

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3353

Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal Office

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Measure Description:

Creates income tax credit for investment in emerging growth business.

Government Unit(s) Affected:

Department of Revenue(DOR)

Summary of Fiscal Impact:

Indeterminate, please see analysis

Local Government Mandate:

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

Analysis:

The measure requires the Department of Revenue to provide a tax credit in the amount of \$0.70 for every one dollar invested in an Emerging Growth Business (EMG). The Oregon statute dealing with the Oregon Growth Account within the Education Stability Fund and the Oregon Growth Account Board (OGAB) that is referenced in the bill defines an EMG as “an individual or group of individuals or a new or small company, including but not limited to any new or small partnership, limited liability company, corporation, firm, association or other entity, that has the capacity, upon obtaining appropriate capital, to generate significant high skill, high wage employment.” The section of existing statute for which the definition applies does not require an entity to be certified by the Oregon Growth Account Board to be an EMG for the purpose of investments made by the OGAB. Based on this, the Department of Revenue believes that the statute used to define an EMG simply creates a broad type of investment that in the creation of policies and procedures for the certification that is required by the measure, the Department of Revenue must evaluate on a case-by-case basis. The number of taxpayers that might apply to the DOR for written certification is unknown. The number of certification requests is the principal variable in determining the potential expenditure impact of the measure. Therefore, the fiscal impact is indeterminate.

As an example, the Department of Revenue estimates that if 25,000 applications for certification (which represents about 10 percent of the sole proprietor business returns) were received each biennium, the cost to process the requests, including the evaluation whether the investment qualifies for certification based on the given definition, would cost \$256,566 and require an additional 1.62 FTE beyond their current budget each biennium. The certification process itself has been identified as the key cost function as the department believes that if the investments were made in EMGs that were certified by the OGAB, the remaining costs could be absorbed using the DOR's existing resources. The OGAB however does not make such certifications and in fact makes Oregon Growth Account investments through third-party managers and partners using OGAB guidelines and policies.

