

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

Bill Number: HB 3681 A
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 2-16-10

Measure Description: Makes electric vehicle manufacturers (including all-terrain vehicles) eligible for the manufacturing Business Energy Tax Credit (BETC). Limits maximum eligible project costs for these manufacturers to \$2.5 million. Requires the Department of Energy to consider such factors as phases of development, expansion of or addition to existing facilities or product lines, increased production, and number of jobs created or maintained when determining eligibility for a manufacturing BETC. Extends the sunset date for the reservation enterprise zone income tax credit from January 1, 2014 to January 1, 2018. Takes effect on the 91st day after sine die.

Revenue Impact (\$Millions):

| | Fiscal Year | | Biennium | | |
|---------------------|-------------|---------------|---------------|----------------|----------------|
| | 2009-10 | 2010-11 | 2009-11 | 2011-2013 | 2013-2015 |
| General Fund | \$0 | -\$0.6 | -\$0.6 | -\$12.2 | -\$34.7 |

The estimated revenue impact assumes HB 3680A becomes law and is primarily due to the consideration of phases of development for the manufacturing BETC. This policy would allow applicants that have received an initial manufacturing BETC to receive subsequent credits for additional phases of their manufacturing process. The assumed impact is that, generally, each year there will be one applicant who receives an additional manufacturing credit worth \$20 million claimed over five years. Expanding the manufacturing BETC to include electric vehicles would also result in a revenue loss, although the maximum credit is \$1.25 million claimed over five years. (The language regarding wind projects of more than 10 MW is assumed to have no revenue impact because those policies are contained in HB 3680A.) The changes made to the reservation enterprise zone credit are expected to have a minimal revenue impact.

Creates, Extends, or Expands Tax Expenditure: Yes

The purpose of expanding the manufacturing BETC is to increase the opportunities for Oregon businesses to create jobs. The purpose of extending the sunset on the reservation enterprise zone tax credit is to allow additional time for the tax credit to be used so that it may be evaluated.