

HB 2239 A-Engrossed Tax Incentive for Employment of At-Risk, Disadvantaged and Disabled Youth

House Revenue Committee 5/5/2015 David R. Roth



Last year TFO testified about a bill that offered an incentive for employment of young people (SB 1547). It was based on a program that Linn County had been operating for 8 years. Instead of using tax credits, it used the county's share of Lottery funds to reimburse an employer up to \$1,000 for wages earned by a new young employee during a year. An employer could use these funds to employ no more than three employees in a year.

That bill would have authorized Business Oregon to set up a similar program in all 36 counties with a subsidy funded from the existing Business Oregon budget.

TFO praised the Linn County program for using budgeted funds instead of tax credits and for the expenditure limits built into it, but we were concerned that it didn't expressly target disadvantaged young people. We praised the proposed State program for borrowing a well-tested, county-based model and for using budgeted funds instead of tax credits. But we advised the Committee that the bill should be clearly targeted toward disadvantaged youths and should have a sunset date.

House Bill 2239 A is clearly targeted towards young people who need plenty of help to find employment, so it's an improvement over last year's bill in that respect. It relies on tax credits rather than budgeted expenditures, which is a drawback in our eyes. But it does have a sunset date of 5 years, and the tax credit is limited to 25%. The Linn County model only applied to the first year of employment. This bill encourages longer term employment by extending the credit until the employee's 19th birthday.

That leaves two big questions. First, are employment incentives for these young people more important than more schooling? Perhaps you believe that employment is the most important form of schooling for these young people, given their age and the disadvantages they suffer from. If your answer is yes, that raises the second question. How are you going to make sure that schools and OYA can maximize the value of this incentive program? Should you assume that Oregon's high schools have employment outreach plans that only lack a tax incentive to grow? Is there anything in this session's school budget for that? What about OYA? In the end, the success of this incentive depends on adding restricted funds to the state budget for high schools, OYA, juvenile courts and probation departments so they can hire qualified staff to manage the necessary outreach. You should also plan for annual reviews of the program by this committee.

We read the bills and follow the money