

**REVENUE IMPACT OF
PROPOSED LEGISLATION
75th Oregon Legislative Assembly
2010 Special Session
Legislative Revenue Office**

Bill Number: HB 3627 A
Revenue Area: Personal Income Tax
Economist: Chris Allanach
Date: 2-15-10

Measure Description: 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. Applies to tax years beginning on or after January 1, 2010 and before January 1, 2014.

Revenue Impact (\$Millions):

	Fiscal Year		Biennium		
	2009-10	2010-11	2009-11	2011-2013	2013-2015
General Fund	\$0	-\$0.15	-\$0.15	-\$0.2	-\$0.1

The estimated revenue impact is based on data from the National Compensation Survey, Oregon Employment Department, and the March 2010 Economic and Revenue forecast. The National Compensation Survey reported that severance pay cost employers, on average, roughly one cent per hour worked. Applying this amount to estimates of the average number of hours worked as reported by the Employment Department and the employment forecast in the Economic and Revenue forecast results in an estimate of total severance pay per year. According to data from Challenger, Gray & Christmas, 8.6 percent of laid-off employees chose to start their own businesses in 2009. Assuming this percentage is the same for Oregon and represents the same share of money invested, the revenue impact is roughly -\$100,000 per year.

Creates, Extends, or Expands Tax Expenditure: **Yes**

The policy purpose of this measure is to encourage entrepreneurship and provide additional working capital to new and small Oregon businesses.