REVENUE IMPACT OF PROPOSED LEGISLATION

81st Oregon Legislative Assembly
2022 Regular Session
Legislative Revenue Office

Bill Number:	**HB 4002 - A12**
Revenue Area:	**Personal & Corporate Income/Excise Taxes**
Economist:	**Kyle Easton**
Date:	**2/24/2022**

Only Impacts on Original or Engrossed Versions are Considered Official

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****Draft****

Measure Description:

Establishes maximum hours employers may require of agricultural workers prior to compensating additional hours as overtime. Specifies maximum hours as: for calendar years 2023 and 2024, 55 hours per workweek, for calendar years 2025 and 2026, 48 hours per workweek, and for calendar year 2027 and thereafter, 40 hours per workweek. Specifies overtime compensation as one and one-half times the worker's regular rate of pay for each overtime hour. Exempts certain specified employees from overtime requirement including salaried employees and certain individuals compensated on a piece-rate basis.

Creates refundable personal and corporate income tax credit available to eligible employers that provide overtime compensation to agricultural workers. Specifies credit as equal to a percentage of the actual incremental overtime compensation paid to agricultural workers during the calendar year. Specifies varied credit percentages depending on year and number of full-time equivalent employees and whether employer is engaged in the business of dairying. Prohibits licensed labor contractors from claiming the credit but allows an eligible employer to claim credit for wages paid to workers by a labor contractor on behalf of the eligible employer. Requires taxpayer to receive notice of acknowledgment from Department of Revenue prior to claiming the credit. Limits annual calendar year credit acknowledgments to $55 million. Specifies credit is available for tax years beginning on or after January 1, 2023.

Revenue Impact (in $Millions):

	Biennium		
	2023-25	**2025-27**	**2027-29**
Tax Credit	-$16.8	-$49.4	-$89.1
Net Deductibility	-$0.2	-$1.1	-$3.6
Total General Fund	**-$17.0**	**-$50.5**	**-$92.7**

Impact Explanation:

Presently, it is common for agricultural workers to at times work aggregate weekly hours in excess of forty hours. Measure's overtime compensation requirement is expected to increase total compensation to agricultural workers. Aggregate overtime compensation is expected to increase as overtime hour threshold incrementally lowers until reaching 40 hours per week in calendar year 2027 and thereafter. Employers eligible to receive credit offsetting overtime compensation paid are employers doing business in North American Industry Classification System (NAICS) codes 111 (crop production) or 112 (animal production and aquaculture).

Amount of the proposed credit is the amount of the excess overtime wages paid by eligible employers multiplied by the applicable credit percentage (determined by number of eligible employer's full-time equivalent employees and dairy distinction). Amount of excess overtime wages paid is equal to the number of employed weekly hours exceeding specified weekly hours maximum, multiplied by 50% of agricultural worker's regular rate of pay.

Impact estimate assumes that total employed hours by agricultural industry and composition of overtime hours stays relatively consistent with historical trends and recent forecasts. Average hourly compensation is estimated based on historic trend with potential for moderating growth from overtime pay requirement. Multiple sources were used to make the revenue impact estimate including the Oregon Employment Department, U.S. Department of Agriculture, Bureau of Labor Statistics, U.S. Department of Labor's National Agricultural Workers Survey and Department of Revenue. Maximum six-year tax credit limitation as specified in ORS 315.037 is assumed to apply causing an implicit sunset on the proposed tax credit applicable January 1, 2029.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is