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## **Please Support SB 459 Improving Targeted Tax Credit Auctions**

### **What are these tax credit auctions?**

Income tax credits are available to individuals or corporations that purchase tax credits at an auction conducted by the Department of Revenue. DOR administers the auctions in cooperation with the Oregon Film and Video Office and the Higher Education Coordinating Commission. Proceeds of the respective tax credit auctions go to either the Oregon Production Investment Fund or the Opportunity Grant Fund. The maximum annual amount of credits that may be auctioned is \$14 million for each.

### **Auction Success**

#### *Oregon Production Investment Fund*

Since its inception the Oregon Production Investment Fund (OPIF) has accounted for more than \$1.3B in tracked in-state spending from Film, TV and interactive projects, more than a 100% increase in the tracked number of jobs (from less than 1400 in 2005 to almost 3000 in 2015) in the motion picture and television industry here in Oregon, and a 50% increase in the establishment of small businesses directly associated with the film and television industry. A stable, multi-year OPIF program also supports multi-year television seasons. By way of example: the television series *Leverage*, *The Librarians*, *Portlandia* and *Grimm*, together, account for 22 different "seasons" and more than half a billion dollars of in-state spending, effecting more than 1000 jobs annually.

During the 2015-2017 biennium alone, OFVO tracked more than \$300M of direct in-state spending affecting more than 6000 jobs over 45 specific projects and many locally produced commercial campaigns.

#### *Oregon Opportunity Grant*

In the 2018 tax year, HECC raised \$14,578,505 for the Oregon Opportunity Grant through its first tax credit auction, selling out its allotment of tax credits in a single auction. The money was used to enhance the Oregon Opportunity Grant, Oregon's largest state-funded, need-based grant serving approximately 40,000 students per year at all institutions of higher education. Total state appropriation to OOG for 2017-19 was \$146 million, meaning just over half of those qualified students in need were able to receive funding. This auction has ability to increase funds to students by almost 20%.

### **The Problem**

With the adoption of the Federal Tax Cuts and Jobs Act of 2017 changes were made as to the treatment of state tax credits at the federal level. This was further clarified by an IRS Notice in June of 2018 and IRS Proposed Regulations on this issue in August of 2018. This, coupled with increasing interest rates, have made the 95% minimum bid on the tax credits less valuable to the potential buyer.

### **The Solution**

SB 459 decreases reserve bid amount in auctions for income tax credits from at least 95% of the total amount of the credit to 90%, Operating under the assumption that the IRS rule becomes permanent and the federal tax benefit mostly disappears, this bill makes the tax auction certificates more attractive by making them more valuable for state taxes.

Looking at the state tax equation, at a 95% reserve, a minimum bid gets you \$25 in state tax benefits per certificate, because the lowest bid is \$475 for a \$500 credit. Under a 90% reserve, a minimum bid is now \$450 for a \$500 certificate, achieves \$50 in tax credit. By lowering the reserve, each certificate is made potentially more valuable for state tax purposes.

Additionally, SB 459 Requires tax credit auctions to be conducted no later than April 15 following December 31 of any tax year for which the credit is allowed, expanding opportunities for taxpayers to direct spending to these programs.

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*From the Desk of Sen. Griny Burdick*