

**75TH OREGON LEGISLATIVE ASSEMBLY 2010 Special Session
STAFF MEASURE SUMMARY
SENATE FINANCE & REVENUE COMMITTEE**

**MEASURE: HB 3627 A
CARRIER: Sen. Hass**

**REVENUE: Revenue Impact Issued
FISCAL: Minimal Fiscal Impact**

Action: Do Pass.
Vote: 5-0-0
Yeas: Hass, Morse, Rosenbaum, Telfer, Burdick
Nays: 0
Exc.: 0
Prepared By: Chris Allanach, Economist
Meeting Dates: 2/19

WHAT THE BILL DOES: Creates a subtraction for severance pay invested in a new or existing small business. To be eligible, the investment must occur on or before the due date of the tax return (or the extension) and continue for at least 24 months following termination. The taxpayer must materially participate in the business and may claim the subtraction only once. Limits the subtraction to the lesser of \$500,000 or the amount invested. Allows the Department of Revenue to clawback unpaid taxes if the department determines that the taxpayer is not in compliance with the provisions of the bill. Requires the Department of Revenue, Oregon Business Development Department, and the Legislative Revenue Office to prepare a report on the economic impact of the policy and report to the Legislature by February 1, 2015. Applies to tax years beginning on or after January 1, 2010 and before January 1, 2014.

ISSUES DISCUSSED:

- Job creation and investment in Oregon small businesses
- Interpretation of 'material participation'
- Approach of indirect spending by creating an additional tax expenditure

EFFECT OF COMMITTEE AMENDMENTS: None.

BACKGROUND: Historically, some portion of employees start their own business in response to a job loss. Over the past ten years that percentage has varied between roughly 5% and 9%. This policy would provide additional capital for such taxpayers as an incentive to start their own business.

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