

REVENUE: Revenue Impact Issued

FISCAL: Fiscal Impact Issued

Action: Do Pass with Amendments and Requesting Subsequent Referral to Ways and Means be Rescinded. (And be printed Engrossed).

Vote: 11-1-0

House Yeas: Bentz, Brewer, Gelser, Read, Wand, Bailey, Berger

Senate Yeas: Hass, Morse, Telfer, Burdick

Nays: Barnhart

Exc.: 0

Prepared By: Chris Allanach, Economist

Meeting Dates: 5/19, 6/15, 6/16

WHAT THE BILL DOES: Creates the Oregon Low Income Community Jobs Initiative. Creates a tax credit against income and corporate excise taxes equal to 39 percent of the cost of a qualified equity investment. States that the credit is taken over seven years – no credit for the first two years, a seven percent credit in year three, and an eight percent credit in each of the subsequent four tax years. States that the credit is nonrefundable but may be carried forward to any tax year. Limits the total amount of tax credits that may be claimed in any tax year to \$16 million. Specifies conditions that must be met for a taxpayer to be eligible for the credit and requires a nonrefundable application fee of \$20,000. Excludes businesses that receive more than 15 percent of their revenue from real estate. Limits the amount of qualified investments in a qualified business to \$4 million. Applies to qualified investments made between July 1, 2012 and June 30, 2016.

ISSUES DISCUSSED:

- Technical aspects of the program
- Connection to federal program
- Investment in rural communities in Oregon
- Changing the cap of \$16 million per year to a total program cap of \$16 million

EFFECT OF COMMITTEE AMENDMENTS: Increases the maximum investment from \$3 million to \$4 million; increases the application fee from \$5,000 to \$20,000; excludes business that receive more than 15 percent of their revenue from real estate; changes reference from 'taxpayer' to 'entity'.

BACKGROUND: This program is modeled after the federal New Markets Tax Credit. The intent is to stimulate investment in low-to-moderate income communities. The federal credit also equals 39 percent of the investment and is taken over seven years (5 percent in the first three years and 6 percent thereafter). According to a 2007 Government Accountability Office (GAO) report, between federal fiscal years 2003 and 2005 a total of 14 Oregon projects resulted in roughly \$111 million of investment through the federal New Markets Tax Credit (NMTC) program.