- Impetus for changes being proposed by Oregon Business Development Department
- Expand potential use while limiting use by largest businesses
- Change to wage as compared to existing law compensation requirements
- Number of business certified to use subtraction
- Potential for greater use
- Subtraction's historical reduction in General Fund revenue
- Suggested changes to existing requirements
- Differences between areas within a county (eligibility based on county qualifications)
- Proposed county qualification requirements
- Ability of businesses to benefit from multiple tax incentives (e.g. income tax subtraction and property tax incentives)
- Investment time horizon, years necessary to adequately incentivize investment
- Business types that may qualify.

EFFECT OF AMENDMENT:
-1 Replaces content of measure.

Adds informational reporting requirements to be included on application for annual certification of Oregon Investment Advantage tax exemption. Requires business to report the annualized number of full-time and part-time employees employed by the business firm at the facility and the number of independent contractors engaged in work at the facility. Requires distributional reporting of employee wages paid at the facility using Oregon wage distribution reported by Oregon Employment Department. Requires business to report the percentage of employees, categorized by full or part-time employment, that are provided health insurance coverage, paid time off and employer contribution to retirement plans. Requires business to individually report all grants, incentives, tax relief, or other benefits received from the state and/or local governments.

BACKGROUND:

Enacted in 2001, the Oregon Investment Advantage program exempts business income associated with a qualifying facility from corporate or personal income taxation for up to 10 consecutive years. To qualify, the facility must be located in a qualified location and meet minimum employee compensation requirements. The business operations of the business firm at the facility must constitute a new business that the firm does not operate at another location in Oregon and must not compete with existing businesses in the city or county in which the facility is to be located. Business firms are required to obtain preliminary and ongoing annual certification from the Oregon Business Development Department. Use of the tax subtraction has varied over the years with recent use numbering too few taxpayers to meet disclosure requirements. According to historical Tax Expenditure Reports, in both the 2015-17 and 2017-19 biennia, use of the subtraction reduced General Fund revenue by an estimated $13.3 million respectively.