

HB 2243 STAFF MEASURE SUMMARY

House Committee On Economic Development and Trade

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Sub-Referral To: House Committee On Revenue

Meeting Dates: 2/13, 2/22

WHAT THE MEASURE DOES:

Extends sunset of tax credit for electronic commerce in enterprise zone or city designated for electronic commerce from January 1, 2018 until January 1, 2024. Increases the maximum number of allowable electronic enterprise zones from 15 to 21. Allows two zones to be designated on January 1, 2018, January 1, 2019, and January 1, 2020. Sets maximum credit allowed in one year at \$2 million. Allows a taxpayer with allowable credit in excess of their tax liability to elect to receive an 80 percent refund of the credit in lieu of any carryforward. Requires a business claiming an enterprise zone exemption to disclose the amount of tax credits on investments in an enterprise zone or city designated for electronic commerce that were claimed and used by the businesses or by the owners or shareholders of the business. Allows the Oregon Business Development Department (Business Oregon) or Oregon Department of Revenue to publicly report or release such information unless the reporting or releasing would create a risk of disclosing the identity or income of an individual. Takes effect 91 days after sine die.

ISSUES DISCUSSED:

- Current operations of e-commerce enterprise zones
- Total number of enterprise zones currently in Oregon
- Measuring success and efficacy of e-commerce enterprise zones

EFFECT OF AMENDMENT:

BACKGROUND:

Qualified businesses may claim a tax credit based on capitol assets used in electronic commerce (e-commerce) operations so long as the business is engaged or preparing to engage in e-commerce in a specially designated e-commerce enterprise zone or the one e-commerce city, the City of North Plains. Also, the business must be exempt from property taxes through the state's broader Enterprise Zone program. The tax credit equals 25 percent of the investments made by the firm during the tax year in e-commerce operations, specifically related to e-commerce sales, customer service, order fulfillment, or broadband infrastructure. The maximum credit allowed is the lesser of either \$2 million or the tax liability of the taxpayer for that year. A business may carry unused credits forward for up to five years. According to the the Legislative Revenue Office's *Tax Credit Review: 2017 Session* publication, this tax credit program cost \$5.7 million in the 2015-17 biennium.

House Bill 2243 extends the sunset on this tax credit until January 1, 2024 and expands the total number of allowable electronic commerce zones from 15 to 21. The bill also allows a taxpayer who can claim more in credits than their tax liability to receive an 80 percent refund on the balance instead of carrying the full amount of the overage into the next tax year. House Bill 2243 also allows Business Oregon or the Department of Revenue to produce reports detailing what taxpayers are claiming the credit, so long as they do not create a risk of disclosing the identity or income level of the recipient.