



SB 173 - Income tax breaks along with property tax breaks and a “gain share” idea for local jurisdictions – for 15 years

Senate Business and Transportation – Jody Wiser – 3.8.2017

This is an extremely generous and complicated idea about which the public is allowed to know virtually nothing. Used for four or fewer business, with the approval of the Governor, it appears to be a talking point --- which can't be evaluated for its usefulness.

The Tax Credit Review: 2017 Session, Research Report # 2 – 17 gives this example:

<i>Corporation (gross) tax:</i>	<i>\$2,500,000</i>	
<i>Payroll at the eligible facility:</i>	<i>\$900,000</i>	
<i>Net income of the facility:</i>	<i>\$5,000,000</i>	
<i>Net income in Oregon:</i>	<i>\$25,000,000</i>	
<i>Apportionment percentage: 20% = \$5M/\$25M</i>		
<i>Potential tax credit: 62.5% * \$900,000 =</i>	<i>\$562,500</i>	
 <i>Threshold:</i>		<i>\$1,000,000</i>
<i>Tax available for offset: (\$2.5M - \$1M)*20% = \$300,000</i>		
<i>Credit to claim: min(\$300,000 or \$562,500) =</i>		<i>\$300,000</i>
<i>Carryforward: \$562,500 - \$300,000 =</i>		<i>\$262,500</i>

In addition to the \$562,000 tax credit awarded for a business with \$900,000 in payroll, the law requires a form of Gain Share, returning 30% of the corporate income taxes to the local community. In this example, that would be another \$581,250 cost to the General Fund. These two losses are in addition to the loss of k-12 funding from property taxes for 15 years, which would be 41% of another \$50,000 to \$15,000,000 a year depending upon the investment.

Thus, the State could be operating at a loss with reference to these facilities

**State's k-12 property tax subsidy loses 41% of \$50k to \$15m or \$20,500 to \$6,150,000
----For 15 years**

In addition:

Income tax due	\$2,500,000
Tax Credits awarded	- 562,500
Income taxes Gain Shared	<u>- 581,250</u>
Total tax credits	\$ 1,143,750

**Corporate Income tax subsidy \$1,143,750 per
year**

---for up to 15 years

Somehow, the State still needs to educate children, provide public safety, courts, etc.

Our advice: let this tax break end. The property tax subsidy we take part in is substantial; it alone could easily be more than the total employee income tax payments. If you agree that Business Oregon and local Economic Development Officers NEED the program to continue so they have the talking points when addressing potential businesses, let them explain to the current recipients that you now require full public disclosure for continued use of this tax break.

Require for public disclosure:

- **Each type of tax paid by the business ---including state income, property tax, franchise fees, etc. for this particular property**
- **Total payroll and total compensation and the number of employees at the property**
Only then can you and the public make an educated decision about whether this is a good investment.

