

# House Bill 2117

Sponsored by Representative RESCHKE (Pre-session filed.)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act brings back a tax credit for research expenditures. (Flesch Readability Score: 69.7).

Restores the corporate excise tax credit allowed for qualified research activities at an increased maximum amount. Provides for refundability and transferability of the credit. Allows the option for research and development expenditures to be fully deducted in the tax year paid or incurred, rather than treated as capital expenditures and amortized over five years.

Applies to tax years beginning on or after January 1, 2025, and before January 1, 2031.

Takes effect on the 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to tax treatment of research expenditures; creating new provisions; amending ORS 317.152,  
3 317.154 and 317.850 and section 6, chapter 911, Oregon Laws 1989; and prescribing an effective  
4 date.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1. Sections 2 to 4 of this 2025 Act are added to and made a part of ORS chapter**  
7 **317.**

8 **SECTION 2. If the amount allowable as a credit under ORS 317.152 or 317.154, when added**  
9 **to the sum of the amount of estimated tax paid under ORS 314.515 and any other tax pre-**  
10 **payment amounts, exceeds the taxes imposed by ORS chapters 314 and 317 for the tax year**  
11 **(reduced by any nonrefundable credits allowable for purposes of ORS chapter 317 for the tax**  
12 **year), the amount of the excess shall be refunded to the taxpayer as provided in ORS 314.415.**

13 **SECTION 3. (1) A person that has obtained a tax credit under ORS 317.152 or 317.154 may**  
14 **transfer all or a portion of the credit to a taxpayer subject to tax under ORS chapter 316,**  
15 **317 or 318. The transfer must comply with ORS 315.056.**

16 **(2) The Oregon Business Development Department may establish by rule a minimum**  
17 **discounted value of a tax credit under this section.**

18 **(3) Notwithstanding ORS 317.152 (6) or 317.154 (7), a transferee may claim a credit**  
19 **transferred under this section only in the three consecutive tax years that begin with the**  
20 **tax year in which the transferee pays for the credit.**

21 **SECTION 4. (1) There may be subtracted from federal taxable income for Oregon tax**  
22 **purposes the difference between the amount allowable as a deduction under section 174 of**  
23 **the Internal Revenue Code as applicable to the tax year of the taxpayer and the amount al-**  
24 **lowable as a deduction under section 174 of the Internal Revenue Code as amended and in**  
25 **effect on December 20, 2017, and applicable to tax years beginning before January 1, 2022.**

26 **(2) Amounts subtracted from federal taxable income for Oregon tax purposes under**  
27 **subsection (1) of this section shall thereafter be added to federal taxable income for Oregon**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **tax purposes in the tax year for which the amounts would have been allowed as a deduction**  
2 **on the taxpayer's federal income tax return under section 174 of the Internal Revenue Code**  
3 **as amended and in effect on December 31, 2017, and applicable to tax years beginning on or**  
4 **after January 1, 2022.**

5 **SECTION 5.** ORS 317.152 is amended to read:

6 317.152. (1) A credit against taxes otherwise due under this chapter shall be allowed to eligible  
7 taxpayers for increases in qualified research expenses and basic research payments. The credit shall  
8 be determined in accordance with section 41 of the Internal Revenue Code, except as follows:

9 (a) The applicable percentage specified in section 41(a) of the Internal Revenue Code shall be  
10 five percent.

11 (b) "Qualified research" and "basic research" shall consist only of research conducted in  
12 Oregon.

13 (c) The following do not apply to the credit allowable under this section:

14 (A) Section 41(c)(4) of the Internal Revenue Code (relating to the alternative incremental credit).

15 (B) Section 41(h) of the Internal Revenue Code (relating to termination of the federal credit).

16 (2) For purposes of this section, "eligible taxpayer" means a corporation, other than a corpo-  
17 ration excluded under Internal Revenue Code section 41(e)(7)(E).

18 (3) The Income Tax Regulations as prescribed by the Secretary of the Treasury under authority  
19 of section 41 of the Internal Revenue Code apply for purposes of this section, except as modified by  
20 this section or as provided in rules adopted by the Department of Revenue.

21 (4) The maximum credit under this section may not exceed [*\$1 million*] **\$2 million**.

22 (5) A deduction may not be taken for the portion of expenses or payments, otherwise allowable  
23 as a deduction, that is equal to the amount of the credit claimed under this section.

24 (6) Any tax credit that is otherwise allowable under this section and that is not used by the  
25 taxpayer in that year may be carried forward and offset against the taxpayer's tax liability for the  
26 next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be  
27 carried forward and used in the second succeeding tax year, and likewise any credit not used in that  
28 second succeeding tax year may be carried forward and used in the third succeeding tax year, and  
29 any credit not used in that third succeeding tax year may be carried forward and used in the fourth  
30 succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried  
31 forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year  
32 thereafter.

33 **SECTION 6.** ORS 317.154 is amended to read:

34 317.154. (1) A credit against taxes otherwise due under this chapter shall be allowed for quali-  
35 fied research expenses that exceed 10 percent of Oregon sales.

36 (2) For purposes of this section:

37 (a) "Oregon sales" shall be computed using the laws and administrative rules for calculating the  
38 numerator of the Oregon sales factor under ORS 314.665.

39 (b) "Qualified research" has the meaning given the term under section 41(d) of the Internal Re-  
40 venue Code and shall consist only of research conducted in Oregon.

41 (3) The credit under this section is equal to five percent of the amount by which the qualified  
42 research expenses exceed 10 percent of Oregon sales.

43 (4) The credit under this section [*shall*] **may** not exceed \$10,000 times the number of percentage  
44 points by which the qualifying research expenses exceed 10 percent of Oregon sales.

45 (5) The maximum credit under this section may not exceed [*\$1 million*] **\$2 million**.

1 (6) A deduction may not be taken for the portion of expenses or payments, otherwise allowable  
 2 as a deduction, that is equal to the amount of the credit claimed under this section.

3 (7) Any tax credit that is otherwise allowable under this section and that is not used by the  
 4 taxpayer in that year may be carried forward and offset against the taxpayer's tax liability for the  
 5 next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be  
 6 carried forward and used in the second succeeding tax year, and likewise any credit not used in that  
 7 second succeeding tax year may be carried forward and used in the third succeeding tax year, and  
 8 any credit not used in that third succeeding tax year may be carried forward and used in the fourth  
 9 succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried  
 10 forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year  
 11 thereafter.

12 **SECTION 7.** ORS 317.850 is amended to read:

13 317.850. (1) The net revenue from the tax imposed by this chapter, after deduction of refunds,  
 14 shall be paid over to the State Treasurer and held in the General Fund as miscellaneous receipts  
 15 available generally to meet any expense or obligation of the State of Oregon lawfully incurred.

16 (2) A working balance of unreceipted revenue from the tax imposed by this chapter may be re-  
 17 tained for the payment of refunds, but such working balance may not at the close of any fiscal year  
 18 exceed the sum of \$500,000.

19 (3) Moneys are continuously appropriated to the Department of Revenue to make:

20 (a) The refunds authorized under subsection (2) of this section;

21 (b) The refund payments in excess of tax liability authorized under ORS 315.133; *[and]*

22 (c) The refund payments in excess of tax liability authorized under ORS 315.519[.]; **and**

23 **(d) The refund payments in excess of tax liability authorized under section 2 of this 2025**  
 24 **Act.**

25 **SECTION 8.** Section 6, chapter 911, Oregon Laws 1989, as amended by section 14, chapter 746,  
 26 Oregon Laws 1995, section 1, chapter 548, Oregon Laws 2001, section 15, chapter 739, Oregon Laws  
 27 2003, section 86, chapter 94, Oregon Laws 2005, and section 7, chapter 730, Oregon Laws 2011, is  
 28 amended to read:

29 **Sec. 6.** ORS 317.152 *[to]*, **317.153 and 317.154** apply to amounts paid or incurred in tax years  
 30 beginning on or after January 1, 1989, and before January 1, 2018, **or in tax years beginning on**  
 31 **or after January 1, 2025, and before January 1, 2031.**

32 **SECTION 9.** Sections 2 to 4 of this 2025 Act and the amendments to ORS 317.152, 317.154  
 33 and 317.850 by sections 5 to 7 of this 2025 Act apply to tax years beginning on or after Jan-  
 34 uary 1, 2025, and before January 1, 2031.

35 **SECTION 10.** This 2025 Act takes effect on the 91st day after the date on which the 2025  
 36 regular session of the Eighty-third Legislative Assembly adjourns sine die.

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