



SENATE MAJORITY OFFICE

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Tax incentive overhaul approved by Senate *HB 3672 biggest change to tax credit system in decades*

SALEM – Landmark legislation that implements sweeping reform of Oregon’s tax credit system was approved in the Senate this afternoon. HB 3672 will rein in over a dozen tax credits, saving the state \$368 million between now and 2017.

“Every dollar we save on a tax credit is a dollar that can go to our classrooms, our most vulnerable, or other worthwhile causes. This bill keeps intact the incentives that create jobs and help Oregonians, while ending those that are outdated or infeasible in this economic climate,” said Senator Ginny Burdick (D-Portland), Senate Co-chair of the Joint Committee on Tax Credits. “We recognized that our tax credit system was out of control last session. This bill is the next step in reframing the conversation about how to use tax incentives for the greatest good.”

In 2009, Senate Democrats approved HB 2067, establishing a uniform treatment of most income and corporate excise tax credits by assigning each credit one of three sunset dates. These sunsets prompted the Legislature to convene a joint committee this session to closely examine the benefits – particularly with respect to job creation – of each incentive. Combined with a measure earlier this session to bring greater transparency to the tax credit system, this session has seen the greatest sea change in tax credit policy in years.

“We went back to the drawing board this session when it comes to tax credits,” said Senator Mark Hass (D-Beaverton), a member of the Joint Committee. “We’ve increased transparency, re-tooled credits to increase their impact, and ended incentives that aren’t meeting their intended goals. This is the most significant change in how the state evaluates and offers tax credits in decades.”

The Joint Committee examined the full spectrum of tax credits, choosing to allow half of the credits scheduled to expire this year under HB 2067 to do so, and made policy changes designed to ensure taxpayers get the biggest possible bang for the buck. For example, HB 3672:

- Streamlines and focuses the Business Energy Tax Credit by replacing it with three smaller credits for conservation, renewables, and transportation. The changes save about \$9.5 million in the next biennium and ensure that Oregon continues to invest in green tech projects that create jobs.
- Extends the sunset on the research & development credit while also reducing the amount of the

credit. These changes save \$800,000 in the next biennium while maintaining an incentive for businesses to invest in research, a key driver of high wage jobs in Oregon's economy.

- Restructures the residential energy tax credit by allowing the Oregon Department of Energy to reduce the incentive for solar electric and fuel cell systems according to market conditions, raising requirements for eligible appliances, and requiring precertification for the third-parties who install solar devices in residences. The bill also eliminates alternative fuel vehicles from eligibility. These changes improve accountability within the program and target funds to the most effective investments in home energy efficiency. Savings are \$7.6 million in the next biennium.

HB 3672 now goes to the Governor for his consideration.

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