



# Senate Bill 746

Sponsored by Senator FERRIOLI

## 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.

Creates income tax credit for taxpayers that expand workforce with positions that pay above average wage by 10 percent or more in tax year.

Applies to tax years beginning on or after January 1, 2016.

Takes effect on 91st day following adjournment sine die.

### A BILL FOR AN ACT

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Relating to a tax credit for workforce expansion; creating new provisions; amending ORS 314.752 and 318.031; and prescribing an effective date.

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

**SECTION 1.** Section 2 of this 2015 Act is added to and made a part of ORS chapter 315.

**SECTION 2.** (1)(a) "Qualified employment position" means an employment position that provides a wage that is greater than the average wage of the county in which the employee performs a plurality of the employee's work.

(b) "Qualified wages" means wages paid in the preceding tax year as a result of the qualified employment positions added in the qualifying year.

(c) "Qualifying year" means a tax year during which a taxpayer adds qualified employment positions that create a net increase of 10 percent or more in the taxpayer's number of full-time equivalent employment positions.

(2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318 is allowed to a taxpayer that completes a qualifying year.

(3) The credit allowed under this section is calculated as follows:

(a) In the first tax year after a qualifying year, the credit is equal to 25 percent of qualified wages.

(b) In the second tax year after a qualifying year, the credit is equal to 20 percent of qualified wages.

(c) In the third tax year after a qualifying year, the credit is equal to 15 percent of qualified wages.

(d) In the fourth tax year after a qualifying year, the credit is equal to 10 percent of qualified wages.

(e) In the fifth tax year after a qualifying year, the credit is equal to five percent of qualified wages.

(4) A taxpayer may claim the credit allowed under this section for multiple qualifying years.

(5) Prior to claiming the credit allowed under this section, a taxpayer is required to re-

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 ceive written certification of eligibility from the Department of Revenue.

2 (6) The credit allowed under this section may not exceed the tax liability of the taxpayer  
3 for the tax year.

4 (7) Any tax credit otherwise allowable under this section that is not used by the taxpayer  
5 in a particular tax year may be carried forward and offset against the taxpayer's tax liability  
6 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax  
7 year may be carried forward and used in the second succeeding tax year, and likewise any  
8 credit not used in that second succeeding tax year may be carried forward and used in the  
9 third succeeding tax year but may not be carried forward for any tax year thereafter.

10 (8) A nonresident shall be allowed the credit under this section. The credit shall be  
11 computed in the same manner and be subject to the same limitations as the credit granted  
12 to a resident. However, the credit shall be prorated using the proportion provided in ORS  
13 316.117.

14 (9) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,  
15 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,  
16 the credit allowed under this section shall be prorated or computed in a manner consistent  
17 with ORS 314.085.

18 (10) If a change in the status of a taxpayer from resident to nonresident or from non-  
19 resident to resident occurs, the credit allowed under this section shall be determined in a  
20 manner consistent with ORS 316.117.

21 (11) The Department of Revenue shall adopt rules for the purposes of this section, in-  
22 cluding policies and procedures for certifying taxpayers as eligible for the credit allowed un-  
23 der this section as required in subsection (5) of this section.

24 **SECTION 3.** ORS 314.752 is amended to read:

25 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a  
26 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The  
27 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are  
28 allowable to the shareholders of the S corporation.

29 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.734, on  
30 income of the shareholder of an S corporation, there shall be taken into account the shareholder's  
31 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but  
32 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-  
33 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the  
34 manner prescribed under section 1377(a) of the Internal Revenue Code.

35 (3) The character of any item included in a shareholder's pro rata share under subsection (2)  
36 of this section shall be determined as if such item were realized directly from the source from which  
37 realized by the corporation, or incurred in the same manner as incurred by the corporation.

38 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax  
39 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS  
40 316.117, then that provision shall apply to the nonresident shareholder.

41 (5) As used in this section, "business tax credit" means a tax credit granted to personal income  
42 taxpayers to encourage certain investment, to create employment, economic opportunity or incentive  
43 or for charitable, educational, scientific, literary or public purposes that is listed under this sub-  
44 section as a business tax credit or is designated as a business tax credit by law or by the Depart-  
45 ment of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309

1 (tribal taxes on reservation enterprise zones and reservation partnership zones), ORS 315.104 (fore-  
2 station and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141  
3 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture  
4 workforce housing), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care facili-  
5 ties), ORS 315.213 (contributions for child care), ORS 315.304 (pollution control facility), ORS 315.326  
6 (renewable energy development contributions), ORS 315.331 (energy conservation projects), ORS  
7 315.336 (transportation projects), ORS 315.341 (renewable energy resource equipment manufacturing  
8 facilities), ORS 315.354 and 469B.151 (energy conservation facilities), ORS 315.507 (electronic com-  
9 merce), ORS 315.533 (low income community jobs initiative) and ORS 317.115 (fueling stations nec-  
10 essary to operate an alternative fuel vehicle) **and section 2 of this 2015 Act (workforce**  
11 **expansion).**

12 **SECTION 4.** ORS 318.031 is amended to read:

13 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter  
14 317 shall be administered as uniformly as possible (allowance being made for the difference in im-  
15 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-  
16 corporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.141, 315.156, 315.204,  
17 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.507 and 315.533 **and section 2 of this 2015**  
18 **Act** (all only to the extent applicable to a corporation) and ORS chapter 317.

19 **SECTION 5.** **Section 2 of this 2015 Act and the amendments to ORS 314.752 and 318.031**  
20 **by sections 3 and 4 of this 2015 Act apply to tax years beginning on or after January 1, 2016.**

21 **SECTION 6.** **This 2015 Act takes effect on the 91st day after the date on which the 2015**  
22 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**

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