

SB 174 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Chris Allanach, Senior Economist

Sub-Referral To: Joint Committee On Tax Credits

Meeting Dates: 2/27, 3/21

WHAT THE MEASURE DOES:

Moves the sunset date for the Research & Development tax credit from January 1, 2018 to January 1, 2024.

ISSUES DISCUSSED:

- Role of the tax credit in encouraging research & development
- Ability for start-ups to use
- Role of research & development in today's economy
- Viable policy alternatives to a tax credit

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Corporation taxpayers are allowed a credit of up to \$1 million per year for Qualified Research Expenses (QRE) in Oregon that exceed a base amount. There are two possible calculations. The primary credit is five percent of the excess amount and has a five-year carryforward. Because this credit is tied to the federal research tax credit, definitions and calculations are generally contained in IRC §41.

An alternative calculation for the tax credit is allowed. It equals five percent of the amount of expenses that exceed 10 percent of Oregon sales. It is the lesser of one million dollars or \$10,000 times the number of percentage points by which expenses exceed the sales threshold.