

REVENUE: Revenue statement issued
FISCAL: No fiscal impact

Action: Do Pass and Be Referred to the Committee on Tax Credits by prior reference
Vote: 6 - 0 - 0
Yeas: Atkinson, Burdick, Edwards, Girod, Starr, Beyer
Nays: 0
Exc.: 0
Prepared By: Richard Berger, Administrator
Meeting Dates: 3/22, 3/24, 4/18

WHAT THE MEASURE DOES: Extends the sunset for the tax credit for insurers providing workers' compensation insurance to January 1, 2018. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Whether the program is actually a tax credit
- Whether there is an alternative funding mechanism that is better suited

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Insurers that provide workers' compensation coverage pay corporate income tax and a separate workers' compensation assessment, which provides funding to administer the state's workers' compensation system. The tax expenditure entitles them to a credit against their corporate income taxes equal to the lesser of assessments paid on workers' compensation premiums as outlined in ORS 656.612, or the total profit attributable to the workers' compensation line of business, up to their tax liability. Insurers collect premium assessments from businesses that purchase workers' compensation coverage, and the assessments are paid to the Department of Consumer and Business Services. These assessments are not included in the insurers' taxable income reported on their corporate income tax return, but allow the insurer to reduce taxable income for paid assessments even when the assessment is not reported as income.

According to the Department of Revenue's *2011-13 Tax Expenditure Report*, for the 2007 tax year, 72 corporation taxpayers benefited from this credit, with an average tax liability reduction of \$35,000. The State Accident Insurance Fund (SAIF) does not benefit from this tax expenditure, as the company was created by statute and is not considered an insurance corporation.

The statute which established the tax credit was enacted in 1995, and was last modified in 2009 via the enactment of House Bill 2067.