

# Senate Bill 598

Sponsored by Senator KNOPP (Presession 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**.

Creates credit against income tax for taxpayers with not more than 100 employees that create 10 or more new jobs during tax year.

Applies to tax years beginning on or after January 1, 2018.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to a tax credit for workforce expansion; creating new provisions; amending ORS 314.752  
3 and 318.031; and prescribing an effective date.

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

5 **SECTION 1. Section 2 of this 2017 Act is added to and made a part of ORS chapter 315.**

6 **SECTION 2. (1) A credit against taxes that are otherwise due under ORS chapter 316 or,  
7 if the taxpayer is a corporation, under ORS chapter 317 or 318 is allowed to a taxpayer that  
8 creates 10 or more new employment positions during a tax year. The credit allowed shall be  
9 in the amount of \$1,000 per new employment position created.**

10 **(2) In order to qualify a taxpayer for the credit allowed under this section, a new em-  
11 ployment position must:**

12 **(a) Be filled during the tax year immediately preceding the tax year for which the credit  
13 is claimed;**

14 **(b) Remain filled for at least 12 consecutive months;**

15 **(c) Create a net increase in the number of full-time equivalent positions of the taxpayer  
16 compared to the taxpayer's payroll as of the last day of the tax year that immediately pre-  
17 cedes the tax year described in paragraph (a) of this subsection;**

18 **(d) Be created by a taxpayer with not more than 100 employees; and**

19 **(e) Provide compensation that is greater than the median income in the local community  
20 in which the employee filling the position performs a plurality of the employee's work, as  
21 determined by the Department of Revenue.**

22 **(3) Prior to claiming the credit allowed under this section, a taxpayer is required to re-  
23 ceive written certification of eligibility from the department.**

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

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

**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 **third succeeding tax year but may not be carried forward for any tax year thereafter.**

2 **(6) A nonresident shall be allowed the credit under this section. The credit shall be**  
3 **computed in the same manner and be subject to the same limitations as the credit granted**  
4 **to a resident. However, the credit shall be prorated using the proportion provided in ORS**  
5 **316.117.**

6 **(7) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,**  
7 **or if the department terminates the taxpayer's taxable year under ORS 314.440, the credit**  
8 **allowed by this section shall be prorated or computed in a manner consistent with ORS**  
9 **314.085.**

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

13 **(9) The department shall adopt rules for the purposes of this section, including policies**  
14 **and procedures for demarcating local communities for purposes of subsection (2)(e) of this**  
15 **section and policies and procedures for certifying taxpayers as eligible for the credit allowed**  
16 **under this section as required in subsection (3) of this section.**

17 **SECTION 3.** ORS 314.752 is amended to read:

18 314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a  
19 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The  
20 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are  
21 allowable to the shareholders of the S corporation.

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

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

31 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax  
32 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS  
33 316.117, then that provision shall apply to the nonresident shareholder.

34 (5) As used in this section, "business tax credit" means a tax credit granted to personal income  
35 taxpayers to encourage certain investment, to create employment, economic opportunity or incentive  
36 or for charitable, educational, scientific, literary or public purposes that is listed under this sub-  
37 section as a business tax credit or is designated as a business tax credit by law or by the Depart-  
38 ment of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309  
39 (tribal taxes on reservation enterprise zones and reservation partnership zones), ORS 315.104 (fore-  
40 station and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141  
41 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture  
42 workforce housing), ORS 315.204 (dependent care assistance), ORS 315.208 (dependent care facili-  
43 ties), ORS 315.213 (contributions for child care), ORS 315.304 (pollution control facility), ORS 315.326  
44 (renewable energy development contributions), ORS 315.331 (energy conservation projects), ORS  
45 315.336 (transportation projects), ORS 315.341 (renewable energy resource equipment manufacturing

1 facilities), ORS 315.354 and 469B.151 (energy conservation facilities), ORS 315.507 (electronic com-  
2 merce) and ORS 315.533 (low income community jobs initiative) **and section 2 of this 2017 Act.**

3 **SECTION 4.** ORS 318.031 is amended to read:

4 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter  
5 317 shall be administered as uniformly as possible (allowance being made for the difference in im-  
6 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-  
7 corporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.141, 315.156, 315.204,  
8 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.507 and 315.533 **and section 2 of this 2017**  
9 **Act** (all only to the extent applicable to a corporation) and ORS chapter 317.

10 **SECTION 5.** **Section 2 of this 2017 Act and the amendments to ORS 314.752 and 318.031**  
11 **by sections 3 and 4 of this 2017 Act apply to tax years beginning on or after January 1, 2018.**

12 **SECTION 6.** **This 2017 Act takes effect on the 91st day after the date on which the 2017**  
13 **regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**

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