

Senate Bill 4

Sponsored by Senators COURTNEY, DEVLIN; Senator BURDICK

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 income tax credit for creation of new employment positions by taxpayer. Establishes \$10 million maximum for credits allowed to all taxpayers.

Applies to tax years beginning on or after January 1, 2010, and before January 1, 2011.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to a business incentive tax credit; creating new provisions; amending ORS 314.752 and
3 318.031; and prescribing an effective date.

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

5 **SECTION 1. Section 2 of this 2009 Act is added to and made a part of ORS chapter 315.**

6 **SECTION 2. (1) A credit against taxes that are otherwise due under ORS chapter 316 or,**
7 **if the taxpayer is a corporation, under ORS chapter 317 or 318 is allowed to a taxpayer who**
8 **creates new employment positions. The amount of the credit is \$_____ for each full-time**
9 **position that is created. If any created positions are part-time, the amount of the credit shall**
10 **be prorated to equal \$_____ multiplied by the total number of full-time equivalent positions**
11 **created.**

12 **(2) In order to qualify a taxpayer for the credit allowed under this section, a position**
13 **must:**

14 **(a) Be filed between July 1, 2009, and December 31, 2009;**

15 **(b) Remain filed for at least 12 consecutive months; and**

16 **(c) Create a net increase in the number of full-time equivalent positions of the taxpayer**
17 **compared to the taxpayer's payroll as of June 1, 2009.**

18 **(3) Prior to claiming the credit allowed under this section, a taxpayer is required to re-**
19 **ceive written certification of eligibility from the Department of Revenue.**

20 **(4) The credit allowed under this section may not exceed the tax liability of the taxpayer**
21 **for the tax year.**

22 **(5) Any tax credit otherwise allowable under this section that is not used by the taxpayer**
23 **in a particular tax year may be carried forward and offset against the taxpayer's tax liability**
24 **for the next succeeding tax year. Any credit remaining unused in the next succeeding tax**
25 **year may be carried forward and used in the second succeeding tax year, and likewise any**
26 **credit not used in that second succeeding tax year may be carried forward and used in the**
27 **third succeeding tax year but may not be carried forward for any tax year thereafter.**

28 **(6) A nonresident shall be allowed the credit under this section. The credit shall be**
29 **computed in the same manner and be subject to the same limitations as the credit granted**
30 **to a resident.**

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 (7) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,
 2 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,
 3 the credit allowed by this section shall be prorated or computed in a manner consistent with
 4 ORS 314.085.

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

8 (9) The total amount of tax credits allowed to taxpayers under this section may not ex-
 9 ceed \$10 million.

10 (10) The Department of Revenue shall adopt rules for the purposes of this section, in-
 11 cluding policies and procedures for certifying taxpayers as eligible for the credit allowed un-
 12 der this section as required by subsection (3) of this section.

13 **SECTION 3.** ORS 314.752 is amended to read:

14 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a
 15 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The
 16 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are
 17 allowable to the shareholders of the S corporation.

18 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.734, on
 19 income of the shareholder of an S corporation, there shall be taken into account the shareholder's
 20 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but
 21 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-
 22 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the
 23 manner prescribed under section 1377(a) of the Internal Revenue Code.

24 (3) The character of any item included in a shareholder's pro rata share under subsection (2)
 25 of this section shall be determined as if such item were realized directly from the source from which
 26 realized by the corporation, or incurred in the same manner as incurred by the corporation.

27 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax
 28 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS
 29 316.117, then that provision shall apply to the nonresident shareholder.

30 (5) As used in this section, "business tax credit" means a tax credit granted to personal income
 31 taxpayers to encourage certain investment, to create employment, economic opportunity or incentive
 32 or for charitable, educational, scientific, literary or public purposes that is listed under this sub-
 33 section as a business tax credit or is designated as a business tax credit by law or by the Depart-
 34 ment of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309
 35 (tribal taxes on reservation enterprise zones), ORS 315.104 (forestation and reforestation), ORS
 36 315.134 (fish habitat improvement), ORS 315.138 (fish screening, by-pass devices, fishways), ORS
 37 315.156 (crop gleaning), ORS 315.164 and 315.169 (farmworker housing), ORS 315.204 (dependent care
 38 assistance), ORS 315.208 (dependent care facilities), ORS 315.213 (contributions for child care), ORS
 39 315.254 (youth apprenticeship sponsorship), ORS 315.304 (pollution control facility), ORS 315.324
 40 (plastics recycling), ORS 315.354 and ORS 469.207 (energy conservation facilities), ORS 315.507
 41 (electronic commerce), ORS 315.511 (advanced telecommunications facilities), ORS 315.604 (bone
 42 marrow transplant expenses), ORS 317.115 (fueling stations necessary to operate an alternative fuel
 43 vehicle) and ORS 315.141 (biomass production for biofuel) **and section 2 of this 2009 Act (business**
 44 **incentive).**

45 **SECTION 4.** ORS 318.031 is amended to read:

1 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter
2 317 shall be administered as uniformly as possible (allowance being made for the difference in im-
3 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-
4 corporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.134, 315.141, 315.156,
5 315.204, 315.208, 315.213, 315.254, 315.304, 315.507, 315.511 and 315.604 **and section 2 of this 2009**
6 **Act** (all only to the extent applicable to a corporation) and ORS chapter 317.

7 **SECTION 5. Section 2 of this 2009 Act and the amendments to ORS 314.752 and 318.031**
8 **by sections 3 and 4 of this 2009 Act apply to tax years beginning on or after January 1, 2010,**
9 **and before January 1, 2011.**

10 **SECTION 6. This 2009 Act takes effect on the 91st day after the date on which the reg-**
11 **ular session of the Seventy-fifth Legislative Assembly adjourns sine die.**

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