

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
80th Oregon Legislative Assembly
2019 Regular Session
Legislative Revenue Office

Bill Number:	SB 459 - 4
Revenue Area:	Income Taxes
Economist:	Kyle Easton
Date:	2/26/2019

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Decreases reserve bid amount, in auctions for income tax credits for certified Opportunity Grant and film production development contributions, from at least 95% of the total amount of the credit to 90%. Requires tax credit auctions conducted by Department of Revenue in cooperation with the Oregon Film and Video Office or with the Higher Education Coordinating Commission, to be conducted no later than April 15 following December 31 of any tax year for which the credit is allowed.

Applies changes to tax years beginning on or after January 1, 2019 and before January 1, 2024.

Revenue Impact: Indeterminate

Impact Explanation:

In recent years, demand for auctioned tax credits for qualified film production development contributions has generally exceeded supply of credits to be auctioned while average price paid for winning auction bids has often exceeded the face value of the credit. Purchases of auctioned credits have been concentrated among fewer than five hundred higher income taxpayers.

2017 federal tax law changes and subsequent Internal Revenue Service proposed regulations changed the environment for state auctioned tax credits. Following the recent federal changes, there is potentially less federal tax benefit for purchasers of state auctioned tax credits. Results from auctions held throughout 2018 indicate less immediate demand for the auctioned credits. As past credit auction purchases have originated from a relatively small number of taxpayers, increased demand for future auctions may be derived from expanding the awareness of the credits. In response to recent federal changes, agencies that cooperatively conduct the credit auctions may adjust their administration of the auctioned credits.

Measure as amended provides two ways in which future auction demand may increase: adjusting the timing of the auction and reducing the minimum auction bid price required to purchase a credit.

Auctioning credits on a date closer to tax filing deadlines has the potential to increase demand for the credits as taxpayers may have a better understanding of their income tax liability at time of auction, and the time elapsed between purchase of the credit and claiming of the credit on a tax return will decrease.

Decreasing the minimum reserve auction bid price has the potential to increase the benefit to taxpayers purchasing an auctioned tax credit. For example, under current law a taxpayer purchasing auctioned credits with a total face value of \$1,000 is required to bid no less than \$950 for the credits. Measure as amended would reduce the minimum cost of the \$1,000 credits to \$900. This increased potential benefit could increase demand for the auctioned credits.

At this time, insufficient information is available to indicate potential impact on revenue resulting from changes to tax credit auction timing and credit reserve price.

Creates, Extends, or Expands Tax Expenditure: Yes No