

House Bill 3504

Sponsored by Representative WITT; Representative BUTLER

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**.

Increases maximum amount of research and development tax credits. Expands scope of credit to conform to federal law.

Applies to tax years beginning on or after January 1, 2008.

A BILL FOR AN ACT

1
2 Relating to research tax credits; creating new provisions; and amending ORS 317.152 and 317.154.

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

4 **SECTION 1.** ORS 317.152 is amended to read:

5 317.152. (1) A credit against taxes otherwise due under this chapter shall be allowed to eligible
6 taxpayers for increases in qualified research expenses, [*and*] basic research payments **and payments**
7 **to an energy research consortium**. The credit shall be determined in accordance with section 41
8 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) Payments to an energy research consortium shall qualify for the credit described in**
14 **this section only if the research was conducted in Oregon.**

15 [*c*] **(d)** The following do not apply to the credit allowable under this section:

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

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

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

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

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

24 (5) 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

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 thereafter.

2 **SECTION 2.** ORS 317.154 is amended to read:

3 317.154. (1) A credit against taxes otherwise due under this chapter shall be allowed for quali-
4 fied research expenses that exceed 10 percent of Oregon sales.

5 (2) For purposes of this section:

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

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

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

12 (4) The credit under this section shall not exceed \$10,000 times the number of percentage points
13 by which the qualifying research expenses exceed 10 percent of Oregon sales.

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

15 (6) Any tax credit that is otherwise allowable under this section and that is not used by the
16 taxpayer in that year may be carried forward and offset against the taxpayer's tax liability for the
17 next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be
18 carried forward and used in the second succeeding tax year, and likewise any credit not used in that
19 second succeeding tax year may be carried forward and used in the third succeeding tax year, and
20 any credit not used in that third succeeding tax year may be carried forward and used in the fourth
21 succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried
22 forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year
23 thereafter.

24 **SECTION 3. The amendments to ORS 317.152 and 317.154 by sections 1 and 2 of this 2007**
25 **Act apply to tax years beginning on or after January 1, 2008.**