

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 45**Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***Prepared by: Theresa McHugh
Reviewed by: Steve Bender, John Borden
Date: March 13, 2015**Measure Description:**

Extends sunset for tax credit for qualified equity investment.

Government Unit(s) Affected:

Business Development Department (Business Oregon), Department of Revenue (DOR)

Summary of Expenditure Impact:

	2015-17 Biennium	2017-19 Biennium
General Fund		
Lottery Funds		
Other Funds	115,367	115,367
Federal Funds		
Total Funds	\$115,367	\$115,367
Positions	1	1
FTE	0.50	0.50

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

SB 45 extends the sunset for the Oregon Low Income Community Jobs Initiative Credit from July 1, 2016 to July 1, 2022. This tax credit was created in the 2011 Session (SB 817) to incentivize investments in low income communities. The credit is equal to 39% of the purchase price of the investment and must be taken over seven years, beginning with the year of the investment. The Oregon Business Development Department (OBDD) has reported that the available credit allocation is already committed through 2018.

OBDD assesses a \$20,000 application fee, and a \$1,000 annual recertification fee, to cover the costs of administering the program. The current program budget is based on estimates prepared by OBDD when SB 817 was enacted, although the agency reported at the time that they did not have good data to determine how many entities would apply or be eligible for the new credit. The Legislature added one half-time position (0.50 FTE) for program administration to the agency's budget when SB 817 was passed. OBDD has determined that the workload associated with the program is higher than had been estimated, and that they need a full-time position going forward. OBDD is also requesting an additional \$20,000 of Other Funds expenditure limitation for Attorney General costs each biennium. The cost of expanding the existing position to full-time, plus the additional Attorney General costs, is shown in the table above.

OBDD also expects that they will need to increase fees for the community development entities applying for this program. The current annual fee is \$1,000 and the application fee is \$20,000. There are currently 20 community development entities with allocations, generating \$40,000 in revenue per biennium. Since the program allocation is fully committed, there will not be any revenue generated from application fees in 2015-17. OBDD does have revenue for the program that they expect to carryforward, but the combined revenue from the carryforward and the annual fee is not anticipated to be sufficient to cover total costs for the program. As a result, OBDD anticipates that they will need to increase the annual fee.

There is no fiscal impact to the Department of Revenue as the credit is already included in the Department's forms and instructions. If SB 45 passes, the Joint Committee on Ways and Means will further evaluate the staffing needs and service costs associated with the program for OBDD, and will include any needed adjustments in the Oregon Business Development Department budget.