

Update on Economic Incentives Passed in 2023

Senate Interim Committee on Finance and Revenue

9/24/2024

State of Oregon

LEGISLATIVE REVENUE OFFICE



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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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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OBDD Acknowledgment

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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LRO Report

Deadline for LRO to submit report to revenue committees
[Report link](#)

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Oct. 15, 2024

Certification Deadline

Deadline for taxpayer to submit annual certification application to OBDD



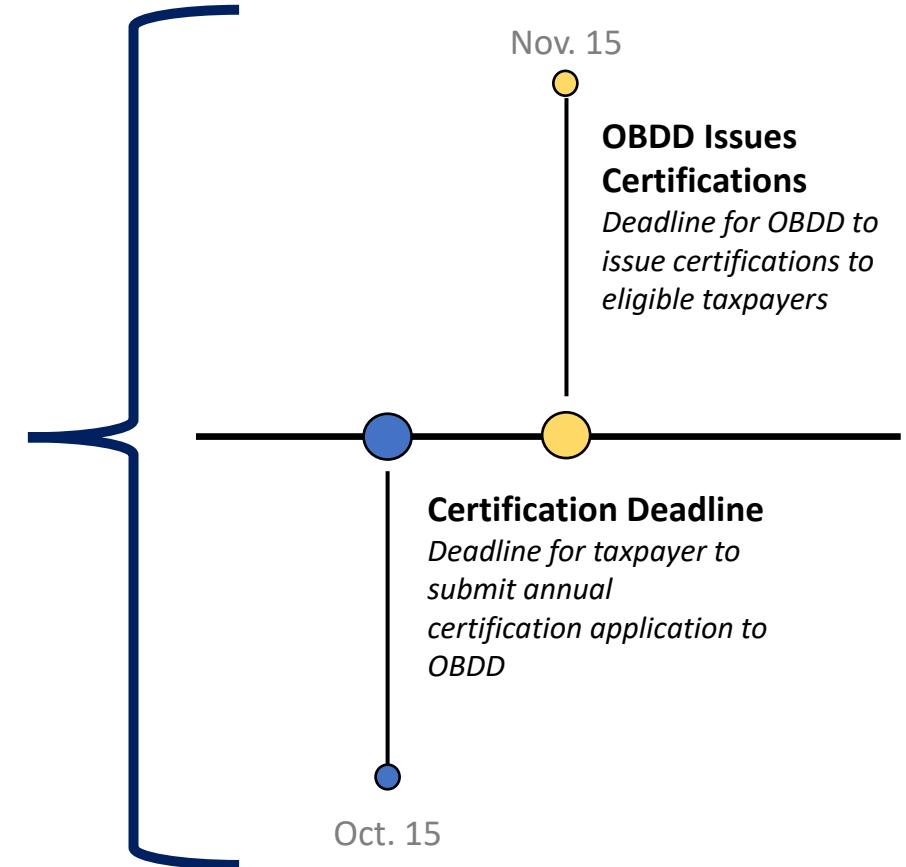
Initial Timeline of R&D Credit





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
2027-29 \$90M	2026	\$41.75
2029-31 \$50M	2027	\$44
	2028	\$46
	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
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Report due 9/15/2024



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**Work Plan &
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*Contractor
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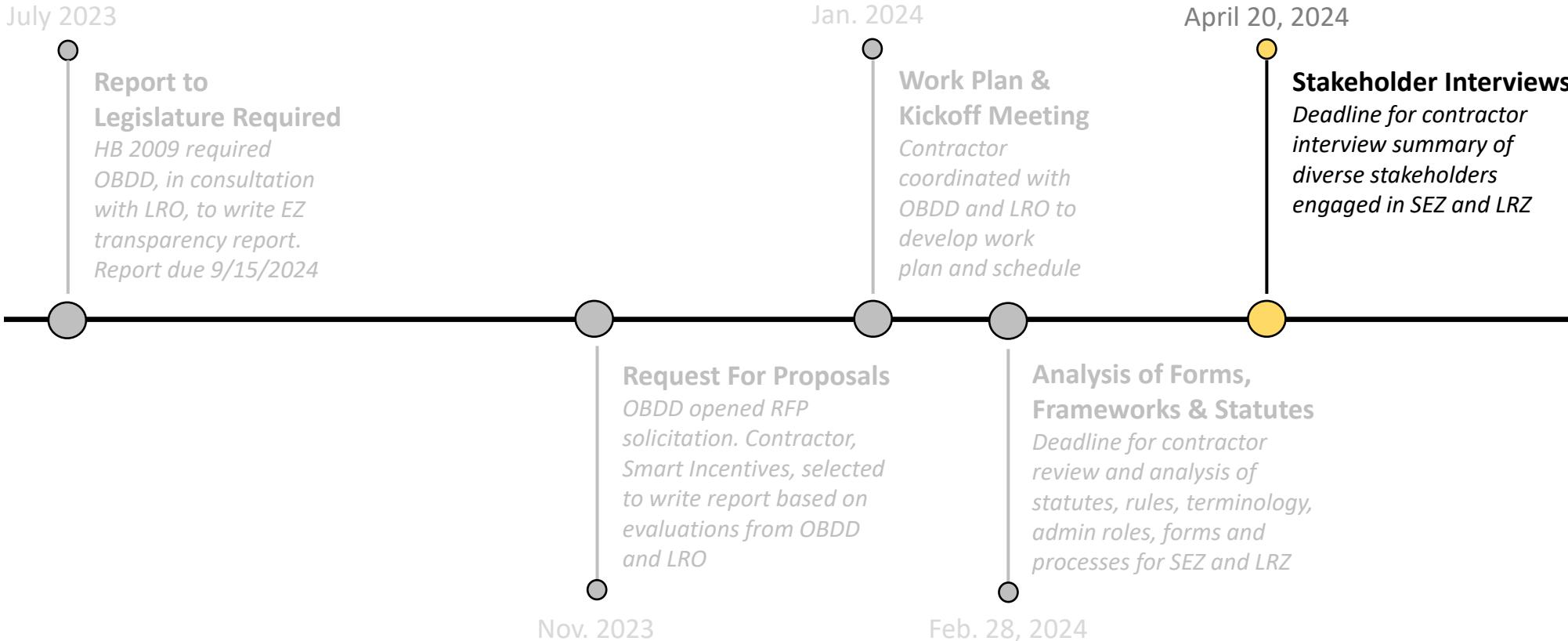
Nov. 2023

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



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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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