

**PUBLIC HEARING**

**HB 2368**

TAPES 73-74, A

**HOUSE REVENUE COMMITTEE**

**MARCH 10, 2005 1:00 PM STATE CAPITOL BUILDING**

Members Present:           Rep. Tom Butler, Chair  
                                  Rep. Vicki Berger, Vice-Chair  
                                  Rep. Mark Hass, Vice-Chair  
                                  Rep. Brian Boquist  
                                  Rep. Sal Esquivel  
                                  Rep. Larry Galizio  
                                  Rep. Chuck Riley

Members Excused:           Rep. Andy Olson

Witnesses Present:           Rep. Gene Whisnant, District 53  
                                  Joe Schweinhart, Associated Oregon Industries

Staff Present: Paul Warner, Legislative Revenue Officer  
Lizbeth Martin-Mahar, Economist  
Kristi Bowman, Committee Assistant

**TAPE 73, SIDE A**

002 Chair Butler Opens meeting at 1:04 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 2368

010 Lizbeth Martin-Mahar Gives overview of HB 2368 (Exhibit 1) which increases the corporate excise and income tax credit limits for qualified research and development (R & D). Refers to handouts on State Survey of Research and Investment Credits 2004 (Exhibit 2) and the 2002 Corporate Tax Returns for Corporations Claiming the Research and Development Tax Credit (Exhibit 3). Gives background of the R & D credits and previous legislation pertaining to these credits.

060 Chair Butler Questions and answers exchanged with Martin-Mahar about overview information presented.

084 Rep. Hass Asks Martin-Mahar for clarification of credits claimed and amount of credits used as stated on Exhibit 3.

090 Martin-Mahar

Responds that companies are required to report the total number of credits for which they are eligible, but the companies may not use all of their credits.

- 115 Martin-Mahar Discusses carry-forward tax credit time period change proposed in HB 2368.
- 139 Rep. Whisnant Testifies in support of HB 2368. Reads from written testimony (Exhibit 4). Rep. Whisnant is the sponsor of HB 2368 at the request of Associated Oregon Industries. Comments about R & D that the timber industry and agriculture businesses have done recently.
- 203 Joe Schweinhart Testifies in support of HB 2368. Reads from written testimony (Exhibit 5). Discusses the cyclical movement of R & D companies. The tax credits increase the state's ability to protect existing R & D industries in OR and attract new companies to OR.
- 268 Rep. Hass Comments on 20 years of carry-forward and expresses concern about the length of that time.
- 273 Schweinhart Responds that no other state has that length of carry-forward time, but believes it is necessary. Perhaps 10 years is a more reasonable number.
- 292 Rep. Galizio Asks Schweinhart what he believes will be the revenue impact.

- 300 Schweinhart Responds that he estimates the impact would be about \$4 M for the current biennium.
- 339 Chair Butler Clarification with Schweinhart about his estimate of revenue impact.
- 349 Chair Butler Asks what is the performance measure used to assess the success of the \$3 M tax credit for R & D companies. How does the tax credit benefit Oregon?
- 367 Schweinhart By expanding the credit, it allows more companies to use it. This would help small companies already here to grow and provide additional employment.
- 385 Chair Butler Further discussion with Schweinhart regarding the benefits of the R & D tax credit to the state.

**TAPE 74, SIDE A**

- 045 Rep. Riley Asks Martin-Mahar about an estimate of credits taken by industry sector companies and manufacturing. Asks for specifics about what other states are giving in R & D credits.
- 060 Martin-Mahar Responds that the percentage of industry sector companies claiming the R & D credit is stated in the last paragraph in the Staff Measure Summary (Exhibit 1). Martin-Mahar will provide other state tax credit percentage information to Rep. Riley.

- 067 Rep. Boquist Asks Schweinhart about a 10-year window for carry-forward instead of 20 years as proposed in HB 2368.
- 071 Schweinhart Responds that with a 10-year window the companies will have a longer time to use the credits due to the cyclical nature of R & D.
- 085 Chair Butler Discusses committee business with Paul Warner.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2368.

- 107 Chair Butler Adjourns meeting at 1:40 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

1. 1. HB 2368, Staff Measure Summary, Martin-Mahar, 1 pg., 03/10/05
2. 2. HB 2368, Handout: State Survey of Research and Investment Tax Credits, 2004, Martin-Mahar, 1 pg., 03/10/05
3. 3. HB 2368, Handout: 2002 Corporate Tax Returns for Corporations Claiming the Research and Development Tax Credit, Martin-Mahar, 03/10/05
4. 4. HB 2368, Testimony, Whisnant, 2 pp., 03/10/05
5. 5. HB 2368, Testimony, Schweinhart, 1 pg., 03/10/05