MEASURE: HB 3671-1
EXHIBIT: E
Joint Committee on Tax Credits 76th Session
DATE: 6/13/11 PAGES: 6
SUBMITTED BY: JODY WISER

TAX
FAIRNESS
OREGON

HB 3671-1 "the" tax credits bill

Joint Tax Credits, June 9, 2011 Jody Wiser

First, I want to commend you for the work you've done and the decisions you've made. It was hard intellectual and emotional work to decide what would be in this bill and what would not. Thank you.

RE: R&D
The Research and Development reduction to a $1 million annual maximum per business is a step in the right direction. We would still encourage you to eliminate this program entirely. The absence of a sales tax and single sales factor has given us a competitive tax structure that rates Oregon at 2nd in the nation for business investment by the Council on State Taxation. Meanwhile this subsidy is a tiny, tiny portion of the billions in R&D dollars spent in this state. That spending is driven by market competition. Subsidy for R&D is unlikely to be providing anything but free-rider money, and you've provided no mechanism for collecting data to discover otherwise. In another hearing room this year we heard testimony of a businessman who said that while the R&D tax credits eliminated entirely his business' tax liability for the year it had absolutely no effect on the amount of R&D they actually did.

RE: BETC and RETC
We are glad to see the reduction from 50% to 35% of costs which creates more equity between conserving and generating energy. Likewise the caps on all portions of the program give legislative control to this tax credit program similar to legislative control over budget programs. Hopefully the caps will also drive our public investments toward the most efficient conservation and production activities rather than simply those applications that arrive first at the door.

Concerns:

1. Your decision to limit subsidy to projects with a two-year or more payback period pushes public subsidy towards those projects that need it. Tying this to energy savings per dollar spent would be a good addition. We've spent as little as $650 and as much as $66,000 to conserve the same annual amount of energy in the past.

2. In the renewables industry prices are dropping quickly both for materials and in the profit margins expected. Further, you've no control over the amounts of either federal or ratepayer subsidies. Thus a 35% subsidy could still become over-generous in some circumstances. We believe HB 3671-1 should be amended to also require that project owners themselves bear at least 40% of the cost of the investments. Otherwise, we

could again enter zones where the subsidies are unrealistically generous. This is particularly true since regardless of the taxpayer and ratepayer subsidies, owners are allowed both depreciation and basis for capital gains purposes as though they actually incurred the cost.

3. Since at this time film and video tax credits are selling out very, very quickly at 95 cents on the dollar for one year tax credits, this year's legislation for both Film and Video the BETC should begin at 96 cents on the dollar for one year tax credits, and 90 cents on the dollar for five year credits with all offered as an auction to the highest bidder, thus gaining additional reductions in leakage as some purchasers might bid to pay a higher amount. Actually the whole merchandizing scheme for tax credits might be changed with a few billboards and an ask for help in supporting renewables and conservation. We could sell publically to those willing to pay extra for their energy, and likely get 100% on the dollar if the tax credits came with a decal.

4. We believe there should be careful analysis of which programs are associated with the currently unclaimed $150 million in BETC tax credits. With precise information you might be able to move most of our energy programs to the pre-sold tax credits model. Or to one simply offering checks delivered over five years rather than tax credits at all, reducing significantly the leakage than our current tax credit system. Ultimately, with caps, we'd move these out of tax code spending and into the state's budget. Given the high percentage of the funds that go to municipalities, non-profits, and non-taxed traded-sector businesses this is the best financing model.

5. HB3671-1 says pre-certifications should be good for five years. Since we are operating under caps, and are interested in current job creation, the program should focus on shovel ready projects. Thus we would think moving the current three year life of a pre-cert to five years is the exact opposite of what the state should do. It would make better sense to give pre-certs a two-year useful life at this time and extend the time period as the economy recovers.

6. Only subsidizing platinum level LEED, and allowing for other energy savings matrix is a step in the right direction. We caution you to continue to pay attention in future years. While LEED is being revised, currently only a small portion of LEED certification is based on energy usage.

7. We commend you for capturing back some of the GF dollars allocated to BETC last session and remind you that there are still allocations for the Mannie well beyond what has been used in the past. Money could be recaptured from Mannie and applied to other job retention and creation programs of our state. Those in health care and human services that are facing severe cuts and which often come with federal match would be good choices.

8. Section 17 is simply not clear. Further the name, the Oregon Renewable Energy Contributions Fund, implies that these purchases are tax deductible contributions. The account's title should clearly identify its function and place in the tax code rather than mislead. The Tax Credit Purchase Account would be appropriate.

For your information, I've attached below a notice about sale of the film and video tax credits.

Thank you, thank you for your thoughtful efforts on these tax credits.

Tax Fairness Oregon is a nearly all-volunteer group advocating for fair, stable and adequate taxes

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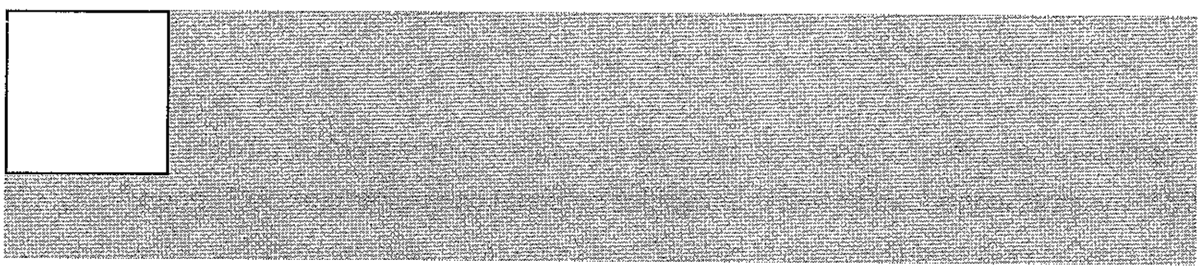
From: Oregon Film & Video Office [mailto:vince=oregonfilm.org@mcsv72.net] **On Behalf Of** Oregon Film & Video Office
Sent: Thursday, June 02, 2011 3:33 PM
To:
Subject: 2011 OPIF Tax Credits Available



Date: June 3, 2011

As of July 1, the Oregon Film & Video Office (OFVO) will have $2.5m in tax credits that will be available for sale for tax year 2011. The discount rate for the available tax credits is 5%.

Use the following formula to calculate contributions and tax credits:

- Contribution / .95 = tax credit amount.
  i.e. - $9,500 contribution/ .95 = $10,000 tax credit

These tax credits have historically sold out very quickly and are available on a first-come, first-served basis. **We are not able to accept or process contributions prior to July 1, 2011.**

On July 1, contributions must be hand delivered to either the Oregon Film & Video Office in Portland, or Business Oregon's Office in Salem (see below for addresses). Both offices will open at 8:00 am and will have a sign in sheet available prior to opening. Either the person making the contribution or someone representing the person making the contribution must appear in person with the payment.

Payments on July 1st must be in the form of either **Cash** or a **Cashier's Check** made out to: ***Oregon Business Development Department*** or ***Business Oregon***. Please reference "OPIF" in the memo.

All contributions must be submitted with a "Contribution/Application" form. Forms and information are available on our website at: **MailScanner has detected a possible fraud attempt from "oregonfilm.us1.list-manage.com" claiming to be** http://oregonfilm.org/taxcredits/.

If credits are still available after July 1st, both locations will be accepting payments on July 5th. Payments in the form of wire transfer or a personal check made out to *Oregon Business Development Department* or *Business Oregon* will also be accepted at that time.

Please know that credits are not verified until contributions have cleared the bank. Cashiers checks are verified as they are received. Wire transfers and ACH payments are verified in the order they are received at the State Treasury account. Regular checks will be verified as they clear the State Treasury account.

Within 45 days of a contribution's verification, our office will send a "Tax Credit Certificate" which may be filed with 2011 tax returns. Unused tax credits may be sold or carried over for 3 years.

Please note: There are an additional $5m in tax credits that had been previously reserved. Applicants will be required to pay for these reservations by July 15th. Any reservations not redeemed by July 15th will then be offered for sale at the current discount rate of 5% on July 25th. Once the initial $2.5m of available credits are sold out, the Oregon Film & Video Office will keep a list (in order of appearance) of those interested in purchasing any tax credits that become available on July 25, 2011. OFVO will contact the people on the list and offer the amount of tax credits available.

To make a payment on July 1st, please go to:

Business Oregon
8am - 5pm
775 Summer Street NE
Salem, OR 97301

or

Governor's Office of Film & Television
8am - 5pm
1001 SE Water Avenue, Ste. 430
Portland, OR 97214

Please feel free to call or email Vince Porter or Nathan Cherrington with any questions.

Vince Porter, Nathan Cherrington
Governor's Office of Film & Television
503-229-5832
vince@oregonfilm.org or nathan@oregonfilm.org

Oregon Governor's Office of Film & Television

1001 SE Water Ave

Suite 430

Portland, Oregon 97214