

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
74th Oregon Legislative Assembly
2008 Special Session
Legislative Revenue Office

Bill Number: HB 3619-A
Area: Income Taxes
Economist: Warner / Allanach
Date: 2-12-2008

Measure Description:

Allows the Department of Energy to establish by rule criteria for certain standards for renewable energy resource equipment manufacturing facilities. Increases the maximum certified cost of a facility that receives a preliminary certification from \$20 million to \$40 million. Allows the director of the Department of Energy to certify a lesser amount if certain conditions exist at the time of precertification. Declares that a preliminary certification remains valid for five years after the date it is issued. Replace the requirement that the director of the Department of Energy consult with the Public Utility Commission with permissive language that allows such consultation if the applicant is a public utility. Modifies the revocation, or "clawback", provisions so that if a certificate is revoked, the person that obtained the certification from the Department of Energy (or any successor in interest to that person) is responsible for reimbursing the state for any tax benefit received from the use of the tax credits, even if the tax credit has been sold. The purchaser of these credits is held harmless by any certificate revocation. Applies to preliminary certifications approved on or after January 1, 2008. Expands cap on Oregon Affordable Housing Lenders Credit from \$13 million per fiscal year to \$17 million. The increased cap first applies to the 2009 corporate tax year. The Housing and Community Services Department uses the credit to reduce finance costs for preserving and constructing housing for low income residents. The program is combined with other grants and federal subsidies to reduce housing costs. Increasing the cap is expected to retain federal subsidies that would otherwise be in danger of ending and stimulating construction activity primarily in the form of preserving existing structures.

Revenue Impact:

\$ Million	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium	2009-11 Biennium
State General Fund	\$0	\$0	\$0	-\$3.0	-\$6.0

Impact Explanation:

The revenue impact in the above table is due solely to the Affordable Housing Lenders Credit. Increasing the cap can be expected to increase the revenue impact of the credit by \$4 million per year. However, the timing of the full impact depends on trends in corporate tax liability. The weaker the outlook for corporate profits the more the credit will be carried forward to future tax years. Under current law the credit can be carried forward 5 years.

The revenue impact estimate does not include anticipated indirect effects. The effects take two forms. The first is the retention of federal subsidies. The units targeted for preservation work with the expanded credit, account for \$31 million annually in federal subsidies. The subsidies represent income for Oregon residents, if the projects do not go forward and the units were put to another use, this would mean a loss of income to the state economy. The second indirect effect is through new construction activity stimulated by the credit. Based on previous experience with the credit, the Housing and Community Services Department estimates that the annual \$4 million increase in the credit will lead to rough \$100

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million in new loans. These loans will be used to employ construction companies to rehabilitate existing housing. If the credit cap increase is approved, the increased construction activity is expected to begin in 2009 and continue through 2010. Construction activity associated with the projects is expected to be about \$9 million per year for each of the two years.

There is no revenue impact from the changes to the manufacturing facility tax credit. The changes generally address ambiguities in current law or administrative issues. The establishment of criteria for credit eligibility and the modified clawback provisions are not expected to affect income tax revenues. The increase in the maximum certified cost from \$20 million to \$40 million for eligible facilities does not affect revenue because it codifies current practices as per administrative rules for the Department of Energy.