House Bill 2009

Qualified Research Activities Tax Credit

Enterprise Zone and Strategic Investment Property Tax Incentives

Background

House Bill 2009 creates a tax credit for qualified research and development activities related to the semiconductor or other advanced manufacturing industries. Taxpayers are required to obtain certification from Business Oregon prior to claiming the tax credit.

The bill also extends the sunset date for enterprise zone designation and excludes property tax imposed by a school district from the enterprise zone property tax exemption in certain circumstances. Enterprise zone termination provisions are modified. The taxable portion for eligible projects in a rural are that are in the strategic investment program, is increased.

Sections 46 to 50 disconnect Oregon from the federal deferral of tax on capital gain income through reinvestment in federal qualified opportunity zones. The bill requires taxpayers to add the amount attributable to investing in opportunity zones to federal taxable income for Oregon tax purposes.

Technical Issues

- Section 3 of the bill provides 50 percent of the tax credit is refundable to taxpayers with 500 to 1,999 employees in Oregon. It is not clear how the remaining tax credit in excess of the refundable portion is to be treated.
- Section 5 refers to preliminary certification in Section 4, however "preliminary" is not included in any other references to "certification".
- The bill prescribes a limit to the total amount of tax credits that may be certified in a biennium. Because corporate taxpayers file returns following their fiscal year end, the total amount of tax credits claimed may not be known for many months after the biennium ends.
- The tax credit is not applicable to a taxpayer filing under ORS chapter 318 (corporate income tax), therefore all references to ORS chapter 318 should be removed from the bill.
- Reference to Internal Revenue Code (IRC) Section 41(h) is obsolete as the termination of the federal credit provision was removed from the IRC.
- The changes to ORS 285C.160 and ORS 285C.409, by Sections 24 and 25, to make the property of an enterprise zone firm taxable by K-12 school districts prior to becoming taxable by other tax districts, will likely have a significant fiscal impact on county assessors' offices as well as DOR because of the need to track a large volume of different parts of various taxpayer facilities coming online in different years. We are pleased to be part of a group working on an amendment that will replace that language with an administratively simpler fee that such firms would pay directly to the school districts.

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