

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2204

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Creates income or corporate excise tax credit for taxpayer that employs youth through Oregon Youth Employment Program.

Government Unit(s) Affected:

Oregon Employment Department, Higher Education Coordinating Commission, Department of Revenue, Judicial Department

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

House Bill 2204 would create an income or corporate excise tax credit for any taxpayer that employs youth, whether full-time or part-time, through the Oregon Youth Employment (OYE) program. The tax credit would be a maximum of \$2,500 for each eligible employee employed by the taxpayer, though the tax credit may not exceed the taxpayer's tax liability. Prior to receiving the tax credit, a taxpayer must receive written certification of eligibility from the Oregon Employment Department (OED) of any employee for which the taxpayer seeks to claim the credit. Any allowable tax credit that is not used by a taxpayer in a particular tax year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year, up to a maximum of three years. The Higher Education Coordinating Commission and OED must adopt administrative rules relating to this tax credit, including policies and procedures for verifying taxpayer eligibility under the OYE program. OED must provide information to the Department of Revenue about all taxpayers that are eligible for the tax credit. The measure would take effect 91 days after adjournment *sine die*, apply to tax years beginning on or after January 1, 2024, and sunset on January 1, 2030.

Employment Department

The measure is anticipated to have a fiscal impact on OED, as it would require taxpayers to receive a written certification of eligibility from OED of any employee for which the taxpayer is seeking to claim the proposed income or corporate excise tax credit in association with the Oregon Youth Employment Program. While OED certifies another tax credit for employers (the Work Opportunity Tax Credit), eligibility criteria differ, and is prescribed by federal guidelines. Thus, existing resources and funding are ineligible to be utilized for the tax credit certification work proposed by this measure.

Based on the tax year to which credits would begin to apply (on or after January 1, 2024) OED estimates setting up the OYE tax credit program in the last six months of the 2023-25 biennium. While the actual workload for OED would depend on enrollments in OYE program, this fiscal impact statement estimates that 500 eligible employees would apply for and receive the tax credit certification. To handle this anticipated increase in workload, OED would need one limited duration, full-time Operations and Policy Analyst 3 position (0.50 FTE) to coordinate with HECC on rulemaking, develop program policies and procedures, and implement and administer a new data tracking and reporting system; and one permanent, full-time Program Analyst 1 position (0.88 FTE) to manage the certification process. The estimated cost of these positions, including related services and supplies, is \$323,385 (1.38 FTE) in 2023-25; one of these positions (1.00 FTE) would be required in 2025-27 for ongoing

administration and certification, at a cost of \$213,409. This fiscal impact statement assumes that approximately 500 applications would be processed each year, worth a maximum of \$2,500 per credit, resulting in \$1,250,000 worth of tax credits annually. OED already coordinates with the Department of Revenue (DOR) through an existing interagency data transfer agreement. It should also be noted that, although the tax credit does not extend past the 2029 tax year, because the carryforward provision allows taxpayers to use the credit in subsequent tax years, the increase in workload may continue beyond the 2025-27 biennium.

The OYE tax credit program would also require some informational technology programming work, as the WOTC program uses tracking software specific to that federal tax credit, and OED does not currently have a management information system to track information for the OYE tax credit. OED could leverage its current WOTC software, which would require contracting with the current vendor to implement, for an estimated one-time cost of \$100,000 in 2023-25.

The total estimated fiscal impact to OED is \$423,385 in 2023-25 and \$213,409 in 2025-27. The measure does not identify a revenue source for these expenditures, it is unknown which funding source would cover these additional costs.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to OED's biennial budget.

Other Government Units

The measure is anticipated to have a minimal fiscal impact on HECC, DOR, and the Judicial Department.