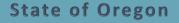
Update on Economic Incentives Passed in 2023

House Interim Committee on Revenue 9/23/2024



LEGISLATIVE REVENUE OFFICE



Oregon's Semiconductor Research & Development (R&D) Tax Credit









Oregon's Semiconductor R&D Credit

- Credit based on federal R&D tax credit (IRC Section 41)
- Credit is a percentage of qualified semiconductor research expenditures made in Oregon above a historical amount
 - Annual max credit of \$4M per taxpayer
 - Partially refundable credit depending on number of employees in OR
 - 75%: <150 employees
 - 50%: 150 to <500 employees
 - 25%: 500 to <3,000 employees
 - 0%: not refundable if 3,000 or more employees
 - Overall biennial limit on credit
- See 5/23/2023, presentation to Joint Committee on Tax Expenditures for detailed explanation of credit mechanics (<u>link</u>)



July 2023

Credit Created

R&D tax credit created by HB 2009. Applicable tax years 2024 through 2029.



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Registration Deadline

Deadline for semiconductor company to file tax year 2024 registration with OR Business Development Department (OBDD)

Dec. 1, 2023





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Deadline for OBDD to provide acknowledgment to taxpayer of preliminary confirmation of credit eligibility

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OBDD Shares Registration Info. with LRO

Deadline for OBDD to submit registration information to Legislative Revenue Office (LRO)

Feb. 1, 2024



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March 1, 2024

LRO Report

Deadline for LRO to submit report

to revenue

committees

Report link

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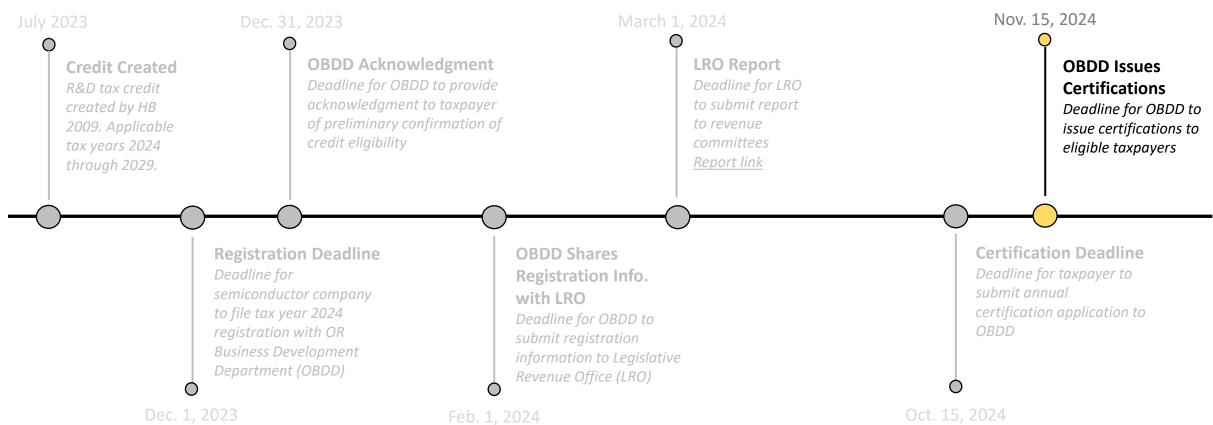
Initial Timeline of R&D Credit

March 1, 2024 **OBDD** Acknowledgment **LRO Report Credit Created** Deadline for OBDD to provide Deadline for LRO R&D tax credit acknowledgment to taxpayer to submit report created by HB of preliminary confirmation of to revenue 2009. Applicable credit eligibility committees tax years 2024 Report link through 2029. **Registration Deadline OBDD Shares Certification Deadline** Deadline for taxpayer to Deadline for Registration Info. semiconductor company submit annual with LRO certification application to to file tax year 2024 Deadline for OBDD to OBDD registration with OR submit registration **Business Development** information to Legislative Department (OBDD) Revenue Office (LRO)

Oct. 15, 2024

Feb. 1, 2024

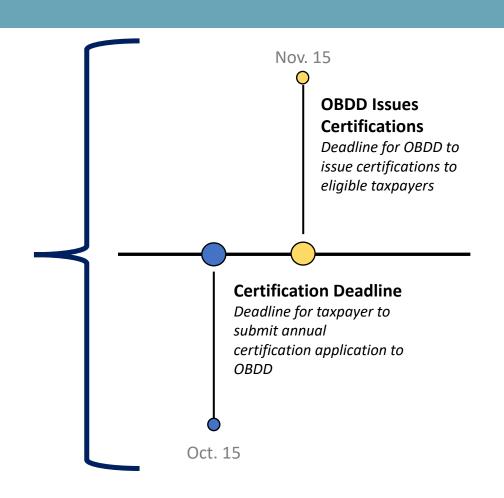






Credit Timeline Going Forward

- Credit applicable tax years 2024 through 2029
- No registration in tax years 2025 and later
- Required annual certification with OBDD by October deadline
- Credit claimed on tax return
 - Timing of filed tax return can be long after certification
 - Tax year 2024 corporate return could be filed as late as fall of 2026
 - Tax credit data from returns likely unavailable until early 2027





Update on Credit Administration

- Oregon Business Development Department (OBDD)
 - Adopted rules for credit certification
 - Certification fee: \$3,000
 - Biennial statutory certification credit cap
 - Below cap: If cap is not reached, unused certifications carry over to following tax year within same biennium
 - Exceed cap: Certifications exceeding \$200K are reduced by ratio necessary to keep total certifications equal to tax year cap
 - Taxpayers may not claim a tax credit in excess of certified credit amount

Tax Credit Certification Limit		
Biennial Cap	Tax Year & Cap \$M	
<i>2023-25</i> \$35M	2024	\$35
2025-27	2025	\$38.25
\$80M	2026	\$41.75
2027-29	2027	\$44
\$90M	2028	\$46
<i>2029-31</i> \$50M	2029	\$50

Enterprise Zone Transparency & School Support Fee





State of Oregon





EZ Transparency per HB 2009

- Required OBDD, in consultation with LRO, to produce EZ transparency report. Report deadline was 9/15/2024
- Added LRZ program to those required to post information on state Transparency Website



July 2023

Report to Legislature Required

HB 2009 required
OBDD, in consultation
with LRO, to write EZ
transparency report.
Report due 9/15/2024



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Nov. 2023



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Work Plan & Kickoff Meeting

Contractor coordinated with OBDD and LRO to develop work plan and schedule

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Nov. 2023

Analysis of Forms, Frameworks & Statutes

Deadline for contractor review and analysis of statutes, rules, terminology, admin roles, forms and processes for SEZ and LRZ

Feb. 28, 2024



transparency report. Report due 9/15/2024

EZ Transparency Report Timeline

develop work

plan and schedule

April 20, 2024 Work Plan & Report to **Stakeholder Interviews Kickoff Meeting** Deadline for contractor **Legislature Required** interview summary of HB 2009 required Contractor diverse stakeholders coordinated with OBDD, in consultation engaged in SEZ and LRZ OBDD and LRO to with LRO, to write EZ

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Analysis of Forms,

Feb. 28, 2024



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Feb. 28, 2024

May 31, 2024

Nov. 2023



June 30, 2024 Work Plan & **Stakeholder Interviews** Report to **Draft Report Kickoff Meeting** Deadline for contractor **Legislature Required** Deadline for interview summary of HB 2009 required Contractor contractor diverse stakeholders coordinated with OBDD, in consultation draft report. engaged in SEZ and LRZ OBDD and LRO to OBDD and LRO with LRO, to write EZ develop work provided transparency report. plan and schedule Report due 9/15/2024 feedback. Analysis of Forms, **Request For Proposals Best Practices Review** OBDD opened RFP Frameworks & Statutes solicitation. Contractor, Deadline for contractor Deadline for contractor Smart Incentives, selected review and analysis of review and analysis of transparency best to write report based on statutes, rules, terminology, practices and existing evaluations from OBDD admin roles, forms and state and local efforts and LRO processes for SEZ and LRZ Nov. 2023 Feb. 28, 2024 May 31, 2024



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Post LRZ Info on State Website

- OBDD is working on proposals that grant them more authority for EZ data management and make modifications in the following areas:
 - Clarifying unfinished business from HB 2009 relating to data availability and transparency, including posting LRZ info on State website
 - Improvements to quality of publicly available data for economic development incentives (SEZ, LRZ, SIP, including industrial property)
 - Other. For example, clarifying disallowance for disclosure of certain public records of businesses submitted as part of applications for economic development assistance



School Support Fee per HB 2009

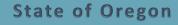
- Established a school support fee negotiated between 15% and 30% of property taxes that would otherwise have been paid but for SEZ or LRZ exemption
- Fee applies to new agreements in years 4-5 for SEZ program and years
 6 and later for LRZ program



School Support Fee per HB 2009 (cont.)

- Earliest expected fees from SEZs is 2028 and from LRZs is 2030
- ODE updated Program Budget and Accounting Manual and created source code 1115 to account specifically for school support fee revenue. Effective July 1, 2024
- How EZs and school districts overlap spatially has been identified
- Statewide school organizations have disseminated a recommendation and instructions to their members for school boards to adopt SSF resolutions.

Legislative Revenue Office https://www.oregonlegislature.gov/lro 503-986-1266



LEGISLATIVE REVENUE OFFICE

