

House Bill 3206

Sponsored by Representative MCLANE; Representative RESCHKE (at the request of Klamath County Commissioner Kelley Minty Morris)

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**.

Creates tax credit for taxpayer located in qualifying county who purchases software or hardware for electronic commerce.

Creates tax credit for taxpayer located in qualifying county who establishes and implements employee training program in collaboration with local community college.

Creates tax credit for taxpayer located in qualifying county who hires and retains graduate of Oregon Institute of Technology.

Creates tax credit for taxpayer who establishes new business in qualifying county and hires at least one full-time employee for job with new business.

Creates tax credit for taxpayer located in qualifying county who hires graduate of Oregon Institute of Technology in new insured position.

Creates tax credit for taxpayer who rehabilitates vacant rural building for commercial use.

Increases amount of qualified research expenses tax credit for taxpayers located in qualifying county.

Increases amount of alternative qualified research expenses tax credit for taxpayers located in qualifying county.

Applies to tax years beginning on or after January 1, 2017.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to tax credits; creating new provisions; amending ORS 314.752, 317.152, 317.154 and 318.031 and section 6, chapter 911, Oregon Laws 1989; and prescribing an effective date.

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

SECTION 1. Sections 2 to 7 of this 2017 Act are added to and made a part of ORS chapter 315.

SECTION 2. (1) As used in this section:

(a) **“Electronic commerce” means engaging in commercial or retail transactions predominantly over the Internet for transacting business or facilitating the use of the Internet by other persons for business transactions.**

(b) **“Qualifying county” means a county with a population greater than 60,000 but less than 80,000 that:**

(A) **Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth Boundary and the acknowledged urban growth boundary of cities with populations of 30,000 or more;**

(B) **Has an annual economic development budget of \$500,000 or greater;**

(C) **Has an unemployment rate at least 1.5 percentage points greater than the comparable unemployment rate for the state;**

(D) **Is party to an agreement with an institute of higher education to coordinate efforts to promote enterprise throughout the county;**

(E) **Is the site of a base or installation of the Armed Forces of the United States that employs at least 750 civilian and military personnel; and**

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 (F) Has access to Internet service with the minimum connection speed required to ef-
 2 fectively conduct electronic commerce.

3 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-
 4 payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who is located
 5 in a qualifying county and who purchases software or hardware for engaging in electronic
 6 commerce.

7 (3) The credit allowed under this section shall be equal to three percent of all purchases
 8 of software or hardware for engaging in electronic commerce made by the taxpayer.

9 (4) For each tax year for which a credit is claimed under this section, the taxpayer shall
 10 maintain records sufficient to prove the taxpayer's eligibility for the credit allowed under
 11 this section. A taxpayer shall maintain the records required under this subsection for at
 12 least five years.

13 (5) The credit allowed under this section may not exceed the tax liability of the taxpayer
 14 for the tax year.

15 (6) Any tax credit otherwise allowable under this section that is not used by the taxpayer
 16 in a particular tax year may be carried forward and offset against the taxpayer's tax liability
 17 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax
 18 year may be carried forward and used in the second succeeding tax year, and likewise any
 19 credit not used in that second succeeding tax year may be carried forward and used in the
 20 third succeeding tax year, but may not be carried forward for any tax year thereafter.

21 (7) A nonresident taxpayer shall be allowed the credit under this section. The credit shall
 22 be computed in the same manner and be subject to the same limitations as the credit
 23 granted to a resident taxpayer. However, the credit shall be prorated using the proportion
 24 provided in ORS 316.117.

25 (8) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,
 26 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,
 27 the credit allowed by this section shall be prorated or computed in a manner consistent with
 28 ORS 314.085.

29 (9) If a change in the status of a taxpayer from resident to nonresident or from nonres-
 30 ident to resident occurs, the credit allowed by this section shall be determined in a manner
 31 consistent with ORS 316.117.

32 (10) Spouses in a marriage who file separate returns for a taxable year may each claim
 33 a share of the tax credit that would have been allowed on a joint return in proportion to the
 34 adjusted gross income of each.

35 **SECTION 3.** (1) As used in this section, "qualifying county" means a county with a pop-
 36 ulation greater than 60,000 but less than 80,000 that:

37 (a) Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth
 38 Boundary and the acknowledged urban growth boundary of cities with populations of 30,000
 39 or more;

40 (b) Has an annual economic development budget of \$500,000 or greater;

41 (c) Has an unemployment rate at least 1.5 percentage points greater than the comparable
 42 unemployment rate for the state;

43 (d) Is party to an agreement with an institute of higher education to coordinate efforts
 44 to promote enterprise throughout the county;

45 (e) Is the site of a base or installation of the Armed Forces of the United States that

1 employs at least 750 civilian and military personnel; and

2 (f) Has access to Internet service with the minimum connection speed required to effec-
3 tively conduct electronic commerce.

4 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-
5 payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who is located
6 in a qualifying county and who establishes and implements an employee training program in
7 collaboration with a local community college operated under ORS chapter 341.

8 (3) The credit allowed under this section shall be equal to 12 percent of the taxpayer's
9 expenses to establish and implement the employee training program described in subsection
10 (2) of this section.

11 (4) For each tax year for which a credit is claimed under this section, the taxpayer shall
12 maintain records sufficient to prove the taxpayer's eligibility for the credit allowed under
13 this section. A taxpayer shall maintain the records required under this subsection for at
14 least five years.

15 (5) The credit allowed under this section may not exceed the tax liability of the taxpayer
16 for the tax year.

17 (6) Any tax credit otherwise allowable under this section that is not used by the taxpayer
18 in a particular tax year may be carried forward and offset against the taxpayer's tax liability
19 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax
20 year may be carried forward and used in the second succeeding tax year, and likewise any
21 credit not used in that second succeeding tax year may be carried forward and used in the
22 third succeeding tax year, but may not be carried forward for any tax year thereafter.

23 (7) A nonresident taxpayer shall be allowed the credit under this section. The credit shall
24 be computed in the same manner and be subject to the same limitations as the credit
25 granted to a resident taxpayer. However, the credit shall be prorated using the proportion
26 provided in ORS 316.117.

27 (8) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,
28 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,
29 the credit allowed by this section shall be prorated or computed in a manner consistent with
30 ORS 314.085.

31 (9) If a change in the status of a taxpayer from resident to nonresident or from nonres-
32 ident to resident occurs, the credit allowed by this section shall be determined in a manner
33 consistent with ORS 316.117.

34 (10) Spouses in a marriage who file separate returns for a taxable year may each claim
35 a share of the tax credit that would have been allowed on a joint return in proportion to the
36 adjusted gross income of each.

37 **SECTION 4.** (1) As used in this section:

38 (a) "New job" means a full-time job that created a net increase in the number of full-time
39 employees employed by an employer.

40 (b) "Qualifying county" means a county with a population greater than 60,000 but less
41 than 80,000 that:

42 (A) Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth
43 Boundary and the acknowledged urban growth boundary of cities with populations of 30,000
44 or more;

45 (B) Has an annual economic development budget of \$500,000 or greater;

1 (C) Has an unemployment rate at least 1.5 percentage points greater than the comparable
 2 unemployment rate for the state;

3 (D) Is party to an agreement with an institute of higher education to coordinate efforts
 4 to promote enterprise throughout the county;

5 (E) Is the site of a base or installation of the Armed Forces of the United States that
 6 employs at least 750 civilian and military personnel; and

7 (F) Has access to Internet service with the minimum connection speed required to ef-
 8 fectively conduct electronic commerce.

9 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-
 10 payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who is located
 11 in a qualifying county and who during the tax year retained a graduate of the Oregon Insti-
 12 tute of Technology in a new job for a minimum of 24 months.

13 (3) The credit allowed under this section shall be in the amount of \$1,100 per graduate
 14 employed by the taxpayer as described in subsection (2) of this section.

15 (4) A taxpayer may claim the credit allowed under this section only for the tax year
 16 during which the graduate employed in a new job completed 24 consecutive months of em-
 17 ployment.

18 (5) For each tax year for which a credit is claimed under this section, the taxpayer shall
 19 maintain records sufficient to prove the taxpayer's eligibility for the credit allowed under
 20 this section. A taxpayer shall maintain the records required under this subsection for at
 21 least five years.

22 (6) The credit allowed under this section may not exceed the tax liability of the taxpayer
 23 for the tax year.

24 (7) Any tax credit otherwise allowable under this section that is not used by the taxpayer
 25 in a particular tax year may be carried forward and offset against the taxpayer's tax liability
 26 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax
 27 year may be carried forward and used in the second succeeding tax year, and likewise any
 28 credit not used in that second succeeding tax year may be carried forward and used in the
 29 third succeeding tax year but may not be carried forward for any tax year thereafter.

30 (8) A nonresident taxpayer shall be allowed the credit under this section. The credit shall
 31 be computed in the same manner and be subject to the same limitations as the credit
 32 granted to a resident taxpayer. However, the credit shall be prorated using the proportion
 33 provided in ORS 316.117.

34 (9) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,
 35 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,
 36 the credit allowed by this section shall be prorated or computed in a manner consistent with
 37 ORS 314.085.

38 (10) If a change in the status of a taxpayer from resident to nonresident or from non-
 39 resident to resident occurs, the credit allowed by this section shall be determined in a man-
 40 ner consistent with ORS 316.117.

41 (11) Spouses in a marriage who file separate returns for a taxable year may each claim
 42 a share of the tax credit that would have been allowed on a joint return in proportion to the
 43 adjusted gross income of each.

44 **SECTION 5.** (1) As used in this section, "qualifying county" means a county with a pop-
 45 ulation greater than 60,000 but less than 80,000 that:

1 (a) Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth
 2 Boundary and the acknowledged urban growth boundary of cities with populations of 30,000
 3 or more;

4 (b) Has an annual economic development budget of \$500,000 or greater;

5 (c) Has an unemployment rate at least 1.5 percentage points greater than the comparable
 6 unemployment rate for the state;

7 (d) Is party to an agreement with an institute of higher education to coordinate efforts
 8 to promote enterprise throughout the county;

9 (e) Is the site of a base or installation of the Armed Forces of the United States that
 10 employs at least 750 civilian and military personnel; and

11 (f) Has access to Internet service with the minimum connection speed required to effec-
 12 tively conduct electronic commerce.

13 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-
 14 payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who estab-
 15 lishes a new business during the tax year in a qualifying county and hires at least one
 16 full-time employee not previously employed by the taxpayer for a job with the new business.
 17 The credit allowed under this section shall be in the amount of \$2,000 per new job.

18 (3) For each tax year for which a credit is claimed under this section, the taxpayer shall
 19 maintain records sufficient to prove the taxpayer's eligibility for the credit allowed under
 20 this section. A taxpayer shall maintain the records required under this subsection for at
 21 least five years.

22 (4) The credit allowed under this section may not exceed the tax liability of the taxpayer
 23 for the tax year.

24 (5) Any tax credit otherwise allowable under this section that is not used by the taxpayer
 25 in a particular tax year may be carried forward and offset against the taxpayer's tax liability
 26 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax
 27 year may be carried forward and used in the second succeeding tax year, and likewise any
 28 credit not used in that second succeeding tax year may be carried forward and used in the
 29 third succeeding tax year, but may not be carried forward for any tax year thereafter.

30 (6) A nonresident taxpayer shall be allowed the credit under this section. The credit shall
 31 be computed in the same manner and be subject to the same limitations as the credit
 32 granted to a resident taxpayer. However, the credit shall be prorated using the proportion
 33 provided in ORS 316.117.

34 (7) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,
 35 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,
 36 the credit allowed by this section shall be prorated or computed in a manner consistent with
 37 ORS 314.085.

38 (8) If a change in the status of a taxpayer from resident to nonresident or from nonres-
 39 ident to resident occurs, the credit allowed by this section shall be determined in a manner
 40 consistent with ORS 316.117.

41 (9) Spouses in a marriage who file separate returns for a taxable year may each claim a
 42 share of the tax credit that would have been allowed on a joint return in proportion to the
 43 adjusted gross income of each.

44 **SECTION 6. (1) As used in this section:**

45 (a) "Insured position" means a job that offers employee health insurance coverage as a

1 component of the compensation and benefits package.

2 (b) "Qualifying county" means a county with a population greater than 60,000 but less
3 than 80,000 that:

4 (A) Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth
5 Boundary and the acknowledged urban growth boundary of cities with populations of 30,000
6 or more;

7 (B) Has an annual economic development budget of \$500,000 or greater;

8 (C) Has an unemployment rate at least 1.5 percentage points greater than the comparable
9 unemployment rate for the state;

10 (D) Is party to an agreement with an institute of higher education to coordinate efforts
11 to promote enterprise throughout the county;

12 (E) Is the site of a base or installation of the Armed Forces of the United States that
13 employs at least 750 civilian and military personnel; and

14 (F) Has access to Internet service with the minimum connection speed required to ef-
15 fectively conduct electronic commerce.

16 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-
17 payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who is located
18 in a qualifying county and who during the tax year hires a graduate of the Oregon Institute
19 of Technology in a new insured position. The credit allowed under this section shall be in the
20 amount of \$1,000 per new insured position.

21 (3) For each tax year for which a credit is claimed under this section, the taxpayer shall
22 maintain records sufficient to prove the taxpayer's eligibility for the credit allowed under
23 this section. A taxpayer shall maintain the records required under this subsection for at
24 least five years.

25 (4) The credit allowed under this section may not exceed the tax liability of the taxpayer
26 for the tax year.

27 (5) Any tax credit otherwise allowable under this section that is not used by the taxpayer
28 in a particular tax year may be carried forward and offset against the taxpayer's tax liability
29 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax
30 year may be carried forward and used in the second succeeding tax year, and likewise any
31 credit not used in that second succeeding tax year may be carried forward and used in the
32 third succeeding tax year, but may not be carried forward for any tax year thereafter.

33 (6) A nonresident taxpayer shall be allowed the credit under this section. The credit shall
34 be computed in the same manner and be subject to the same limitations as the credit
35 granted to a resident taxpayer. However, the credit shall be prorated using the proportion
36 provided in ORS 316.117.

37 (7) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,
38 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,
39 the credit allowed by this section shall be prorated or computed in a manner consistent with
40 ORS 314.085.

41 (8) If a change in the status of a taxpayer from resident to nonresident or from nonres-
42 ident to resident occurs, the credit allowed by this section shall be determined in a manner
43 consistent with ORS 316.117.

44 (9) Spouses in a marriage who file separate returns for a taxable year may each claim a
45 share of the tax credit that would have been allowed on a joint return in proportion to the

1 adjusted gross income of each.

2 **SECTION 7. (1) As used in this section:**

3 (a) "Qualifying county" means a county with a population greater than 60,000 but less
4 than 80,000 that:

5 (A) Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth
6 Boundary and the acknowledged urban growth boundary of cities with populations of 30,000
7 or more;

8 (B) Has an annual economic development budget of \$500,000 or greater;

9 (C) Has an unemployment rate at least 1.5 percentage points greater than the comparable
10 unemployment rate for the state;

11 (D) Is party to an agreement with an institute of higher education to coordinate efforts
12 to promote enterprise throughout the county;

13 (E) Is the site of a base or installation of the Armed Forces of the United States that
14 employs at least 750 civilian and military personnel; and

15 (F) Has access to Internet service with the minimum connection speed required to ef-
16 fectively conduct electronic commerce.

17 (b) "Vacant rural building" means a structure located in a qualifying county that is at
18 least 20 years old and has been vacant for at least two years.

19 (2) A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-
20 payer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer who rehabili-
21 tates a vacant rural building for commercial use. The credit allowed shall be equal to 25
22 percent of the taxpayer's costs to rehabilitate the vacant rural building, not to exceed
23 \$50,000.

24 (3) For each tax year for which a credit is claimed under this section, the taxpayer shall
25 maintain records sufficient to prove the taxpayer's eligibility for the credit allowed under
26 this section. A taxpayer shall maintain the records required under this subsection for at
27 least five years.

28 (4) The credit allowed under this section may not exceed the tax liability of the taxpayer
29 for the tax year.

30 (5) Any tax credit otherwise allowable under this section that is not used by the taxpayer
31 in a particular tax year may be carried forward and offset against the taxpayer's tax liability
32 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax
33 year may be carried forward and used in the second succeeding tax year, and likewise any
34 credit not used in that second succeeding tax year may be carried forward and used in the
35 third succeeding tax year, but may not be carried forward for any tax year thereafter.

36 (6) A nonresident taxpayer shall be allowed the credit under this section. The credit shall
37 be computed in the same manner and be subject to the same limitations as the credit
38 granted to a resident taxpayer. However, the credit shall be prorated using the proportion
39 provided in ORS 316.117.

40 (7) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,
41 or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440,
42 the credit allowed by this section shall be prorated or computed in a manner consistent with
43 ORS 314.085.

44 (8) If a change in the status of a taxpayer from resident to nonresident or from nonres-
45 ident to resident occurs, the credit allowed by this section shall be determined in a manner

1 consistent with ORS 316.117.

2 (9) Spouses in a marriage who file separate returns for a taxable year may each claim a
 3 share of the tax credit that would have been allowed on a joint return in proportion to the
 4 adjusted gross income of each.

5 **SECTION 8.** ORS 317.152 is amended to read:

6 317.152. (1) As used in this section:

7 (a) “Eligible taxpayer” means a corporation, other than a corporation excluded under
 8 section 41(e)(7)(E) of the Internal Revenue Code.

9 (b) “Qualifying county” means a county with a population greater than 60,000 but less
 10 than 80,000 that:

11 (A) Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth
 12 Boundary and the acknowledged urban growth boundary of cities with populations of 30,000
 13 or more;

14 (B) Has an annual economic development budget of \$500,000 or greater;

15 (C) Has an unemployment rate at least 1.5 percentage points greater than the comparable
 16 unemployment rate for the state;

17 (D) Is party to an agreement with an institute of higher education to coordinate efforts
 18 to promote enterprise throughout the county;

19 (E) Is the site of a base or installation of the Armed Forces of the United States that
 20 employs at least 750 civilian and military personnel; and

21 (F) Has access to Internet service with the minimum connection speed required to ef-
 22 fectively conduct electronic commerce.

23 [(1)] (2) A credit against taxes otherwise due under this chapter shall be allowed to eligible
 24 taxpayers for increases in qualified research expenses and basic research payments. The credit shall
 25 be determined in accordance with section 41 of the Internal Revenue Code, except as follows:

26 (a) The applicable percentage specified in section 41(a) of the Internal Revenue Code shall be
 27 five percent.

28 (b) “Qualified research” and “basic research” shall consist only of research conducted in
 29 Oregon.

30 (c) The following do not apply to the credit allowable under this section:

31 (A) Section 41(c)(4) of the Internal Revenue Code (relating to the alternative incremental credit).

32 (B) Section 41(h) of the Internal Revenue Code (relating to termination of the federal credit).

33 [(2) For purposes of this section, “eligible taxpayer” means a corporation, other than a corporation
 34 excluded under Internal Revenue Code section 41(e)(7)(E).]

35 (3) Notwithstanding subsection (2)(a) of this section, for an eligible taxpayer located in a
 36 qualifying county, the applicable percentage specified in section 41(a) of the Internal Revenue
 37 Code shall be eight percent.

38 [(3)] (4) The Income Tax Regulations as prescribed by the Secretary of the Treasury under au-
 39 thority of section 41 of the Internal Revenue Code apply for purposes of this section, except as
 40 modified by this section or as provided in rules adopted by the Department of Revenue.

41 [(4)] (5) The maximum credit under this section may not exceed \$1 million.

42 [(5)] (6) A deduction may not be taken for the portion of expenses or payments, otherwise al-
 43 lowable as a deduction, that is equal to the amount of the credit claimed under this section.

44 [(6)] (7) Any tax credit that is otherwise allowable under this section and that is not used by
 45 the taxpayer in that year may be carried forward and offset against the taxpayer’s tax liability for

1 the next succeeding tax year. Any credit remaining unused in such next succeeding tax year may
2 be carried forward and used in the second succeeding tax year, and likewise any credit not used in
3 that second succeeding tax year may be carried forward and used in the third succeeding tax year,
4 and any credit not used in that third succeeding tax year may be carried forward and used in the
5 fourth succeeding tax year, and any credit not used in that fourth succeeding tax year may be car-
6 ried forward and used in the fifth succeeding tax year, but may not be carried forward for any tax
7 year thereafter.

8 **SECTION 9.** ORS 317.154 is amended to read:

9 317.154. (1) A credit against taxes otherwise due under this chapter shall be allowed for quali-
10 fied research expenses that exceed 10 percent of Oregon sales.

11 (2) For purposes of this section:

12 (a) "Oregon sales" shall be computed using the laws and administrative rules for calculating the
13 numerator of the Oregon sales factor under ORS 314.665.

14 (b) "Qualified research" has the meaning given the term under section 41(d) of the Internal Re-
15 venue Code and shall consist only of research conducted in Oregon.

16 (c) **"Qualifying county" means a county with a population greater than 60,000 but less**
17 **than 80,000 that:**

18 **(A) Is located entirely outside of the Portland Metropolitan Area Regional Urban Growth**
19 **Boundary and the acknowledged urban growth boundary of cities with populations of 30,000**
20 **or more;**

21 **(B) Has an annual economic development budget of \$500,000 or greater;**

22 **(C) Has an unemployment rate at least 1.5 percentage points greater than the comparable**
23 **unemployment rate for the state;**

24 **(D) Is party to an agreement with an institute of higher education to coordinate efforts**
25 **to promote enterprise throughout the county;**

26 **(E) Is the site of a base or installation of the Armed Forces of the United States that**
27 **employs at least 750 civilian and military personnel; and**

28 **(F) Has access to Internet service with the minimum connection speed required to ef-**
29 **fectively conduct electronic commerce.**

30 (3)(a) The credit under this section is equal to five percent of the amount by which the qualified
31 research expenses exceed 10 percent of Oregon sales.

32 **(b) Notwithstanding paragraph (a) of this subsection, for taxpayers located in a qualifying**
33 **county, the credit under this section is equal to eight percent of the amount by which the**
34 **qualified research expenses exceed 10 percent of Oregon sales.**

35 (4) The credit under this section shall not exceed \$10,000 times the number of percentage points
36 by which the qualifying research expenses exceed 10 percent of Oregon sales.

37 (5) The maximum credit under this section may not exceed \$1 million.

38 (6) A deduction may not be taken for the portion of expenses or payments, otherwise allowable
39 as a deduction, that is equal to the amount of the credit claimed under this section.

40 (7) Any tax credit that is otherwise allowable under this section and that is not used by the
41 taxpayer in that year may be carried forward and offset against the taxpayer's tax liability for the
42 next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be
43 carried forward and used in the second succeeding tax year, and likewise any credit not used in that
44 second succeeding tax year may be carried forward and used in the third succeeding tax year, and
45 any credit not used in that third succeeding tax year may be carried forward and used in the fourth

1 succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried
2 forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year
3 thereafter.

4 **SECTION 10.** Section 6, chapter 911, Oregon Laws 1989, as amended by section 14, chapter 746,
5 Oregon Laws 1995, section 1, chapter 548, Oregon Laws 2001, section 15, chapter 739, Oregon Laws
6 2003, section 86, chapter 94, Oregon Laws 2005, and section 7, chapter 730, Oregon Laws 2011, is
7 amended to read:

8 **Sec. 6.** ORS [317.152 to 317.154] **317.152, 317.153 and 317.154** apply to amounts paid or incurred
9 in tax years beginning on or after January 1, 1989, and before January 1, [2018] **2024**.

10 **SECTION 11.** ORS 314.752 is amended to read:

11 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a
12 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The
13 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are
14 allowable to the shareholders of the S corporation.

15 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.734, on
16 income of the shareholder of an S corporation, there shall be taken into account the shareholder's
17 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but
18 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-
19 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the
20 manner prescribed under section 1377(a) of the Internal Revenue Code.

21 (3) The character of any item included in a shareholder's pro rata share under subsection (2)
22 of this section shall be determined as if such item were realized directly from the source from which
23 realized by the corporation, or incurred in the same manner as incurred by the corporation.

24 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax
25 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS
26 316.117, then that provision shall apply to the nonresident shareholder.

27 (5) As used in this section, "business tax credit" means a tax credit granted to personal income
28 taxpayers to encourage certain investment, to create employment, economic opportunity or incentive
29 or for charitable, educational, scientific, literary or public purposes that is listed under this sub-
30 section as a business tax credit or is designated as a business tax credit by law or by the Depart-
31 ment of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309
32 (tribal taxes on reservation enterprise zones and reservation partnership zones), ORS 315.104 (fore-
33 station and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141
34 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture
35 workforce housing), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care facili-
36 ties), ORS 315.213 (contributions for child care), ORS 315.304 (pollution control facility), ORS 315.326
37 (renewable energy development contributions), ORS 315.331 (energy conservation projects), ORS
38 315.336 (transportation projects), ORS 315.341 (renewable energy resource equipment manufacturing
39 facilities), ORS 315.354 and 469B.151 (energy conservation facilities), ORS 315.507 (electronic com-
40 merce) and ORS 315.533 (low income community jobs initiative) **and section 2 of this 2017 Act**
41 **(purchase of software and hardware for electronic commerce), section 3 of this 2017 Act**
42 **(employee training program with local community college), section 4 of this 2017 Act (hiring**
43 **and retaining Oregon Institute of Technology graduates), section 5 of this 2017 Act (estab-**
44 **lishing new business and creating new jobs), section 6 of this 2017 Act (creating new insured**
45 **positions) and section 7 of this 2017 Act (rehabilitation of vacant rural buildings).**

1 **SECTION 12.** ORS 318.031 is amended to read:

2 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter
3 317 shall be administered as uniformly as possible (allowance being made for the difference in im-
4 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-
5 corporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.141, 315.156, 315.204,
6 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.507 and 315.533 **and sections 2 to 7 of this**
7 **2017 Act** (all only to the extent applicable to a corporation) and ORS chapter 317.

8 **SECTION 13.** **Sections 2 to 7 of this 2017 Act and the amendments to ORS 314.752, 317.152,**
9 **317.154 and 318.031 by sections 8, 9, 11 and 12 of this 2017 Act apply to tax years beginning**
10 **on or after January 1, 2017.**

11 **SECTION 14.** **This 2017 Act takes effect on the 91st day after the date on which the 2017**
12 **regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**

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