

REVENUE:

FISCAL:

SUBSEQUENT REFERRAL TO:

Action:

Vote:

Yeas:

Nays:

Exc.:

Prepared By: James LaBar, Administrator

Meeting Dates: 3/16, 4/15, 4/20

WHAT THE MEASURE DOES: Extends sunset for tax credit for qualified equity investment from July 1, 2016 to July 1, 2022.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENT:

(-1 amendment) Simplifies method the tax credit is tracked by Business Oregon. Clarifies a new allocation of funds for the Low Income Community Jobs Initiative. Adds retaliatory tax fix. Clarifies ability to combine federal and state allocation from two separate community development entities into one transaction.

BACKGROUND: Bill documentation for the implementing legislation (2011 SB 817) states that the purpose of the tax credit "...is to increase private capital investments in Oregon small business operating in low-income communities." It is intended to achieve this by reducing the cost of financing business development in qualified regions of the state. Testimony indicated that the tax credit could be leveraged to increase private sector investment. Because this tax credit is tied to the federal New Markets Tax Credit (NMTC), the state can also leverage the competitive nature of the federal process. Proponents also argued that Oregon would see an increase in its share of federal NMTC investments. One aspect of the Oregon program is that smaller projects may receive Oregon funding even if, while eligible at the federal level, they are unable to obtain a federal allocation.

Taxpayers who make a Qualified Equity Investment (QEI) are eligible for a credit against personal or corporate income taxes equal to 39 percent of the amount of the investment. This program is tied to the federal NMTC program.