

House Bill 3507

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**.

Creates tax credit for investments in personnel and equipment that lead to job creation. Increases credit for investments made in distressed area.

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

A BILL FOR AN ACT

1
2 Relating to investment tax credits.

3 Whereas the Legislative Assembly finds that there is a need to promote investments in person-
4 nel and equipment that lead to job creation; and

5 Whereas the Legislative Assembly finds that this need is greater in economically distressed
6 areas; now, therefore,

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

8 **SECTION 1. Section 2 of this 2007 Act is added to and made a part of ORS chapter 315.**

9 **SECTION 2. (1) As used in this section:**

10 (a) **"Distressed area" has the meaning given that term in ORS 285A.010.**

11 (b) **"Equipment investment" means moneys expended on machinery or equipment that is:**

12 (A) **Newly manufactured or refurbished;**

13 (B) **Installed or used in a facility located in this state; and**

14 (C) **Certified by the Department of Revenue as producing new-hire employees.**

15 (c)(A) **"New-hire employee" means an individual hired by an employer on or after the**
16 **effective date of this 2007 Act to fill a newly created position or to fill an existing position**
17 **vacated by a current employee who moves to a full-time position created by the same em-**
18 **ployer on or after the effective date of this 2007 Act.**

19 (B) **"New-hire employee" does not include an individual who:**

20 (i) **Was previously employed by the employer and is rehired, unless the previous period**
21 **of employment by the employer had terminated more than 12 months before the date of re-**
22 **hire by the employer;**

23 (ii) **Is a member of the taxpayer's family, as that term is defined in section 267(c)(4) of**
24 **the Internal Revenue Code; or**

25 (iii) **Holds, directly or indirectly, a five-percent or greater ownership interest in the cap-**
26 **ital or profits of the employer under section 267(c) and (e) of the Internal Revenue Code.**

27 (d) **"Qualified investment" means an equipment investment or the wages paid to a new-**
28 **hire employee.**

29 (e) **"Wages" has the meaning given that term in ORS 316.162.**

30 (2) **A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-**
31 **payer is a corporation, under ORS chapter 317 or 318 is allowed to a taxpayer for qualified**

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 investments made during the tax year.

2 (3) The credit allowed under this section shall be three percent of the total certified
3 amount of the qualified investment made by the taxpayer during the tax year.

4 (4)(a) Notwithstanding subsection (3) of this section, if the qualified investment was made
5 in a distressed area, the credit shall be five percent of the total certified amount of qualified
6 investment made by the taxpayer during the tax year. A taxpayer seeking the credit de-
7 scribed in this subsection, in addition to the certification procedure described in subsection
8 (8) of this section, shall obtain certification from the Economic and Community Development
9 Department that the qualified investment was made in a distressed area.

10 (b) The Economic and Community Development Department may adopt rules to carry out
11 the provisions of this subsection.

12 (5) The credit allowed under this section in any one tax year may not exceed the tax li-
13 ability of the taxpayer.

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

22 (7)(a) A nonresident shall be allowed the credit computed under this section in the same
23 manner and subject to the same limitations as the credit allowed a resident of this state.
24 However, the credit shall be prorated using the proportion provided in ORS 316.117.

25 (b) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or
26 if the department terminates the taxpayer's taxable year under ORS 314.440, the credit al-
27 lowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

28 (c) If a change in the status of a taxpayer from resident to nonresident or from nonres-
29 ident to resident occurs, the credit allowed by this section shall be determined in a manner
30 consistent with ORS 316.117.

31 (8)(a) A taxpayer seeking a credit under this section shall first obtain credit certification
32 from the Department of Revenue by applying for certification on a form prescribed by the
33 department. The application shall state the date of the equipment investment or new hire
34 and the amount of the qualified investment made by the taxpayer during the tax year and
35 any other information required by the department.

36 (b) The Department of Revenue shall, after consulting with the Economic and Commu-
37 nity Development Department, adopt rules to carry out the provisions of this section. The
38 rules shall include:

39 (A) Criteria for certifying qualified investments under this section; and

40 (B) A mechanism for obtaining preliminary certification for the credit described in this
41 section.

42 (9) The taxpayer shall include with the taxpayer's tax return the certificate received
43 under subsection (8) of this section, and, if applicable, the certificate received under sub-
44 section (4) of this section.

45 **SECTION 3.** Section 2 of this 2007 Act applies to tax years beginning on or after January

1 **1, 2008.**

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