

SB 669 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Sub-Referral To: Joint Committee On Tax Expenditures

Meeting Dates: 2/28

WHAT THE MEASURE DOES:

Reinstates Oregon corporate excise tax credit allowed for qualified research activities. Applies to tax years beginning on or after January 1, 2023 and before January 1, 2029. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

From 1989 to 2017, Oregon had two corporate tax credits for qualified research activities, commonly referred to as Oregon's R&D credit. While technically two credits, the credits are generally viewed as a single policy as they differ from a formula rather than a policy perspective. Oregon's R&D credit was allowed to sunset in 2018. Oregon's R&D credit was based on the existing federal R&D credit which has no sunset date. The purpose of Oregon's R&D credit was to promote a level of research activity in Oregon that is higher than if the credit were not available.

Oregon's R&D credit allowed corporate taxpayers a credit of up to \$1 million per year for Qualified Research Expenses (QRE) in Oregon that exceeded a base amount. The primary tax credit (ORS 317.152) was equal to five percent multiplied by the "excess amount" which was the amount of QRE exceeding the base amount. The alternative credit calculation (ORS 317.154) was equal to five percent multiplied by the "excess amount" which was the amount of QRE exceeding ten percent of Oregon sales.

In 2017, total use of the credit to reduce tax liability was about \$21 million with about 160 taxpayers using the credit to reduce their tax liability by \$130,000 on average. Historically, the amount of the credit claimed was significantly greater than the amount used to offset tax liability due to taxpayers having insufficient tax liability in which to use the full amount of the credit. For example, in 2017 about \$143 million in tax credit was claimed as compared to about \$21 million being used to reduce tax liability.