

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action: Do Pass as Amended and Be Printed Engrossed and Be Referred to the Committee on Revenue by Prior Reference

Vote: 6 - 2 - 0

Yeas: Bailey, Bentz, Galizio, Gilliam, Witt, Read

Nays: Holvey, Thatcher

Exc.: 0

Prepared By: Barbara Allen, Administrator

Meeting Dates: 3/12, 4/23

WHAT THE MEASURE DOES: Permits certain corporations to defer state income or excise taxes otherwise due and defines three criteria which must be met for eligibility: maximum annual revenue, minimum number of employees and maximum number of years in existence.

Describes oversight role of the Department of Revenue, including developing an application process, determining eligibility and applying specific calculation options to the deferral. Permits Department to lien the property in the amount of deferral and defines calculation of interest accrual on deferred taxes. Limits deferral for a maximum period of two years and delineates repayment options. Requires personal guarantee of payment of tax deferred from majority owner of the corporation.

Requires Oregon Economic and Community Development Department to publicize and promote program to potential applicants.

Becomes effective in tax years beginning on or after January 1, 2010. Sunsets program January 1, 2018.

ISSUES DISCUSSED:

- Tying interest rate charged to prime rate rather than prime discount rate
- Adding 8-year sunset clause
- Provisions for paying back loan if corporation declares bankruptcy, including corporation board members personally guaranteeing taxes will be paid
- Number of Oregon businesses qualifying for program and quantifying revenue offset to state
- Current language regarding eligibility and need for additional qualifiers, including positive prior credit history and proof of profitability as eligibility
- Blanket liens on assets while deferred taxes are being repaid and need for defining what assets are included in those liens

EFFECT OF COMMITTEE AMENDMENT: Adds sunset date to measure.. Changes language regarding the parameters of allowing corporations' tax deferral. Adds requirement of payment guarantee by majority owner of corporation. Changes rate at which deferred taxes earn interest. Adds requirement that Oregon Economic and Community Development publicize and promote program.

BACKGROUND: Some small businesses are struggling to find adequate working capital through traditional bank financing. HB 2715A allows qualifying small businesses the option to defer the majority of their income or excise taxes for two years, then pay back the deferred tax, with interest, over a four year period.

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This summary has not been adopted or officially endorsed by action of the committee.