Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session **MEASURE: SB 45**
STAFF MEASURE SUMMARY
Senate Committee On Business and Transportation

Fiscal: Fiscal impact issued
Revenue: Revenue impact issued

Action Date: 04/20/15
Action: Without Recommendation As To Passage, Be Referred To Tax Credits By Prior Reference.
Meeting Dates: 03/16, 04/20
Vote:
Yeas: 5 - Beyer, Girod, Monroe, Riley, Thomsen
Prepared By: James LaBar, Committee Administrator

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

ISSUES DISCUSSED:

- Findings regarding the effectiveness of the tax credit within the Legislative Revenue Office's Research Report No. 2-15, *2016 Expiring Tax Credits*
- Corresponding memo from Senate Business and Transportation Committee to Joint Committee on Tax Credits

EFFECT OF COMMITTEE AMENDMENT:
No amendment.

BACKGROUND:
The public policy purpose appears to have been to increase private capital investments in Oregon small businesses 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. Since 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 as well as possibly see an increase in its share of federal NMTC investments.

The timeline for this credit's goals are influenced by its recent enactment (2011) and graduated credit deployment (no tax credits allowed for the first two years, seven percent in year three, and eight percent in years four through seven). There is no tax return data available yet. With that being said, the employment effect would be permanent and continue to result in personal income taxes paid to state beyond these above time periods.

The effectiveness of this tax credit is difficult to measure according to the Legislative Revenue Office. First, the preferred research method of studying the change of investment levels in the low-income communities over time does not have sufficient data. The second method is to evaluate the NTMC program looking to see if an investor would have made the investment without the available state tax credit. The results of this second method are mixed due to the complexity and lack of transparency with the financial structures of these investments.