

House Bill 2281

Sponsored by Representative READ (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Directs Oregon Business Development Department to implement program in which tax revenues generated by persons hired by innovation activity employers are directed to Oregon Innovation Fund.

Appropriates moneys from General Fund to department for purposes of administering program. Specifies rate of withholding on taxable income of person employed by registered employer.

Applies to tax years beginning on or after January 1, 2014, and before January 1, 2017.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to revenues for innovation; creating new provisions; amending ORS 284.720; appropriating
3 money; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. As used in sections 1 to 3 of this 2013 Act:**

6 (1) **"Incremental Oregon innovation tax revenues" means:**

7 (a) **The Oregon personal income tax revenues that are generated from the Oregon per-**
8 **sonal income tax liabilities shown on the income tax returns filed by persons hired by reg-**
9 **istered employers in the two consecutive tax years beginning with the tax year in which the**
10 **employer is registered under section 2 of this 2013 Act, including revenues that are generated**
11 **from the tax liabilities of spouses of persons employed by registered employers if the tax li-**
12 **abilities are reported on a joint return; or**

13 (b) **If Oregon personal income tax rates are reduced after the dates of the grant agree-**
14 **ments described in ORS 284.735, and the grant agreements provide that payments will be**
15 **based on rates in effect when the grant agreements are executed, the Oregon personal in-**
16 **come tax revenues generated from the tax liabilities, as described in paragraph (a) of this**
17 **subsection, that would have been due if the liabilities were calculated using personal income**
18 **tax rates in effect on the date of execution of the grant agreements.**

19 (2) **"Innovation activity employer" means an employer that:**

20 (a) **Is an Oregon growth business, as that term is defined in ORS 284.701; and**

21 (b) **Has had an average payroll, over the preceding six months, of at least 50 employees.**

22 (3) **"Registered employer" means an innovation activity employer that has been identified**
23 **and registered as a participant in the program established under section 2 of this 2013 Act.**

24 (4) **"Tax liabilities" means the tax determined under ORS chapter 316 for the tax year,**
25 **less the credits allowed for purposes of ORS chapter 316 for the tax year.**

26 **SECTION 2. The Oregon Business Development Department shall, in cooperation with**
27 **the Department of Revenue:**

28 (1) **Establish and administer a program for utilizing incremental Oregon innovation tax**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 revenues for the purposes of the Oregon Innovation Council;

2 (2) Identify employers that are innovation activity employers;

3 (3) Notify innovation activity employers of the requirement that the employers comply
4 with sections 6 and 7 of this 2013 Act; and

5 (4) Register the innovation activities employers as participants in the program estab-
6 lished under this section.

7 **SECTION 3.** The Oregon Business Development Department may adopt administrative
8 rules that the department determines are necessary to:

9 (1) Further define the terms defined in section 1 of this 2013 Act in a manner consistent
10 with section 1 of this 2013 Act;

11 (2) Implement the duties of the department under sections 1 to 3 of this 2013 Act; and

12 (3) Carry out the purposes of sections 1 to 3 of this 2013 Act.

13 **SECTION 4.** Sections 5 to 9 of this 2013 Act are added to and made a part of ORS 316.162
14 to 316.221.

15 **SECTION 5.** As used in sections 5 to 9 of this 2013 Act:

16 (1) "Compensation" has the meaning given that term in ORS 314.610.

17 (2) "Registered employer" has the meaning given that term in section 1 of this 2013 Act.

18 **SECTION 6.** (1) A registered employer, in lieu of the withholding requirements under
19 ORS 316.167, shall withhold eight percent of the wages of employees hired by the registered
20 employer in each of the two consecutive tax years beginning with the tax year in which the
21 employer is registered under section 2 of this 2013 Act, as provided in this section and by rule
22 of the Department of Revenue.

23 (2) The registered employer withholding amounts under this section shall pay the
24 amounts withheld to the Department of Revenue at the time and in the manner prescribed
25 by the department by rule.

26 (3) This section applies to tax years beginning on or after January 1, 2012, and before
27 January 1, 2022.

28 **SECTION 7.** In addition to other reports and returns required by law or rule, a registered
29 employer required to withhold compensation under section 6 of this 2013 Act shall file an
30 annual report with the Department of Revenue, stating:

31 (1) The total amount of compensation paid during the year to employees hired in that tax
32 year by the registered employer;

33 (2) The taxpayer identification number of each employee of the registered employer;

34 (3) The compensation paid to each employee of the certified employer; and

35 (4) The amount withheld under section 6 of this 2013 Act for each employee hired by the
36 registered employer.

37 **SECTION 8.** (1) The Department of Revenue may adopt administrative rules that the
38 department determines are necessary to:

39 (a) Implement the duties of the department under sections 5 to 9 of this 2013 Act; and

40 (b) Carry out the purposes of sections 5 to 9 of this 2013 Act.

41 (2) The rules may include rules construing ORS 316.162 to 316.221 in a manner that is
42 consistent and compatible with the withholding provisions of sections 5 to 9 of this 2013 Act.

43 **SECTION 9.** For tax years beginning on or after January 1, 2014, and before January 1,
44 2017, the revenues received by the Department of Revenue under section 6 of this 2013 Act
45 shall be transferred to the Oregon Innovation Fund created under ORS 284.720.

1 **SECTION 10.** (1) There is appropriated to the Oregon Business Development Department,
2 for the biennium beginning July 1, 2013, out of the General Fund, the amount of \$_____ for
3 the purpose of carrying out the provisions of sections 1 to 3 of this 2013 Act.

4 (2) There is appropriated to the Department of Revenue, for the biennium beginning July
5 1, 2013, out of the General Fund, the amount of \$_____ for the purpose of carrying out the
6 provisions of sections 5 to 9 of this 2013 Act.

7 **SECTION 11.** ORS 284.720 is amended to read:

8 284.720. (1) There is created within the State Treasury, separate and distinct from the General
9 Fund, the Oregon Innovation Fund. Interest earned by the Oregon Innovation Fund shall be credited
10 to the fund.

11 (2) Moneys in the Oregon Innovation Fund shall consist of:

12 (a) Amounts donated to the fund;

13 (b) Amounts appropriated or otherwise transferred to the fund by the Legislative Assembly;

14 (c) Investment earnings received on moneys in the fund; *[and]*

15 **(d) Moneys received by the Department of Revenue under section 6 of this 2013 Act; and**
16 ***[(d)]* (e) Other amounts deposited in the fund from any source.**

17 (3) Moneys in the fund are continuously appropriated to the Oregon Innovation Council for the
18 purposes of making grants and loans under ORS 284.742 and entering into contracts to carry out the
19 recommendations included in the state plan developed under ORS 284.715.

20 (4) The council may establish accounts and subaccounts within the fund when the council de-
21 termines that accounts or subaccounts are necessary or desirable and may credit any interest or
22 income derived from moneys in the fund to any account or subaccount in the fund.

23 (5) The council may use moneys in the fund to pay the administrative costs associated with the
24 fund and with making grants, loans and other distributions of moneys from the fund.

25 **SECTION 12.** Sections 1 to 3 and 5 to 9 of this 2013 Act and the amendments to ORS
26 284.720 by section 11 of this 2013 Act apply to tax years beginning on or after January 1, 2014,
27 and before January 1, 2017.

28 **SECTION 13.** This 2013 Act takes effect on the 91st day after the date on which the 2013
29 regular session of the Seventy-seventh Legislative Assembly adjourns sine die.

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