

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 2411**Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal Office

Prepared by: Robin LaMonte
 Reviewed by: Steve Bender, Laurie Byerly
 Date: 2/16/2011

Measure Description:

Establishes corporate income and excise tax credit for certain facility costs of business firms that construct facilities and engage in business operations in which average annual gross payroll and increase in number of employees meet specified requirements.

Government Unit(s) Affected:

Business Development Department (Business Oregon) (OBDD), Department of Revenue (DOR)

Summary of Expenditure Impact

	2011-13 Biennium	2013-15 Biennium
Lottery Funds	97,762	135,367
Other Funds	25,000	50,000
Total Funds	\$122,762	\$185,367
Positions	1	1
FTE	0.50	1.00

Summary of Revenue Impact*

	2011-13 Biennium	2013-15 Biennium
Other Funds	25,000	50,000
Total Funds	\$25,000	\$50,000

*Agency fee revenue. See Revenue Impact Statement for statewide revenue estimate for the program.

Local Government Mandate:

This bill [may] [does not] affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

HB 2411 establishes corporate income and excise tax credits for certain facility costs of when businesses construct facilities and engage in business operations that increase the number of employees and payroll, under specified requirements.

The bill requires the Business Development Department to certify businesses that are eligible for tax credits, in advance of the construction and hiring of additional employees. The bill provides for a fee, not to exceed \$1,000, to file an application for certification. The bill establishes a maximum of 40 certifications per biennium. Based on workload from a similar program (the Manufacturing Business Energy Tax Credit program), OBDD estimates that approximately 30 applications will be received in the 2011-13 biennium and that 60 applications will be received in the 2013-15 biennium. Of these

applications, approximately half of the applications will fail to meet the qualifications established in the bill. OBDD will refund half of the application fee and retain the balance for administrative costs.

OBDD estimates that one Operations and Policy Analyst 4 position (0.50 FTE) will be required in the 2011-13 biennium to develop the application process, review each application, determine qualifications, issue or deny certification, monitor certified businesses for compliance, and revoke certification if a business ceases to be qualified. The personal services cost, including benefits, would be \$99,612. Services and supplies, including an estimated \$15,400 in Attorney General cost to review rules and forms related to the program, would be \$23,150, for a total 2011-13 cost of \$122,762.

Ongoing workload will require a full time Operations and Policy Analyst 4 position in future biennia. The estimated 2013-15 cost would be \$169,027 for personal services and \$16,340 for services and supplies, for a total biennial cost of \$185,367.

OBDD estimates that Other Funds revenue from fees will offset \$25,000 of the cost in 2011-13 and \$50,000 of the cost in 2013-15. The balance of the cost for the program would require Lottery Funds, which support OBDD's economic development activities.

The bill requires OBDD to provide a copy of the certification to the Department of Revenue. Taxpayers seeking tax credits under this bill may file the claim in a form prescribed by DOR. OBDD will also notify DOR if a certification is revoked. DOR estimates that the workload impact from this bill will be minimal.