



# Tax Credit Review

Senate Interim Committee on Finance & Revenue

12/14/2018 | LRO



# Overview of Discussion

- ▶ General background on tax expenditures
- ▶ Specified and implicit sunsets
- ▶ Tax credit review
  - ▶ Statutory requirements
  - ▶ Past Legislative tax credit review process
  - ▶ Tax credit report from LRO
- ▶ Tax credit table and preliminary cost to extend revenue estimates

# General Background on Tax Expenditures

- ▶ ORS 291.201 Tax Expenditure defined:
  - ▶ **“tax expenditure”** means any law of the federal government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.
- ▶ Governor’s Tax Expenditure Report
  - ▶ Governor’s recommendations on tax expenditures scheduled to sunset:
    - ▶ 2019-21 recommendation was to extend the sunsets of all tax expenditures
- ▶ Income Tax Expenditures
  - ▶ Federal exclusions | Federal adjustments | Federal deductions | Oregon subtractions | Oregon credits

# Specified and Implicit Sunsets

- ▶ ORS 315.037

(2) Any **tax credit** enacted by the Legislative Assembly on or after January 1, 2010, shall apply for a maximum of six tax years beginning with the initial tax year for which the credit is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

(3) Any **tax expenditure** enacted by the Legislative Assembly on or after January 1, 2014, shall apply for a maximum of six tax years beginning with the initial tax year for which the tax expenditure is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

# Statutory Requirements

## ► ORS 315.051 | Report by Legislative Revenue Officer

- Report prepared prior to beginning of odd-numbered regular session
- Statute requires 11 deliverables in report:

• Stated policy purpose	• Purpose achievement timeline	• Achievement measurements
• Beneficiaries	• Effectiveness	• Expected results if allowed to expire
• Background information other states	• Effectiveness / efficiency of achieving stated policy goal	• Administrative costs
• Analysis of direct appropriation alternative	• Other incentives with similar policy	

## ► ORS 315.047 | List of tax credits with revenue impact in excess of projection

- List of recently enacted or modified tax credits where revenue impact exceeds original revenue impact statement accompanying the enactment/modification

## ► ORS 315.044 | Statement of purpose

- Legislative requirement that proposed tax credit or expansion of a tax credit includes statement of purpose provided by chief sponsor or a proponent of the measure

# Past Tax Credit Legislative Review Process

- ▶ Three general stages of legislative review process
  - 1) Interim process
  - 2) Policy committee process
  - 3) Joint Tax Credit Committee process
  
- ▶ Committee legislative concepts (LCs) prepared with standard six-year sunset extensions
  - ▶ LCs may contain statutory changes identified as necessary to maintain status quo or align with legislative intent (E.G. – LC 2252, Agriculture Workforce Housing)

# LRO Tax Credit Review Report

- ▶ General Review Components
  - 1) Description of policy purpose
  - 2) Description of the credit and its historical revenue impact
  - 3) Policy analysis
  - 4) Discussion of other issues
- ▶ Report released at beginning of odd-numbered regular session
- ▶ LRO presents credit review to relevant policy committees and Joint Tax Credit Review Committee

# Estimated Cost of Extending Tax Credits

\$ Millions, 12/12/2018

Tax Expenditure Report Number and Credit name	ORS	Sunset Date	2019-21	2021-23	2023-25
<i>Scheduled for Review by the 2019 Legislature</i>					
<b>1.401 Employer Provided Scholarships</b>	<b>315.237</b>	2020	< 50K	< 50K	< 50K
<b>1.405 Earned Income Credit</b>	<b>315.266</b>	2020	\$54.2	\$113.3	\$120.0
<b>1.408 Volunteer Rural EMTs</b>	<b>315.622</b>	2020	\$0.1	\$0.2	\$0.2
<b>1.411 Agriculture Workforce Housing Construction</b>	<b>315.163-172</b>	2020	\$2.0	\$4.1	\$4.1
<b>1.428 Manufactured Dwelling Park Closure</b>	<b>Note after 316.116</b>	2020	< 50K	\$0.1	\$0.1
<b>1.430 Crop Donations</b>	<b>315.154-156 (318.031)</b>	2020	\$0.2	\$0.4	\$0.5
<b>1.466 Political Contributions</b>	<b>ORS 316.102</b>	2020	\$6.7	\$12.7	\$13.5
<b>1.477 Oregon Cultural Trust</b>	<b>315.675</b>	2020	\$4.2	\$8.6	\$9.0
<b>1.450 Certain Retirement Income</b>	<b>316.157-158</b>	2020	\$0.7	\$1.3	\$1.2
<b>SUBTOTAL</b>			<b>\$68.0</b>	<b>\$140.6</b>	<b>\$148.5</b>



# Estimated Cost of Extending Tax Credits

\$ Millions, 12/12/2018

Tax Expenditure Report Number and Credit name	ORS	Sunset Date	2019-21	2021-23	2023-25
<i>Scheduled for Review by the 2021 Legislature</i>					
1.406 Child with a Disability	316.099	2022	\$0.0	\$5.7	\$12.9
1.407 Rural Medical Practice	315.613-619	2022	\$0.0	\$1.4	\$5.5
1.409 Severe Disability	316.752-771	2022	\$0.0	\$7.0	\$15.0
1.421 Public University Venture Development Fund	315.521	2022	\$0.0	\$0.8	\$1.7
1.424 Working Family Household and Dependent Care	315.264	2022	\$0.0	\$34.5	\$69.0
1.425 Office of Child Care Contributions	315.213 (318.031)	2022	\$0.0	\$0.5	\$1.0
1.426 Individual Development Account Contributions	315.271	2022	\$0.0	\$7.0	\$14.6
1.445 Oregon Life and Health IGA Assessments	734.835	2022	\$0.0	\$0.0	\$0.0
1.449 Oregon Veterans' Home Physician	315.624	2022	\$0.0	\$0.0	\$0.0
1.429 Bovine Manure for Biofuel	315.176	2022	\$0.0	\$4.3	\$8.7
1.404 Employee Training in Eligible Counties (Klamath)	315.523	2023	\$0.0	\$0.0	\$0.2
1.413 Film Production Development Contributions	315.514-516	2024	\$0.0	\$0.0	\$13.5
<b>SUBTOTAL</b>			<b>\$0.0</b>	<b>\$61.3</b>	<b>\$142.1</b>
<i>Scheduled for Review by the 2023 Legislature</i>					
1.440 Fish Screening Devices	315.138	2024	\$0.0	\$0.0	\$0.0
1.403 Opportunity Grant Contributions	OR Laws 2018, Ch. 108	2024	\$0.0	\$0.0	\$13.5
1.427 Oregon Affordable Housing Lender's Credit	317.097	2026	\$0.0	\$0.0	\$0.0
<b>SUBTOTAL</b>			<b>\$0.0</b>	<b>\$0.0</b>	<b>\$13.5</b>
<i>Scheduled for Review by the 2027 Legislature</i>					
1.419 Reservation Enterprise Zone	285C.309 (318.031)	2028	\$0.0	\$0.0	\$0.0
<b>TOTAL</b>			<b>\$68.0</b>	<b>\$201.8</b>	<b>\$304.1</b>