

# Update on Economic Incentives Passed in 2023

Senate Interim Committee on Finance and Revenue

9/24/2024

State of Oregon

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

State of Oregon

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# 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 ([link](#))





# Initial Timeline of R&D Credit

July 2023



## **Credit Created**

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





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July 2023

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## Registration Deadline

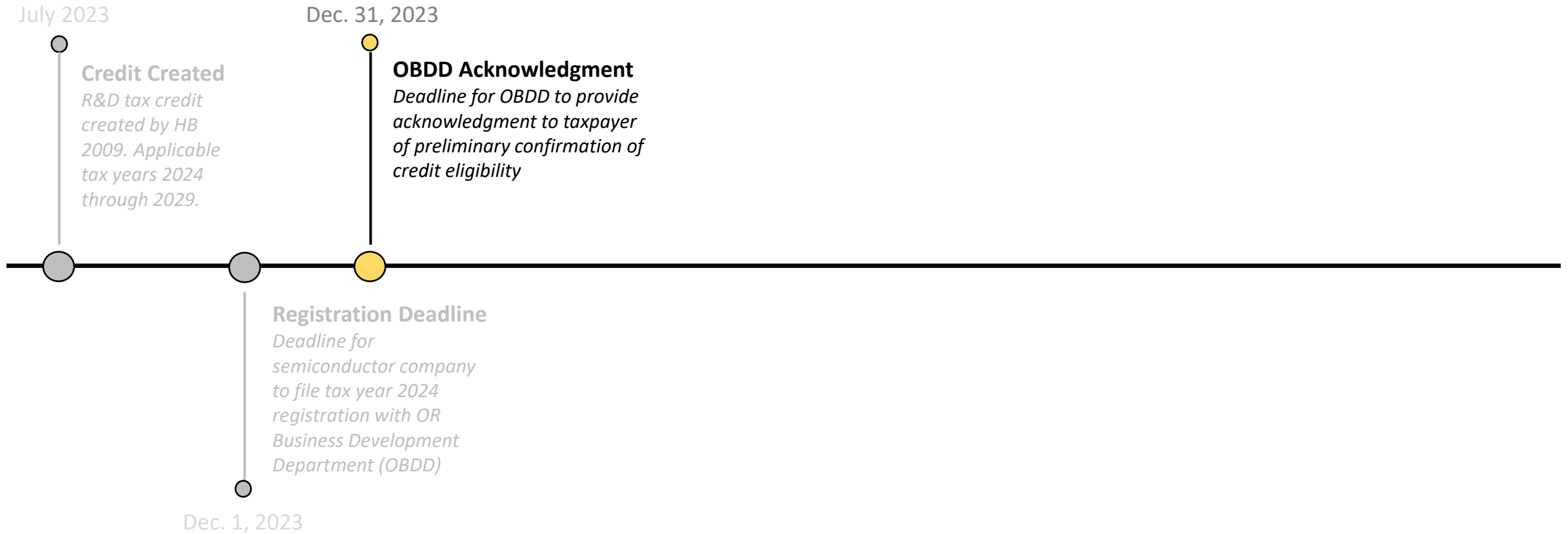
*Deadline for  
semiconductor company  
to file tax year 2024  
registration with OR  
Business Development  
Department (OBDD)*

Dec. 1, 2023



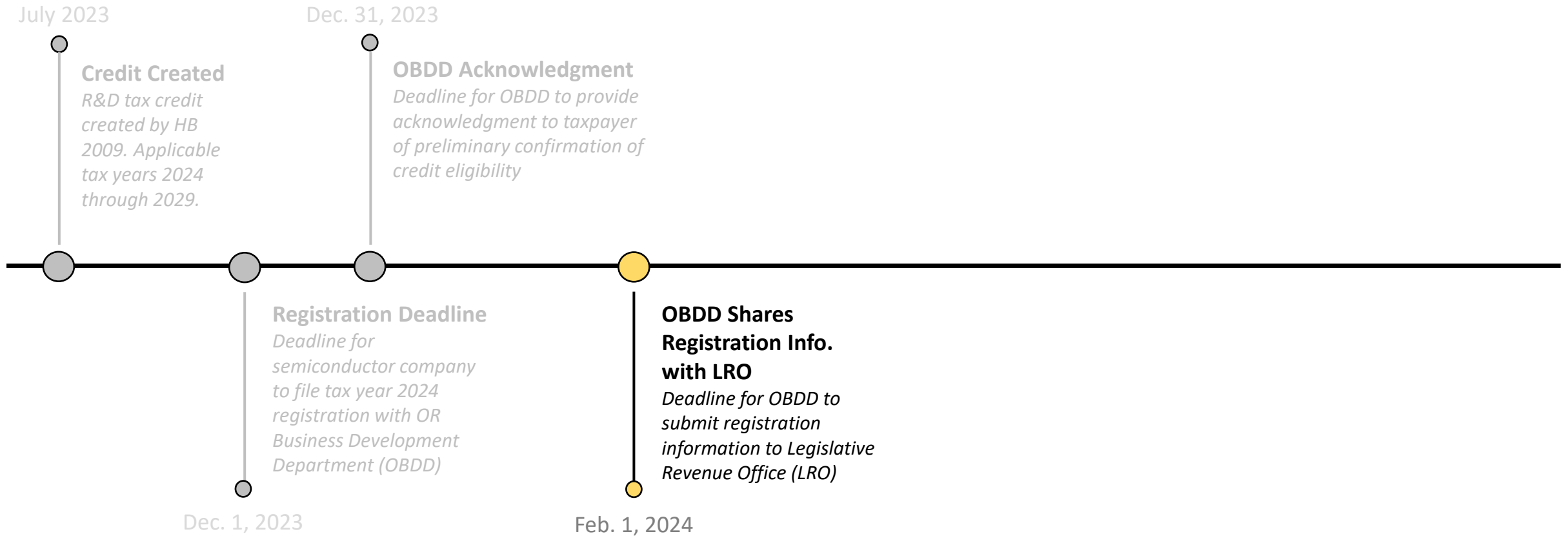


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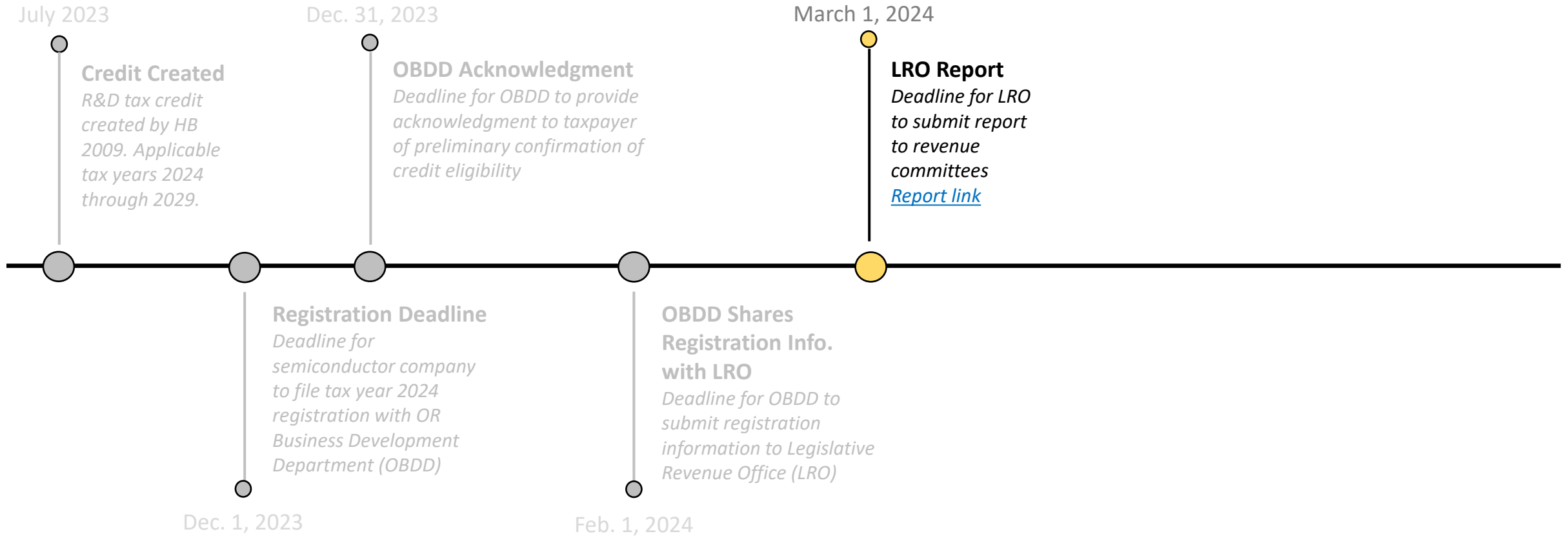


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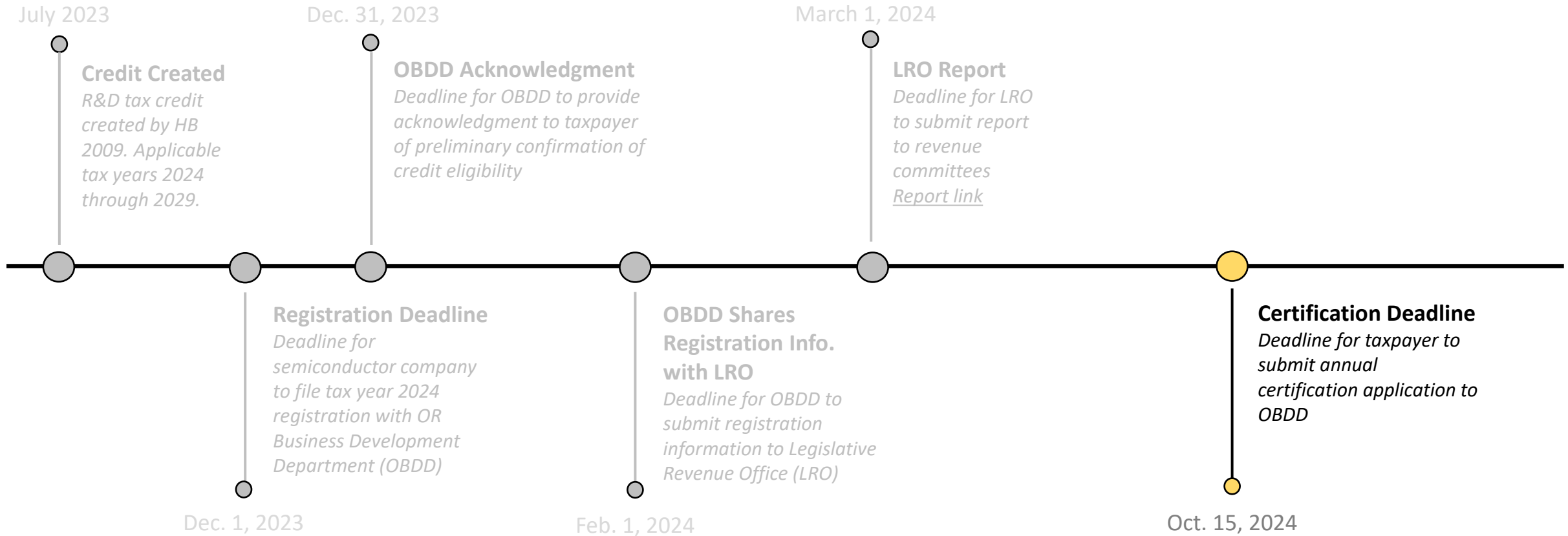
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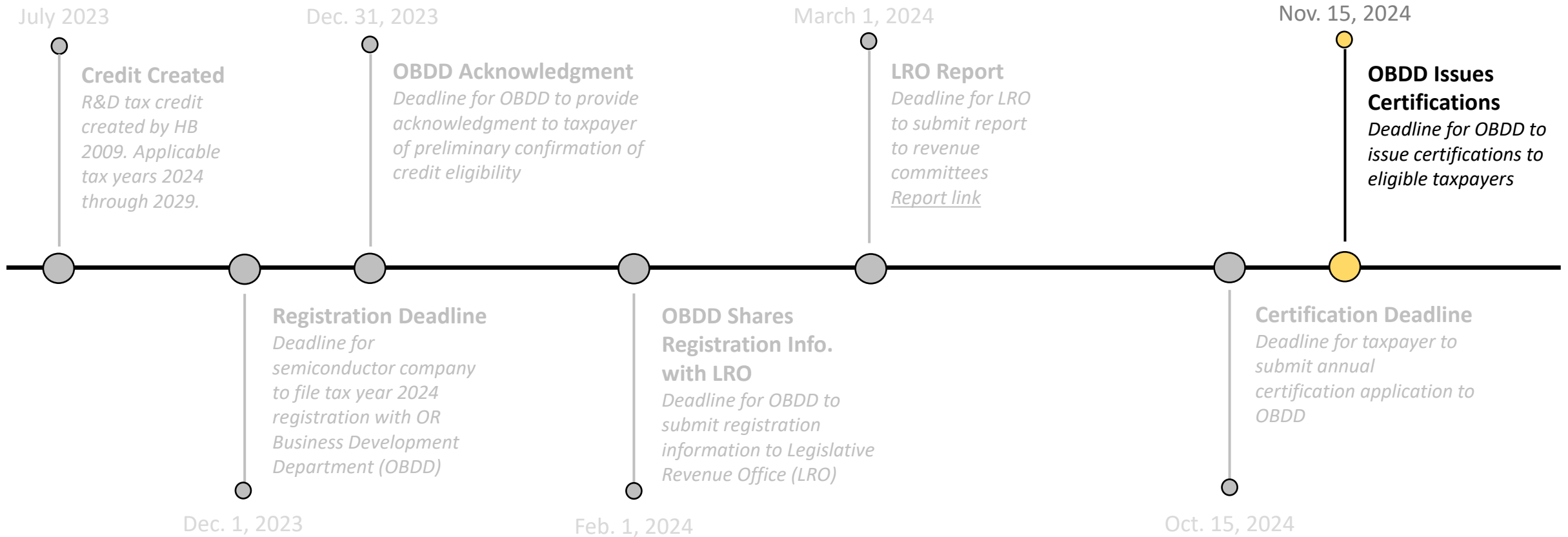


# Initial Timeline of R&D Credit





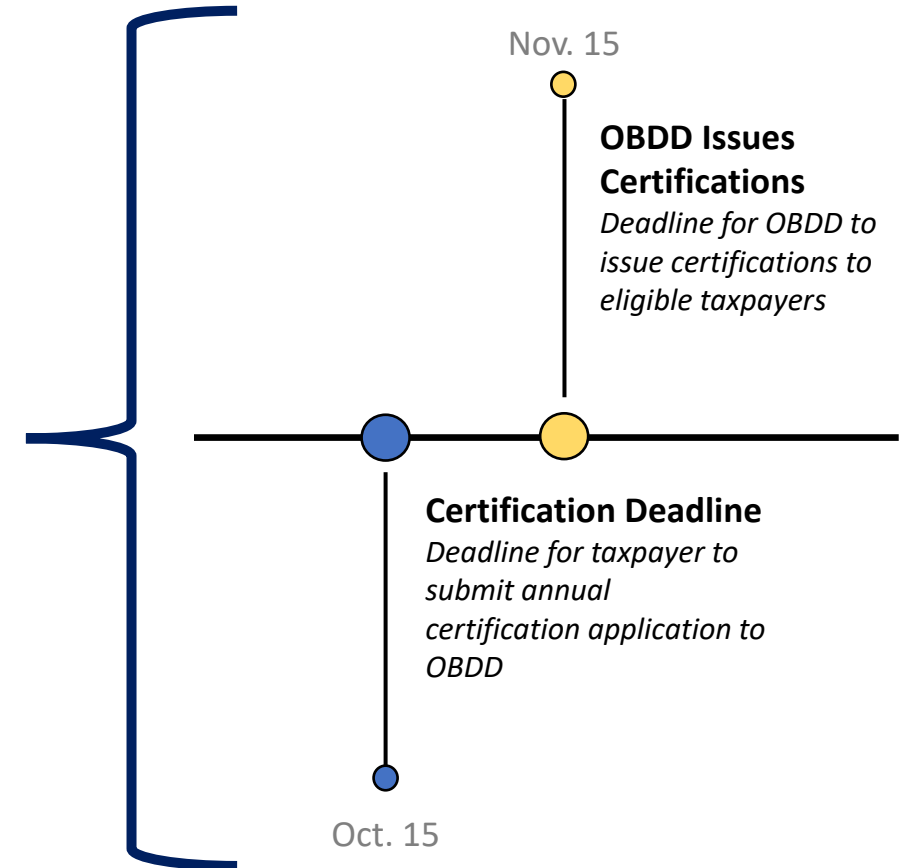
# Initial Timeline of R&D Credit





# 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	
2023-25 \$35M	2024	\$35
2025-27 \$80M	2025	\$38.25
	2026	\$41.75
2027-29 \$90M	2027	\$44
	2028	\$46
2029-31 \$50M	2029	\$50





# Enterprise Zone Transparency & School Support Fee

State of Oregon

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# 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





# EZ Transparency Report Timeline

July 2023



**Report to  
Legislature Required**

*HB 2009 required  
OBDD, in consultation  
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Report due 9/15/2024*





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**Request For Proposals**

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Nov. 2023







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**Work Plan &  
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*Contractor  
coordinated with  
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develop work  
plan and schedule*

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July 2023

## Report to Legislature Required

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Jan. 2024

## Work Plan & Kickoff Meeting

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

## Request For Proposals

*OBDD opened RFP solicitation. Contractor, Smart Incentives, selected to write report based on evaluations from OBDD and LRO*

Nov. 2023

## Analysis of Forms, Frameworks & Statutes

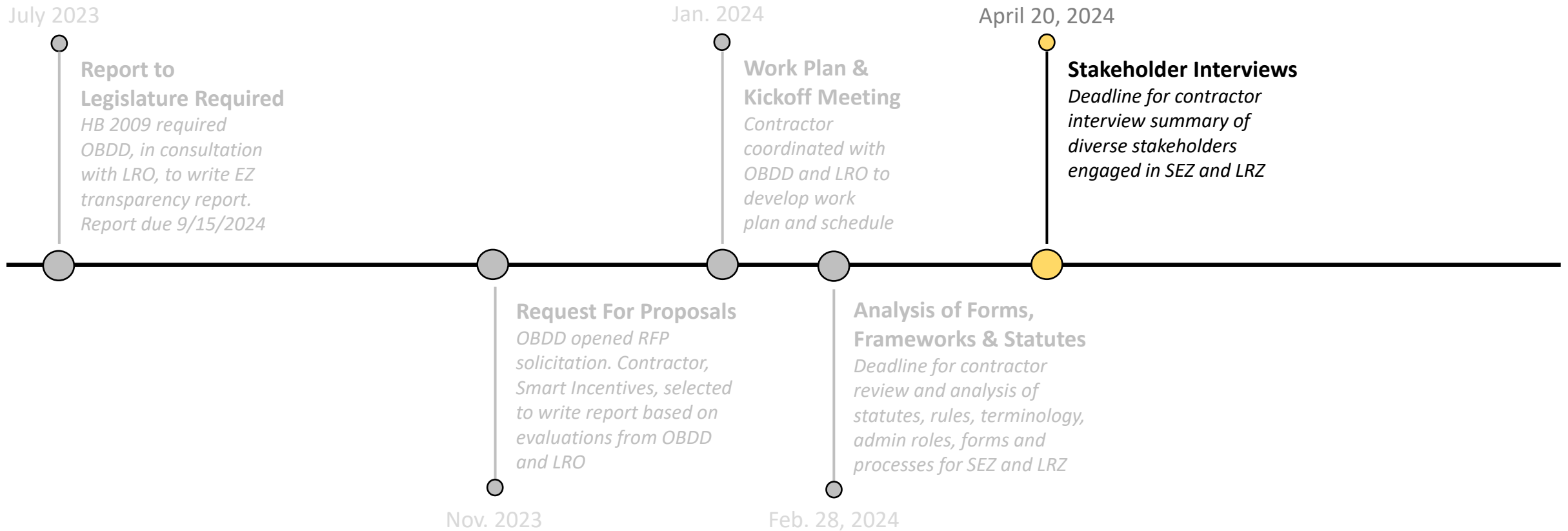
*Deadline for contractor review and analysis of statutes, rules, terminology, admin roles, forms and processes for SEZ and LRZ*

Feb. 28, 2024



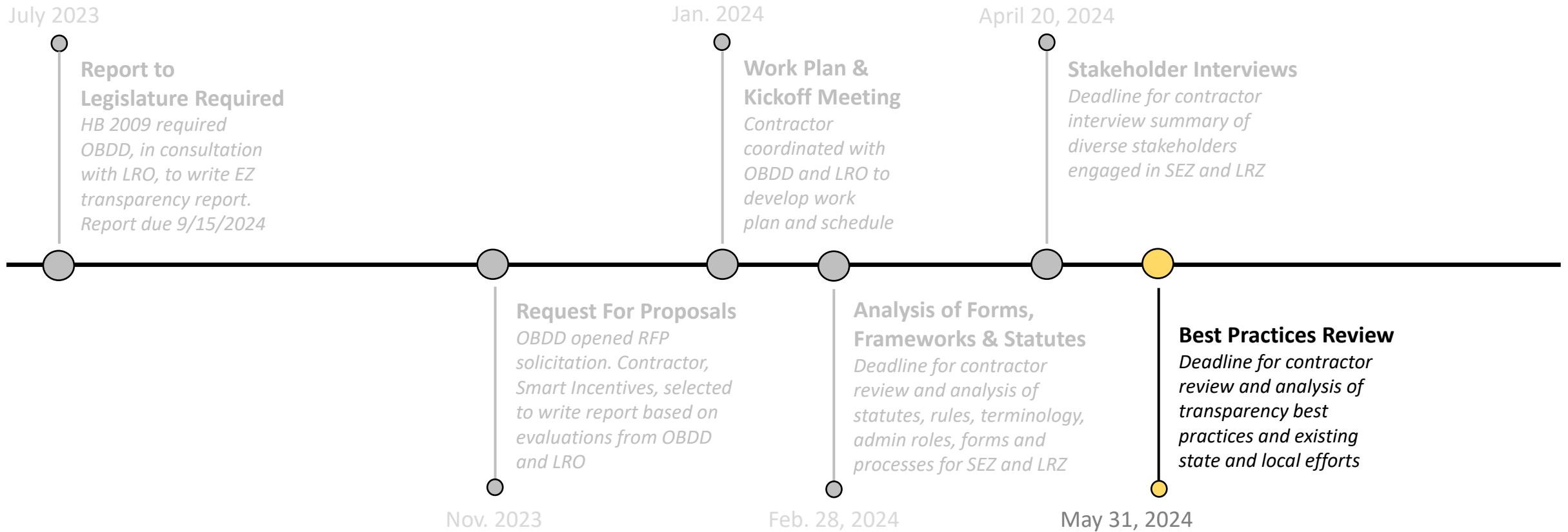


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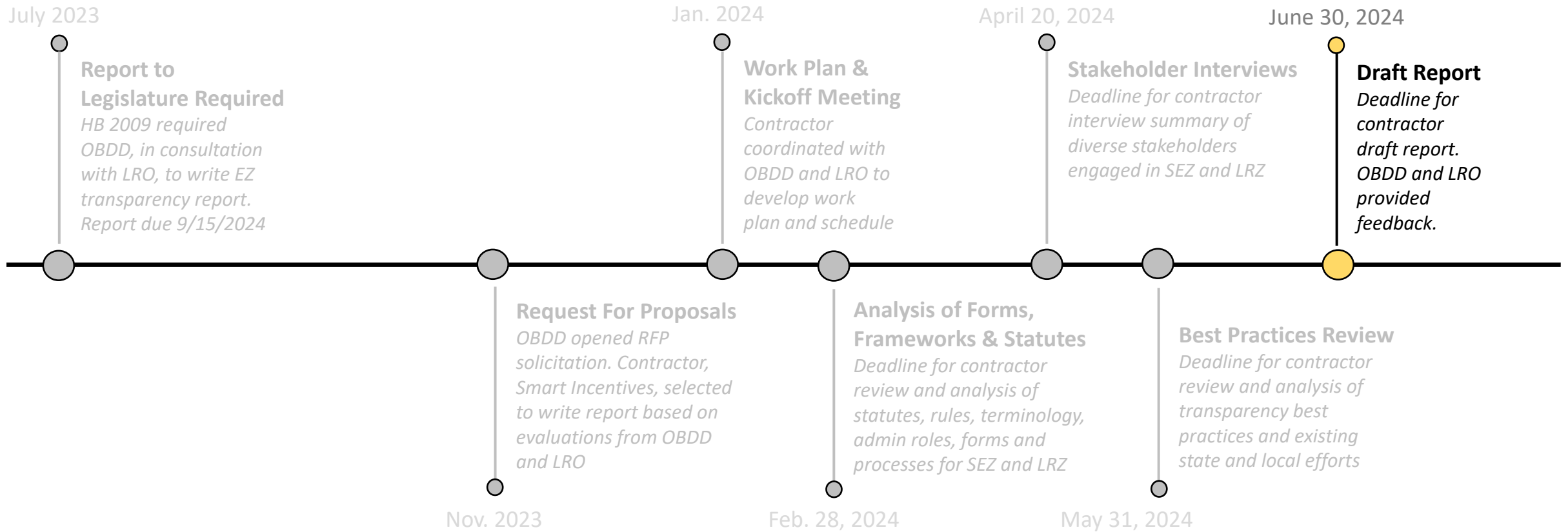


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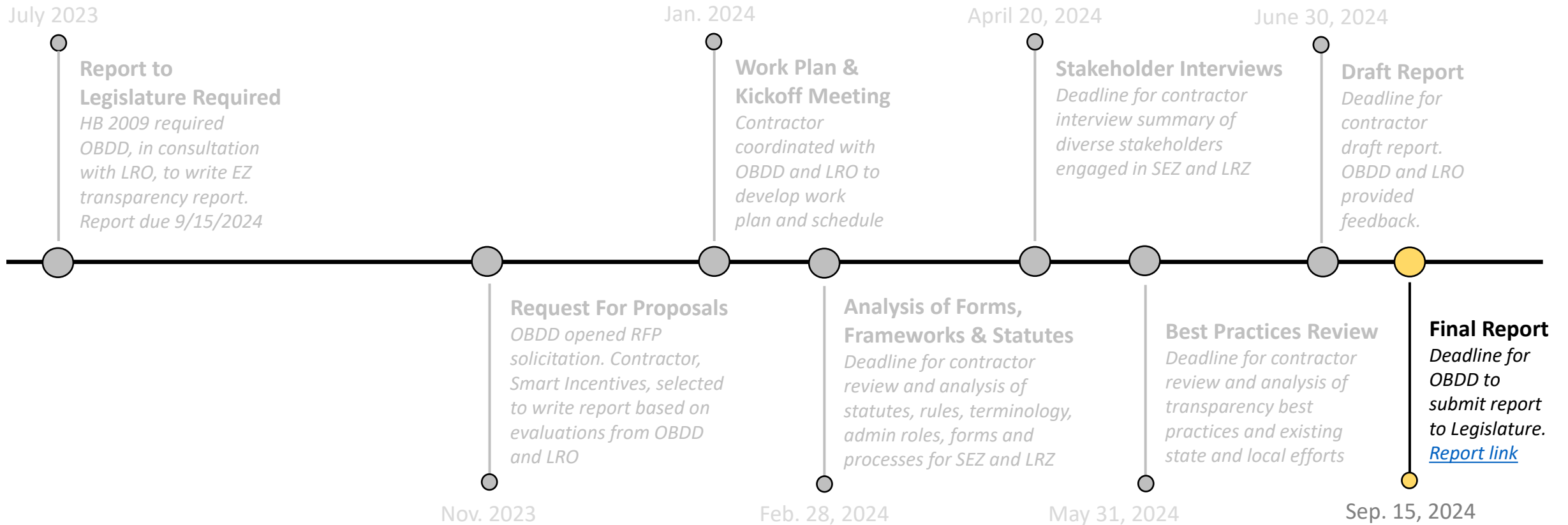


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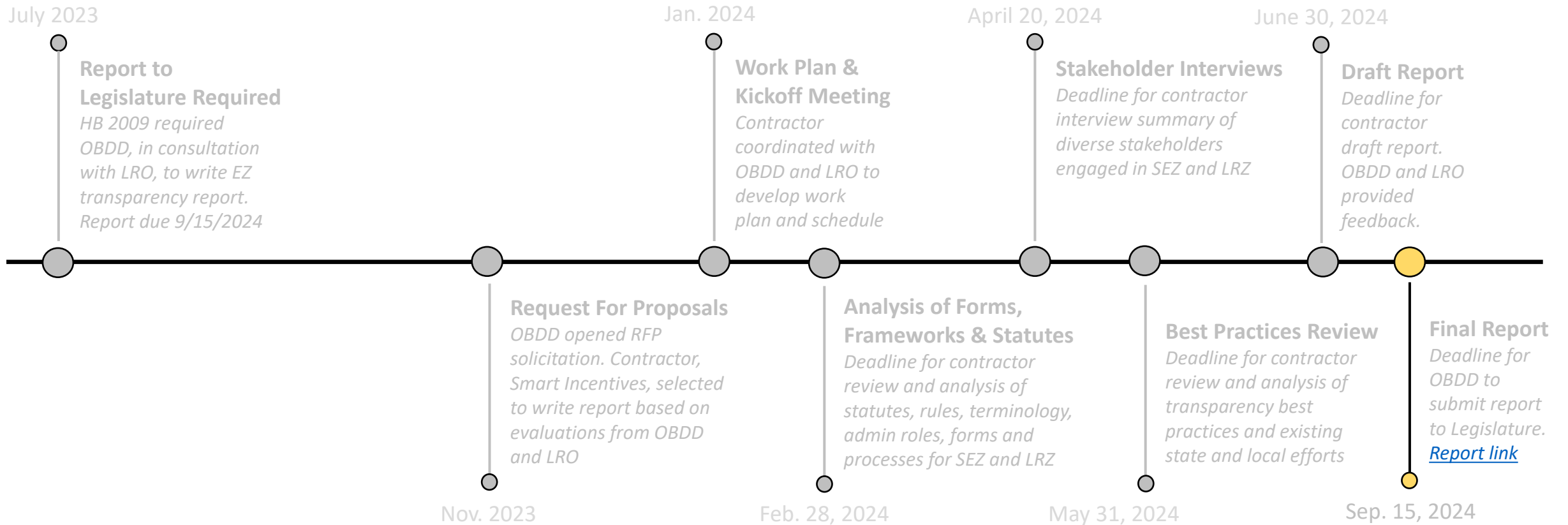


# EZ Transparency Report Timeline





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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

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