

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2779

STATUS: B-Engrossed

SUBJECT: Tax credits for payroll costs

GOVERNMENT UNIT AFFECTED: Oregon Economic and Community Development Department, Department of Revenue, Employment Department-Office of Administrative Hearings, and the Oregon Judicial Department

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REVIEWED BY: Robin LaMonte, Dallas Weyand, and Michelle Deister

DATE: June 23, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES: See comments		

REVENUES:
See Legislative Revenue Impact Statement

EFFECTIVE DATE: 91st day after sine die adjournment

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: This measure creates a credit for certain personal income or corporate excise and income taxes for businesses that hire at least five additional, full-time, year-round employees. The Oregon Economic and Community Development Department (OECDD) would be required to review and certify the tax credit provided under this measure for up to 40 certifications per biennium. OECDD is to prescribe an application fee not to exceed \$1,000. OECDD may begin issuing certificates for applications received on or after October 1, 2008 and on or before December 31, 2013. If OECDD disapproves an application or declines to issue a certification, an applicant may appeal the Department's decision under that State's contested case law. OECDD also has the ability to revoke a certification previously issued. The Department of Revenue (DOR) may disallow a tax credit and collect any taxes owed if the taxpayer fails to maintain eligibility under this measure.

The Legislative Fiscal Office (LFO) believes that OECDD could have a fiscal impact related to this measure. Given the complexity of the application process, the Department may need to add part-time staff to process applications, issue certification, and revoke certifications. OECDD would also see fee revenue. The amount of such revenue is indeterminate given the level of the fee the Department will establish has yet to occur and the number of applications the Department will receive is unknown.

LFO also believes there to be a minimal fiscal impact to the DOR, Employment Department-Office of Administrative Hearings, and the Oregon Judicial Department.