



Tax Credit Review

House Interim Committee on Revenue

12/18/2020 | LRO

Overview of Discussion

- General background on tax expenditures
- Specified and implicit sunsets
- Tax credit review
 - Statutory requirements
 - Past Legislative tax credit review process
 - Tax credit report from LRO
- Themes of the 2021 credits to be reviewed
- Tax credit table and preliminary cost to extend revenue estimates

General Background on Tax Expenditures

- ORS 291.201 Tax Expenditure defined:

“**tax expenditure**” means any law of the federal government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.
- Governor's Tax Expenditure Report
 - Governor's recommendations on tax expenditures scheduled to sunset:
 - 2021-23 recommendation was to extend the sunsets of all tax expenditures sans the Individual Development Account (IDA) Contributions credit
- Income Tax Expenditures
 - Federal exclusions | Federal adjustments | Federal deductions | Oregon subtractions | Oregon credits

Specified and Implicit Sunsets

➤ ORS 315.037

(2) Any **tax credit** enacted by the Legislative Assembly on or after January 1, 2010, shall apply for a maximum of six tax years beginning with the initial tax year for which the credit is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

(3) Any **tax expenditure** enacted by the Legislative Assembly on or after January 1, 2014, shall apply for a maximum of six tax years beginning with the initial tax year for which the tax expenditure is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

Statutory Requirements

► **ORS 315.051 | Report by Legislative Revenue Officer**

- Report prepared prior to beginning of odd-numbered regular session
- Statute requires 11 deliverables in report:

• Stated policy purpose	• Purpose achievement timeline	• Achievement measurements
• Beneficiaries	• Effectiveness	• Expected results if allowed to expire
• Background information other states	• Effectiveness / efficiency of achieving stated policy goal	• Administrative costs
• Analysis of direct appropriation alternative	• Other incentives with similar policy	

► **ORS 315.047 | List of tax credits with revenue impact in excess of projection**

- List of recently enacted or modified tax credits where revenue impact exceeds original revenue impact statement accompanying the enactment/modification

► **ORS 315.044 | Statement of purpose**

- Legislative requirement that proposed tax credit or expansion of a tax credit includes statement of purpose provided by chief sponsor or a proponent of the measure

Past Tax Credit Legislative Review Process

- Three general stages of legislative review process
 - 1) Interim process
 - 2) Policy committee process
 - 3) Joint Tax Credit Committee process
- Committee legislative concepts (LCs) prepared with standard six-year sunset extensions
 - LCs may contain statutory changes identified as necessary to maintain status quo or align with legislative intent

LRO Tax Credit Review Report

- General Review Components
 - 1) Description of policy purpose
 - 2) Description of the credit and its historical revenue impact
 - 3) Policy analysis
 - 4) Discussion of other issues
- Report released at beginning of odd-numbered regular session
- LRO presents credit review to relevant policy committees and Joint Tax Credit Review Committee

2021 Tax Credit Report & Review

- Report represents 2nd review iteration for many of these credits (previously reviewed in 2015)
- 2015:
 - 19 credits reviewed
 - 9 allowed to sunset
 - 2 combined into 1 credit
 - 1 spin-off
 - 6 modified
 - 2 extended unchanged
- 2021: 11 tax credits to review
 - 10 reviewed/created in 2015
 - 1 created in 2017

Themes of the 2021 Tax Credit Review

- Report represents 2nd review iteration of credits
- Working Family Household and Dependent Care (WFHDC) credit about 60% of total cost to extend
- Credits incentivizing/leveraging private contributions
 - Public University Venture Development Fund
 - Contributions to Office of Child Care
 - Individual Development Account Contributions
- Income Maintenance
 - WFHDC, Severe Disability, Child with a Disability
- Health Care
 - Rural Medical Providers, Veterans Home Physician, OLHIGA Assessments
- Business
 - Bovine Manure for Biofuel, Employee Training in Eligible Counties

2018 IRS Rules & Regulations
regarding deductibility of
contribution state tax credits

Estimated Cost of Extending Tax Credits

\$ Millions, Updated 12/9/2020

Tax Expenditure Report Number and Credit name	ORS	Sunset	-----Biennium-----		
		Date	2021-23	2023-25	2025-27
<i>Scheduled for Review by the 2021 Legislature</i>					
1.407 Child with a Disability	316.099	2022	\$4.9	\$10.2	\$10.6
1.408 Rural Medical Providers	315.613-619	2022	\$1.2	\$4.5	\$6.3
1.410 Severe Disability	316.752-771	2022	\$4.8	\$9.7	\$9.7
1.422 Public University Venture Development Fund	315.640	2022	\$0.3	\$0.5	\$0.4
1.425 Working Family Household and Dependent Care	315.264	2022	\$31.9	\$63.8	\$63.8
1.426 Contributions to the Office of Child Care	315.213 (318.031)	2022	< 50K	< 50K	< 50K
1.427 Individual Development Account Contributions	315.271	2022	\$4.3	\$8.9	\$9.1
1.445 Oregon Life and Health IGA Assessments	734.835	2022	\$0.7	\$0.9	\$0.5
1.449 Oregon Veterans' Home Physician	315.624	2022	< 50K	< 50K	< 50K
1.430 Bovine Manure for Biofuel	315.176	2022	\$2.0	\$4.1	\$4.2
1.404 Employee Training in Eligible Counties (Klamath)	315.523	2023	< 50K	< 50K	< 50K
SUBTOTAL			\$50.1	\$102.6	\$104.6

Estimated Cost of Extending Tax Credits

\$ Millions, Updated 12/9/2020

Tax Expenditure Report Number and Credit name	ORS	Sunset Date	-----Biennium-----		
			2021-23	2023-25	2025-27
<i>Scheduled for Review by the 2023 Legislature</i>					
1.403 Opportunity Grant Contributions	315.643	2024	\$0.0	\$13.5	\$27.5
1.414 Film Production Development Contributions	315.514-516	2024	\$0.0	\$13.5	\$27.5
1.440 Fish Screening Devices	315.138	2024	\$0.0	< 50K	< 50K
SUBTOTAL			\$0.0	\$27.0	\$55.0
<i>Scheduled for Review by the 2025 Legislature</i>					
1.401 Employer Provided Scholarships	315.237	2026	\$0.0	\$0.0	< 50K
1.406 Earned Income	315.266	2026	\$0.0	\$0.0	\$66.7
1.409 Volunteer Rural Emergency Medical Services Providers	315.622	2026	\$0.0	\$0.0	\$0.1
1.413 Agriculture Workforce Housing Construction	315.163-172	2026	\$0.0	\$0.0	\$0.2
1.428 Oregon Affordable Housing Lender's Credit	317.097	2026	\$0.0	\$0.0	\$0.7
1.429 Manufactured Dwelling Park Closure	Note after 316.116	2026	\$0.0	\$0.0	< 50K
1.431 Crop Donations	315.154-156 (318.031)	2026	\$0.0	\$0.0	\$1.1
1.446 Political Contributions	ORS 316.102	2026	\$0.0	\$0.0	\$6.1
1.447 Oregon Cultural Trust	315.675	2026	\$0.0	\$0.0	\$4.4
1.450 Certain Retirement Income	316.157-158	2026	\$0.0	\$0.0	\$0.8
1.405 Contributions to 529 Education Account	OR Laws 2019, Ch. 579 Sec. 1-5	2026	\$0.0	\$0.0	\$25.9
1.411 Contibutions to ABLE Account	OR Laws 2019, Ch. 579 Sec. 1-5	2026	\$0.0	\$0.0	\$0.2
1.444 Short Line Railroad Rehabilitation	OR Laws 2019, Ch. 579 Sec. 6-17	2026	\$0.0	\$0.0	\$1.1
SUBTOTAL			\$0.0	\$0.0	\$107.3
<i>Scheduled for Review by the 2027 Legislature</i>					
1.420 Reservation Enterprise Zone	285C.309 (318.031)	2028	\$0.0	\$0.0	\$0.0
TOTAL			\$50.1	\$129.6	\$266.9