FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 801 - A**

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Creates credit against income tax for taxpayers that create 10 or more new jobs during tax year.

Government Unit(s) Affected:
Department of Revenue (DOR)

Summary of Expenditure Impact:
See Analysis below.

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:
The bill creates a tax credit for employers with 100 or fewer employees who create 10 or more new positions during the tax year. The credit allowed would be $1,000 per new position created for jobs that earn above the community average wage. The measure specifies additional requirements for the tax credit, including that the taxpayer receive written certification of eligibility from the Department of Revenue (DOR). DOR is required under the bill to adopt rules, policies, and procedures necessary to implement the bill.

While it is difficult to estimate how many businesses would claim the tax credit created by the bill, the agency looked at available data to determine how many businesses in Oregon would potentially be eligible for such a credit, and is estimating that 20,500 businesses could potentially hire 10 or more positions at the median income. DOR further assumes that 5% (1,125) of such businesses will actually claim the credit in the first year, and 300 businesses will request initial certification or continue requesting the credit certification going forward.

DOR estimates that the measure will cost $187,546 to fund 2 positions (0.88 FTE) and associated services and supplies costs to address the additional workload associated with the program, including certifying the tax credit, providing education, and handling appeals of denials. However, it should be noted that there could be additional costs to the agency, which are indeterminate at this time, because changes would need to be made to the core systems replacement (CSR) project to comply with the start date in the bill. The agency has stated that a start date of January 2017 rather than January 2016 would better accommodate the phase-II rollout of the CSR project, which includes the Personal Income Tax and Compliance program, among others.

It should be noted that further analysis will be needed at the end of this legislative session to determine the net fiscal impact to DOR and phase-II of the CSR project of all measures passed making changes to tax credits.