

SB 1586 -4 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Kyle Easton, Senior Economist

Meeting Dates: 2/16, 2/18

WHAT THE MEASURE DOES:

Expands research and development (R&D) income tax credit for semiconductor companies to include “qualified alternative energy production company” and “qualified biotechnology company”. Expands availability of 25 percent refundable tax credit to companies with 3,000 or more employees. Modifies certification of tax credit to ensure companies with fewer than 150 employees receive full certification. Applies to tax years 2027 and later. Extends sunset of R&D tax credit by six years, from January 1, 2030, to 2036. Doubles credit certification limits in 2025-27 and 2027-29 biennia, fiscal year 2029-30, and unlimited thereafter.

Allows city or county to create a property tax exemption for new or modernized machinery and equipment used by an advanced manufacturing business. Limits exemption to no more than five years. Expands exemption period for standard enterprise zone property tax exemption from 3-5 years, to 3-10 years. Makes school support fee in lieu of property taxes optional for standard enterprise zone exemption and long-term rural enterprise zone exemption.

Reduces employment requirements to qualify as an eligible employer for the Industrial Site Readiness Program. Modifies existing requirement that each employer increase average annual employment by the minimum 25 (rural site) or 50 (urban site) qualified jobs, by requiring the determination of the minimum respective jobs to be based on all employers in aggregate at the industrial site rather than each individual employer.

Directs certain state agencies to establish deadlines within which the agency intends to process applications for permits and to publish catalog of permits issued.

Adds rural reserves in Washington County to Metro to be used for high-technology and advanced manufacturing purposes.

ISSUES DISCUSSED:

- Contents of the -4 compared to intro version
- Changes to R&D income tax credit, new credit for advance manufacturing
- Definition of advanced manufacturing
- Economic condition of Oregon and specifically the manufacturing sector
- Rationale for change to R&D for advance manufacturing
- Requirements included and/or not included as conditions for qualification
- Land use and Metro
- Availability of industrial lands
- Past work of the Oregon Semiconductor Task Force
- Description of land being discussed for Metro expansion
- Sectors that would qualify for new R&D tax credit
- Rural land reserves, "grand bargain".

EFFECT OF AMENDMENT:

-4 Replaces content of measure.

Creates new partially refundable income tax credit available to advanced manufacturing companies conducting research and development (R&D) in Oregon in support of a trade or business directly related to advanced

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manufacturing. Structures credit in near identical manner as Oregon's R&D credit for semiconductors. Applies to tax years 2027 through 2035. Limits credit certifications to \$90M in 2027-29 biennium, \$50M in fiscal year 2029-30, and unlimited thereafter.

Modifies Oregon's existing R&D income tax credit for semiconductor companies. Expands availability of 25% refundable tax credit for companies with 3,000 or more Oregon employees. Extends credit sunset by six years, from January 1, 2030, to 2036 with no certification limit in years of extension.

Allows city or county to create a property tax exemption for newly acquired (new or used) or newly updated machinery and equipment (M&E) used by an advanced manufacturing business. Uses same definition of advanced manufacturing as used in proposed R&D tax credit. Requires exemption application to be filed with county assessor with eligibility determined by city or county. Requires M&E to be placed in service on or after January 1, 2026.

Reduces employment requirements to qualify as an eligible employer for the Industrial Site Readiness Program. Modifies existing requirement that each employer increase average annual employment by the minimum 25 (rural site) or 50 (urban site) qualified jobs, by requiring the determination of the minimum respective jobs to be based on all employers in aggregate at the industrial site rather than each individual employer.

Directs specified state agencies to publish a catalog of permits issued by the agency that relate to or have an impact on economic development projects. Prescribes content of catalog and requires reporting back to Legislature within 120 days of effective date of act.

Adds rural reserves in Washington County to Metro to be used for high-technology and advanced manufacturing purposes.

BACKGROUND:

See meeting materials for section-by-section description of changes contained in measure as introduced and amended.