

Senate Bill 449

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 income tax credit for taxpayers that expand workforce, with positions that pay above average wage, by 10 percent or more in tax year.

Applies to tax years beginning on or after January 1, 2022, and before January 1, 2028.

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 314.772
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 2021 Act is added to and made a part of ORS chapter 315.**

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

7 (a) **"Qualified employment position" means an employment position that provides a wage**
8 **that is greater than the average wage of the county in which the employee performs a plu-**
9 **rality of the employee's work.**

10 (b) **"Qualified wages" means wages paid in the preceding tax year as a result of the**
11 **qualified employment positions added in the qualifying year.**

12 (c) **"Qualifying year" means a tax year during which a taxpayer adds qualified employ-**
13 **ment positions that create a net increase of 10 percent or more in the taxpayer's number**
14 **of full-time equivalent employment positions.**

15 (2) **A credit against taxes that are otherwise due under ORS chapter 316 or, if the tax-**
16 **payer is a corporation, under ORS chapter 317 or 318 is allowed to a taxpayer that completes**
17 **a qualifying year.**

18 (3) **The credit allowed under this section is calculated as follows:**

19 (a) **In the first tax year after a qualifying year, the credit is equal to 25 percent of qual-**
20 **ified wages.**

21 (b) **In the second tax year after a qualifying year, the credit is equal to 20 percent of**
22 **qualified wages.**

23 (c) **In the third tax year after a qualifying year, the credit is equal to 15 percent of**
24 **qualified wages.**

25 (d) **In the fourth tax year after a qualifying year, the credit is equal to 10 percent of**
26 **qualified wages.**

27 (e) **In the fifth tax year after a qualifying year, the credit is equal to five percent of**
28 **qualified wages.**

29 (4) **A taxpayer may claim the credit allowed under this section for multiple qualifying**
30 **years.**

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 (5) Prior to claiming the credit allowed under this section, a taxpayer is required to re-
2 ceive written certification of eligibility from the Department of Revenue.

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

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

11 (8) A nonresident shall be allowed the credit under this section. The credit shall be
12 computed in the same manner and be subject to the same limitations as the credit granted
13 to a resident. However, the credit shall be prorated using the proportion provided in ORS
14 316.117.

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

19 (10) If a change in the status of a taxpayer from resident to nonresident or from non-
20 resident to resident occurs, the credit allowed under this section shall be determined in a
21 manner consistent with ORS 316.117.

22 (11) The Department of Revenue shall adopt rules for the purposes of this section, in-
23 cluding policies and procedures for certifying taxpayers as eligible for the credit allowed un-
24 der this section as required in subsection (5) of this section.

25 **SECTION 3.** ORS 314.772 is amended to read:

26 314.772. (1) Except as provided in ORS 314.766 (5)(b), the tax credits allowed or allowable to a
27 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The
28 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are
29 allowable to the shareholders of the S corporation.

30 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.763, on
31 income of the shareholder of an S corporation, there shall be taken into account the shareholder's
32 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but
33 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-
34 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the
35 manner prescribed under section 1377(a) of the Internal Revenue Code.

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

39 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax
40 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS
41 316.117, then that provision shall apply to the nonresident shareholder.

42 (5) As used in this section, "business tax credit" means the following credits: ORS 315.104
43 (forestation and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141
44 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture
45 workforce housing), ORS 315.176 (bovine manure), ORS 315.204 (dependent care assistance), ORS

1 315.208 (dependent care facilities), ORS 315.213 (contributions for child care), ORS 315.237 (employee
2 and dependent scholarships), ORS 315.271 (individual development accounts), ORS 315.304 (pollution
3 control facility), ORS 315.326 (renewable energy development contributions), ORS 315.331 (energy
4 conservation projects), ORS 315.336 (transportation projects), ORS 315.341 (renewable energy re-
5 source equipment manufacturing facilities), ORS 315.354 and 469B.151 (energy conservation facili-
6 ties), ORS 315.506 (tribal taxes on reservation enterprise zones and reservation partnership zones),
7 ORS 315.507 (electronic commerce), ORS 315.514 (film production development contributions), ORS
8 315.523 (employee training programs), ORS 315.533 (low income community jobs initiative), ORS
9 315.593 (short line railroads), ORS 315.640 (university venture development funds), ORS 315.643
10 (Opportunity Grant Fund contributions), ORS 315.675 (Trust for Cultural Development Account
11 contributions), ORS 317.097 (loans for affordable housing), ORS 317.124 (long term enterprise zone
12 facilities), ORS 317.147 (loans for agriculture workforce housing), ORS 317.152 (qualified research
13 expenses) and ORS 317.154 (alternative qualified research expenses) and section 9, chapter 774,
14 Oregon Laws 2013 (alternative fuel vehicle contributions), **and section 2 of this 2021 Act**
15 **(workforce expansion).**

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

17 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter
18 317 shall be administered as uniformly as possible (allowance being made for the difference in im-
19 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-
20 corporated into and made a part of this chapter: ORS 315.104, 315.141, 315.156, 315.176, 315.204,
21 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.506, 315.507, 315.523, 315.533, 315.593 and
22 315.643 **and section 2 of this 2021 Act** (all only to the extent applicable to a corporation) and ORS
23 chapter 317.

24 **SECTION 5. Section 2 of this 2021 Act applies to tax years beginning on or after January**
25 **1, 2022, and before January 1, 2028.**

26 **SECTION 6. This 2021 Act takes effect on the 91st day after the date on which the 2021**
27 **regular session of the Eighty-first Legislative Assembly adjourns sine die.**

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