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PERMANENT ADMINISTRATIVE ORDER

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CHAPTER 150

DEPARTMENT OF REVENUE

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ARCHIVES DIVISION
SECRETARY OF STATE
& LEGISLATIVE COUNSEL

FILING CAPTION: Adopt rule pertaining to the computation of the semiconductor industry research and development tax credit.

EFFECTIVE DATE: 01/01/2025

AGENCY APPROVED DATE: 12/17/2024

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ADOPT: 150-315-0195

RULE TITLE: Research Conducted by Semiconductor Company Tax Credit

NOTICE FILED DATE: 10/30/2024

RULE SUMMARY: The purpose of the rule is to explain how to compute the ORS 315.518 tax credit.

RULE TEXT:

- (1) The semiconductor company research and development tax credit applies to tax years beginning on or after January 1, 2024, and to tax years that are deemed to begin on or after January 1, 2024, pursuant to Treasury Regulation §1.441-2(c).
- (2) The IRC §41(c)(4) alternative simplified credit method may be elected for purposes of calculating and claiming the ORS 315.518 tax credit.
- (3) A taxpayer who calculates and claims the semiconductor research and development tax credit using the alternative simplified credit method must use the percentages specified in IRC §41(c)(4)(A) or IRC §41(c)(4)(B), as applicable, in place of the percentage specified in ORS 315.518(2)(a).
- (4) The IRC §41(c) alternative simplified credit method may be elected and revoked in conformity with Treasury Regulation §1.41-9(b), except that "director or their designee" shall be substituted in place of "Commissioner," "Oregon Schedule OR-RESEARCH 150-102-130" shall be substituted for "Form 6765", and "ORS 314.410(1)" shall be substituted for "Section 6501(a)."
- (5) References to "gross receipts" in IRC §41(c) means the total sales of the taxpayer in this state as calculated under ORS 314.665, or, if the taxpayer apportions income under a method different from the method prescribed by ORS 314.650 to 314.665, Oregon sales as defined in OAR 150-317-0170 if the taxpayer were subject to ORS 317.090.
- (6) References to "qualified research expenses" in IRC §41 means the sum of the in-house research expenses and contract research expenses for research conducted in Oregon and paid or incurred by a qualified semiconductor company during the taxable year.
- (7) Companies claiming the semiconductor company research and development credit must calculate the refundable portion of the credit, if any, under ORS 315.519(2). The non-refundable portion of the tax credit equals the total tax credit minus the refundable portion of the tax credit.

(a) The non-refundable portion of the tax credit shall be applied first to the taxpayer's regular tax liability calculated under ORS 317.061. Other payments shall then be subtracted from the regular tax liability calculated under ORS 317.061 before applying the refundable portion of the tax credit. Any non-refundable portion of the tax credit that remains unused may be carried forward to future tax years. The non-refundable portion of the tax credit may not be used to satisfy any ORS 317.090 minimum tax obligation.

(b) The refundable portion of the tax credit may be used to satisfy the minimum tax under ORS 317.090. The refundable portion of the tax credit also may be offset against any taxes or other debt collected by the department pursuant to ORS 293.250 prior to sending any refund to the taxpayer.

(8) A taxpayer claiming the semiconductor research and development tax credit must submit any form prescribed by the department's forms and instructions applicable to the tax with their return.

[Publications: Contact the Oregon Department of Revenue for information about how to obtain a copy of the publication referred to or incorporated by reference in this rule pursuant to ORS 183.360(2) and ORS 183.355(1)(b).]

STATUTORY/OTHER AUTHORITY: ORS 305.100, 315.518

STATUTES/OTHER IMPLEMENTED: ORS 315.518, 315.519