

## **HB 2009 -1, -2, -3, -4 STAFF MEASURE SUMMARY**

### **Joint Committee On Tax Expenditures**

---

**Prepared By:** Chris Allanach, Legislative Revenue Officer

**Meeting Dates:** 6/2, 6/8, 6/8

---

#### **WHAT THE MEASURE DOES:**

Creates a new Research & Development tax credit based on the federal research activities income tax credit. The credit percentage is 25 percent of the "excess amount" of qualified research activity, as defined in federal law, with the exception that the activity must be performed in Oregon and be essential to the semiconductor industry. The maximum tax credit is \$5 million for filers with fewer than 150 Oregon employees and \$10 million otherwise. The tax credit is fully refundable for filers with fewer than 500 employees and 50 percent refundable for filer with between 500 and 2,000 employees. Creates a biennial program cap for potential tax credits, but with no amount specified. The tax credit is applicable for tax years 2024 through 2029.

Extends the Enterprise Zone and Long-term Rural Enterprise Zone programs through June 30, 2030. Requires zone sponsors to post the terms of agreements on their website for 30 days prior to the effective date. Requires Oregon Business Development Department to provide technical assistance to zone sponsors and to submit a report on enterprise zone program transparency to the Legislative Assembly by September 15, 2024. Requires zone sponsor intending to enter into agreement that may increase infrastructure use outside zone boundaries to provide such notice to adjacent local governments. Excludes K-12 districts from the EZ property tax exemption for years four and five and from the LTREZ program for years six and later; applies to property tax years beginning on or after July 1, 2024. Clarifies that active agreements may continue should the EZ program sunset; applies the same policy to the LTREZ program.

Increases the eligibility thresholds for the Strategic Investment Program to \$150 million (urban) and \$40 million (rural) and adds an inflation adjustment factor. Increases the amount of real market value that is taxable depending on project size: from \$25M to \$50M, from \$50M to \$60M, and from \$100M to \$150M. Requires businesses to post related job announcements through WorkSource Oregon. Disallows the creation of new Strategic Investment Zones. Adds the requirement that at least one individual negotiating on behalf of the local government must have completed a training program prescribed by the Oregon Business Development Department that includes negotiation techniques. Increases the fee cap from \$2.5M to \$5M. Requires local entities that provide emergency services be part of the 75% threshold to reach an agreement. Reduces the maximum amount of annual Gain Share distributions received by any single county from \$16M to \$5M. Adds a sunset date of July 1, 2030. Changes become applicable on the effective date of the Act and apply to property tax years beginning on or after July 1, 2024.

Disconnects from the federal Opportunity Zone tax policy. Requires an Oregon personal and corporate addition to taxable income for any gain that is excluded from federal taxable income. Requires the calculation of Oregon taxable income to disregard any associated adjustment in basis. Allows a subtraction from Oregon taxable income for amounts previously required to be added to Oregon taxable income, if included in federal taxable income. Applies to tax years beginning on or after January 1, 2023.

Takes effect on 91st day following adjournment sine die.

#### **ISSUES DISCUSSED:**

#### **EFFECT OF AMENDMENT:**

*This summary has not been adopted or officially endorsed by action of the committee.*

## HB 2009 -1, -2, -3, -4 STAFF MEASURE SUMMARY

-1

Changes the R&D tax credit refundability so that businesses with at least 500 Oregon employees receive a 50% refundable tax credit. Removes all changes to the Strategic Investment Program. Increases the maximum Gain Share distribution to any one county from \$16 million to \$20 million; adds an annual inflation adjustment.

-2

Replaces the bill. The R&D tax credit is unchanged. Restores the two Qualified Research Activities tax credits that expired at the end of 2017 but with a taxpayer cap of \$3 million (instead of \$1 million), for tax years 2024 through 2029. The EZ and LTREZ programs would sunset in 2030. The EZ transparency components are unchanged. The only change to the Strategic Investment Program is that at least one local government employee must have completed an OBDD prescribed training that includes negotiation techniques. The sunset on Gain share distributions is moved to July 15, 2030 (5-year extension) and the current county maximum distribution of \$16 million is indexed to inflation. Disconnects from current federal law with respect to the deduction treatment for research expenses. This would change the treatment from a deduction taken over either 5 or 15 years to a full deduction in the years expenses were incurred (federal law prior to the 2017 Tax Cuts and Jobs Act).

-3

Replaces the bill. Disconnects from current federal law with respect to the deduction treatment for research expenses. This would change the treatment from a deduction taken over either 5 or 15 years to a full deduction in the years expenses were incurred (federal law prior to the 2017 Tax Cuts and Jobs Act).

-4

Changes the R&D tax credit refundability so that businesses with fewer than 150 Oregon employees receive a 100% refundable tax credit; if between 150 to 499 Oregon employees, the tax credit is 50% refundable; if between 500 to 2,999 Oregon employees, the tax credit is 25% refundable.

The Enterprise Zone and Long-term Enterprise Zone programs are extend through June 30, 2032. Public notification of an impending agreement must be posted for 21 days but the firm name and confidential information may not be disclosed. Prohibits fulfillment centers from EZ/LTREZ eligibility.

Includes ports with cities and counties when describing which governments can enter into agreements. Requires OBDD to make negotiation training materials available to cities, counties, and ports. Increases fee to \$3M plus inflation adjustments. The imposition of school taxes is replaced by a negotiated fee.

### **BACKGROUND:**

This bill is an omnibus bill that combines updates for certain economic development programs with the creation of a new research & development income tax credit. From 1989 through 2017 Oregon had two corporation income tax credits for Qualified Research Activities based on the federal research activities tax credit. This bill would reinstate those credits, with modifications. The Enterprise Zone and Long-Term Rural Enterprise Zone programs provide property tax abatements to qualifying companies and were established in 1985 and 1997, respectively. The Strategic Investment Program provides an exemption for large scale investments above certain value thresholds and Gain Share is a program that provide income tax reimbursements to local governments related to these investments.