

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Sixth Oregon Legislative
Assembly
2012 1st Special Session
Legislative Revenue Office**

**Bill Number: HB 4200 - A
Revenue Area: Corporate Income Tax
Economist: Paul Warner
Date: 12-14-12**

***Only Impacts on Original or Engrossed
Versions are Considered Official***

Measure Description:

Authorizes Governor to enter into contractual agreements with corporate taxpayers who agree to investments of at least \$150 million and the addition of 500 or more net new jobs in the state. In return Governor contractually obligates the state to apportion corporation's income under the single sales factor apportionment formula regardless of any future changes in state apportionment law. Establishes minimum and maximum length of contracts and specifies remedies if contract is breached.

Revenue Impact (in \$Millions):

There is no revenue impact from this measure under current law. A direct revenue impact would only occur if a future Legislature changed the state's apportionment formula to one that uses other factors such as payroll or property. In that case the state would not be able to collect additional revenue beyond what would result from using the single sales apportionment formula from those corporations who have entered contracts allowed under HB 4200.

Capital investments of the size contemplated in HB 4200 have a significant indirect impact on state personal income taxes and local property taxes through the increase in economic activity. For example a \$150 million investment which creates an annual increase in jobs of 500 which pay \$100,000 each would generate estimated annual personal income tax revenue of roughly \$30 million and property tax revenue of \$2.25 million.

Impact Explanation:

Revenue impacts are by definition an estimate of revenue under the proposed law compared to revenue under current law. Since HB 4200 does not change the current law method of apportioning corporate income (the single sales apportionment formula) it does not have a revenue impact.

The indirect revenue impact estimates for a hypothetical investment under the proposal are based on an assumed 6% average personal income tax on \$50 million of wage income. The property tax estimate is based on an increase in assessed value of \$150 million with a property tax rate \$15 per thousand. These estimates do not include secondary effects on other sectors of the economy triggered by the initial investment and employment expansion.

The policy purpose of this measure is to establish greater certainty regarding state tax policy for those benefiting from a sales factor apportionment formula over other apportionment methods who sign contracts with the state and meet certain obligations.