REVENUE: Revenue statement issued
FISCAL: Fiscal Impact issued

Action:		Do pass with amendments to the A-engrossed bill and be printed engrossed
Vote:		7-0-0
	Yeas:	Burdick, Morse, Atkinson, Hass Monroe, Starr, Westlund
	Nays:	
	Exc.:	
Prepared By:		Chris Allanach, Economist
Meeting Dates:		2/19, 2/20

WHAT THE BILL DOES: Allows the Department of Energy to establish by rule certain criteria relating to the credit for renewable energy resource equipment manufacturing facilities. These criteria are standards for: (1) what constitutes a single facility; (2) the minimum level of increased employment for an eligible facility; (3) indicators of financial viability of applicants for preliminary certification; (4) the likelihood of long-term success of an eligible facility; and (5) the likelihood that the applicant will base location or expansion decisions on the allowance of the tax credit. Increases the maximum certified cost of a manufacturing 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 any of the following conditions exist at the time of precertification: (1) the last revenue forecast for a biennium indicates that resources available for the next biennium will be at least 3% less than appropriations from the GF for the current biennium; (2) a revenue forecast projects GF revenues in the current biennium will be at least 2% below what revenues were projected to be in the forecast on which the legislatively adopted budget was based; (3) the proposed facility does not meet the criteria for likelihood of success; (4) the proposed facility is not likely to meet the minimum employment gains required; (5) the applicant lacks the minimum level of financial viability; or (6) the applicant is unlikely to base a relocation or expansion decision on the allowance of this credit. Declares that a preliminary certification remains valid for five years after the date it is issued. Replaces 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. Clarifies 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 business) is responsible for reimbursing the state for any tax benefit received. If a manufacturing facility tax credit has been sold, the certified credit amount is to be collected by the Department of Revenue. Clarifies that the purchaser of these credits through the pass-thru program 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.

Extends the deadline for inheritance tax returns from June 30, 2008 to September 1, 2008.

ISSUES DISCUSSED:
- The rules process for implementing HB 3201 from the 2007 session
- Role of Department of Energy authority granted in the bill
- Process for determining appropriate employment levels for relevant criteria
- Definition of "successor in interest"
- Role of housing lender's credit in obtaining federal subsidies
- Role of credits in affecting business location decisions
- Clawback provision

EFFECT OF COMMITTEE AMENDMENTS: Adds to the criteria for precertification of a manufacturing facility standards relating to the likelihood that the applicant will base location or expansion decisions on the allowance of the tax credit. Adds clarifying language that the clawback for credits sold through the pass-thru program applies only to the person that originally obtained the credit (not transferees). Extends the deadline for inheritance tax returns from June 30, 2008 to September 1, 2008.

BACKGROUND: The Business Energy Tax Credit was created in 1980 and eligible projects have traditionally been classified as conservation, recycling, or renewable energy. The credit was equal to 35 percent of certified costs and claimed over five years with 10 percent claimed in each of the first two years and five percent in each of the final three years; the maximum certified costs for a project was $10 million. In 2007, the credit for renewable projects was expanded to 50 percent of eligible costs taken equally over five years and the maximum project cost was increased to $20 million; and added renewable energy resource equipment manufacturing facilities to the credit. The Affordable Housing Lenders Credit was expanded in 2007 to include certain projects that had been previously developed as affordable housing with assistance from the U.S. Department of Housing and Urban Development. The expansion included an increase in the cap from $11 million to $13 million per fiscal year.