

**74TH OREGON LEGISLATIVE ASSEMBLY  
STAFF MEASURE SUMMARY  
HOUSE REVENUE COMMITTEE**

**MEASURE: HB 2779-B  
CARRIER: Rep. Read and Bruun**

**REVENUE: Revenue statement issued**

**FISCAL: Fiscal statement issued**

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**Action:** Do pass with amendments, be printed engrossed and rescind the subsequent referral to Committee on Ways and Means

**Vote:** 9-0-0

**Yeas:** Berger, Bruun, Butler, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart

**Nays:**

**Exc.:**

**Prepared By:** Chris Allanach, Economist

**Meeting Dates:** 6/23

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**WHAT THE BILL DOES:** Creates a credit against personal income or corporate excise and income taxes for businesses that hire at least 5 additional, full-time, year-round employees. Requires the total Oregon employment for the firm to have increased or stay the same. Requires the business to be within a traded sector, to maintain the new jobs at least 10 years, pay wages that are at least 150 percent of the county per capita income, and currently employs fewer than 500 employees at the facility in the application. Requires the Economic and Community Development Department to certify the credit and collect an \$1,000 fee. Limits the number of certifications to 40 per biennium. Allows certifications to be issued between October 1, 2008 and December 31, 2013. The credit is 3% of the increased annual payroll at the facility or 5% if the facility is located in a distressed area at the time of certification. Limits the credit to \$500,000 per tax year and the taxpayer's liability. Creates a 5-year carryforward. Allows an 50% of the credit to be transferred to another taxpayer. Requires the taxpayer to maintain sufficient records for 10 years to show that they continue to meet the certification requirements. Allows the Department of Revenue to disallow the credit and collect any taxes from the current or prior tax years related to the credit if the taxpayer fails to maintain eligibility.

**ISSUES DISCUSSED:**

- Intent of encourage growth in high wage, new idea jobs
- Value of clawback provisions
- Potential model for other credits
- Economic feedback effects of the software industry

**EFFECT OF COMMITTEE AMENDMENTS:** Excludes from "annual gross payroll" amounts paid to officers or employees who own at least 5% of the business firm. Establishes a \$1,000 certification fee. Disallows the credit for business firms that currently employ more than 500 employees at the facility proposed in the application. Limits the number of certifications to 40 per biennium. Allows a taxpayer to sell up to 50% of their credit to another taxpayer

**BACKGROUND:** Several states, including New Mexico, Oklahoma, and North Carolina offer payroll-based tax incentives to promote business investments in high-wage jobs. This approach can be viewed as a labor-based incentive approach as compared to the capital-based incentive approach of investment tax credits which also exist in several states.

*6/25/2007 1:51:30 AM*

*This summary has not been adopted or officially endorsed by action of the committee.*