76TH OREGON LEGISLATIVE ASSEMBLY **MEASURE: HB 4200A**
SPECIAL SESSION **CARRIER:Berger, Barnhart**
STAFF MEASURE SUMMARY **Sen.Burdick**
JOINT SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT

REVENUE: Statement Issued
FISCAL: Minimal Fiscal Impact

Action: Do Pass with Amendments
Vote: 8-0-0
Yeas: Barnhart, Berger, Burdick, Bentz, Read, Telfer, Hass, Close
Nays: 0
Exc.: 0

Prepared By: Paul Warner, Legislative Revenue Officer
Meeting Dates: December 14, 2012

WHAT THE BILL DOES: Authorizes Governor to enter into qualifying investment contracts with taxpayers who meet certain investment requirements. Taxpayer agrees to minimum investment and employment levels in return for state commitment to apportion corporate income taxes of the contracting taxpayer based on the singe sales factor apportionment formula. Specifies factors Governor is to consider when entering contract negotiations. Limits contract length to between 5 and 30 years. Sunsets Governor's authority to enter new contracts on 1-1-14. Takes effect 91 days after the end of the special session.

ISSUES DISCUSSED:
- History of legislative policy regarding corporate apportionment formula.
- Impact of NIKE on the state economy.
- Use of the single sales apportionment as an economic development tool.
- Importance of deliberative legislative process.
- Why legislation is needed now.
- Appropriate investment qualifications.
- Appropriate sunset date and length of contracts.

EFFECT OF COMMITTEE AMENDMENTS:
- Changes dates for contract length, when contracts can first be executed and sunset of Governor's authority.
- Removes depreciation, intellectual property and amortization from list of eligible costs.
- Changes remedy in case of contract breach.
- Changes contract authority to Governor in consultation with Department of Revenue Business Development Department.
- Removes reference to Strategic Investment Project participants.
- Modifies factors Governor should consider to include other economic development incentives.
- Adds biennial reporting requirement by Business Development Department to Legislative Assembly.

BACKGROUND: States must use formulas to apportion net income for those corporations who operate in multiple states. Over the past twenty years, Oregon has moved from a three factor formula based on sales, property and payroll to a one based exclusively on sales. Oregon moved all the way to the 100% sales factor in 2005.