

House Bill 2753

Sponsored by Representative READ (Pre-session filed.)

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**.

Directs Oregon Business Development Department to implement program in which tax revenues generated by persons hired by innovation activity employers are directed to Oregon Innovation Fund.

Appropriates moneys from General Fund to department for purposes of administering program. Specifies rate of withholding on taxable income of person employed by registered employer.

Applies to tax years beginning on or after January 1, 2016, and before January 1, 2019.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to revenues for innovation; creating new provisions; amending ORS 284.720; and prescribing
3 an effective date.

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

5 **SECTION 1. As used in sections 1 to 3 of this 2015 Act:**

6 (1) **"Incremental Oregon innovation tax revenues" means:**

7 (a) **The Oregon personal income tax revenues that are generated from the tax liabilities**
8 **shown on the income tax returns filed by persons hired by registered employers in the two**
9 **consecutive tax years beginning with the tax year in which the employer is registered under**
10 **section 2 of this 2015 Act, including revenues that are generated from the tax liabilities of**
11 **spouses of persons employed by registered employers if the tax liabilities are reported on a**
12 **joint return; or**

13 (b) **If Oregon personal income tax rates are reduced after the dates of the agreements**
14 **described in ORS 284.735 (2), and the agreements provide that payments will be based on**
15 **rates in effect when the agreements are executed, the Oregon personal income tax revenues**
16 **generated from the tax liabilities, as described in paragraph (a) of this subsection, that would**
17 **have been due if the liabilities were calculated using personal income tax rates in effect on**
18 **the date of execution of the agreements.**

19 (2) **"Innovation activity employer" means an employer that:**

20 (a) **Is an Oregon growth business, as that term is defined in ORS 284.701; and**

21 (b) **Has had an average payroll, over the six months preceding the date the employer is**
22 **registered under section 2 of this 2015 Act, of at least 50 employees.**

23 (3) **"Registered employer" means an innovation activity employer that has been identified**
24 **and registered as a participant in the program established under section 2 of this 2015 Act.**

25 (4) **"Tax liabilities" means the tax determined under ORS chapter 316 for the tax year,**
26 **less the credits allowed for purposes of ORS chapter 316 for the tax year.**

27 **SECTION 2. The Oregon Business Development Department shall, in cooperation with**
28 **the Department of Revenue:**

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 (1) Establish and administer a program for utilizing incremental Oregon innovation tax
2 revenues for the purposes of the Oregon Innovation Council;

3 (2) Identify employers that are innovation activity employers;

4 (3) Notify innovation activity employers of the requirement that the employers comply
5 with sections 6 and 7 of this 2015 Act; and

6 (4) Register the innovation activity employers as participants in the program established
7 under this section.

8 **SECTION 3.** The Oregon Business Development Department may adopt rules that the
9 department determines are necessary to:

10 (1) Further define the terms defined in section 1 of this 2015 Act in a manner consistent
11 with section 1 of this 2015 Act;

12 (2) Implement the duties of the department under sections 1 to 3 of this 2015 Act; and

13 (3) Carry out the purposes of sections 1 to 3 of this 2015 Act.

14 **SECTION 4.** Sections 5 to 9 of this 2015 Act are added to and made a part of ORS 316.162
15 to 316.221.

16 **SECTION 5.** As used in sections 5 to 9 of this 2015 Act:

17 (1) "Compensation" has the meaning given that term in ORS 314.610.

18 (2) "Registered employer" has the meaning given that term in section 1 of this 2015 Act.

19 **SECTION 6.** (1) A registered employer, in lieu of the withholding requirements under
20 ORS 316.167, shall withhold eight percent of the wages of employees hired by the registered
21 employer in each of the two consecutive tax years beginning with the tax year in which the
22 employer is registered under section 2 of this 2015 Act, as provided in this section and by rule
23 of the Department of Revenue.

24 (2) The registered employer withholding amounts under this section shall pay the
25 amounts withheld to the Department of Revenue at the time and in the manner prescribed
26 by the department by rule.

27 **SECTION 7.** In addition to other reports and returns required by law or rule, a registered
28 employer required to withhold compensation under section 6 of this 2015 Act shall file an
29 annual report with the Department of Revenue stating:

30 (1) The total amount of compensation paid during the year to employees hired in that tax
31 year by the registered employer;

32 (2) The taxpayer identification number of each employee of the registered employer;

33 (3) The compensation paid to each employee of the registered employer; and

34 (4) The amount withheld under section 6 of this 2015 Act for each employee hired by the
35 registered employer.

36 **SECTION 8.** (1) The Department of Revenue may adopt rules that the department de-
37 termines are necessary to:

38 (a) Implement the duties of the department under sections 5 to 9 of this 2015 Act; and

39 (b) Carry out the purposes of sections 5 to 9 of this 2015 Act.

40 (2) The rules may include rules construing ORS 316.162 to 316.221 in a manner that is
41 consistent and compatible with the withholding provisions of sections 5 to 9 of this 2015 Act.

42 **SECTION 9.** For tax years beginning on or after January 1, 2016, and before January 1,
43 2019, the revenues received by the Department of Revenue under section 6 of this 2015 Act
44 shall be transferred to the Oregon Innovation Fund created under ORS 284.720.

45 **SECTION 10.** (1) There is appropriated to the Oregon Business Development Department,

1 for the biennium beginning July 1, 2015, out of the General Fund, the amount of \$_____ for
2 the purpose of carrying out the provisions of sections 1 to 3 of this 2015 Act.

3 (2) There is appropriated to the Department of Revenue, for the biennium beginning July
4 1, 2015, out of the General Fund, the amount of \$_____ for the purpose of carrying out the
5 provisions of sections 5 to 9 of this 2015 Act.

6 **SECTION 11.** ORS 284.720 is amended to read:

7 284.720. (1) There is created within the State Treasury, separate and distinct from the General
8 Fund, the Oregon Innovation Fund. Interest earned by the Oregon Innovation Fund shall be credited
9 to the fund.

10 (2) Moneys in the Oregon Innovation Fund shall consist of:

11 (a) Amounts donated to the fund;

12 (b) Amounts appropriated or otherwise transferred to the fund by the Legislative Assembly;

13 (c) Investment earnings received on moneys in the fund; *[and]*

14 (d) Moneys received by the Department of Revenue under section 6 of this 2015 Act; and

15 *[(d)]* (e) Other amounts deposited in the fund from any source.

16 (3) Moneys in the fund are continuously appropriated to the Oregon Innovation Council for the
17 purposes of making grants and loans under ORS **284.735 and** 284.742 and entering into contracts to
18 carry out the recommendations included in the state plan developed under ORS 284.715.

19 (4) The council may establish accounts and subaccounts within the fund when the council de-
20 termines that accounts or subaccounts are necessary or desirable and may credit any interest or
21 income derived from moneys in the fund to any account or subaccount in the fund.

22 (5) The council may use moneys in the fund to pay the administrative costs associated with the
23 fund and with making grants, loans and other distributions of moneys from the fund.

24 **SECTION 12.** Sections 1 to 3 and 5 to 9 of this 2015 Act and the amendments to ORS
25 284.720 by section 11 of this 2015 Act apply to tax years beginning on or after January 1, 2016,
26 and before January 1, 2019.

27 **SECTION 13.** This 2015 Act takes effect on the 91st day after the date on which the 2015
28 regular session of the Seventy-eighth Legislative Assembly adjourns sine die.

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