

Work Session: HB 2436 HB 3457
Tapes 38-39 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE
SMALL BUSINESS
SUBCOMMITTEE

APRIL 30, 1993 8:00 AM HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Representative Greg Walden, Chair Representative Ron Adams
Representative Margaret Carter Representative Delna Jones
Witnesses Present: Representative Cynthia Wooten, District 41 Jerry Fisher,
Hewlett-Packard;

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Dick Yates, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 38 SIDE A

007 CHAIR WALDEN called the meeting to order at 9:49.
007 CHAIR WALDEN opened the Work Session on HB 3457.
011 REP. WOOTEN testified in support of HB 3457, presenting a handout of
her previous testimony (see also Exhibit 3, 4/27/93) with some additional
documentation. She talked about meetings with the State Treasurer's Office,
the Attorney General's Office, with Legislative Revenue Staff, and the
Oregon Economic Development Department, and multiple interested lobby
groups regarding HB 3457. The purpose of these meetings was to "perfect HB
345 7 to accomplish the goal of enhanced assistance for small business, and
capital access guarantees credit enhancement and loan opportunities." She
asked that another work session be held in the future, particularly so that
technical amendments will be presented from the Attorney General's Office
Bond Counsel. Exhibit 1
Discussion

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speaker's exact
words. For complete context of proceedings, please refer to the tape
recording.

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045 CHAIR WALDEN closed the Work Session on HB 3457.
049 CHAIR WALDEN opened the Work Session HB 2436, which was the Research &
Development (R & D) Tax Credit. The two relevant issues before the
subcommittee were (1) revenue impact, and (2) whether or not to add
language about "composites and plastics" to the definition of "advanced
material."
066 DICK YATES talked about the amendments HB 2436-1, which added language
to the bill regarding "composites and plastics." He related how he had
worked with the Economic Development Department to understand what Federal
Industrial Codes that would be effected by this definition change, and his

handout reflected what he learned. He explained the three tables on this handout. Exhibits 2 and 3

Questions and discussion

124 DICK YATES defined the term "credit", which in the case of HB 2436 would be the amount of money the company expended on qualified research activity. He said the "base tax" was what a company owned before any credit, and he explained how to determine the credit and what a company might owe in taxes.

Questions and discussion about how companies would calculate the R & D tax credit and the intent of HB 2436.

196 CHAIR WALDEN clarified that HB 2436 applied to "increases in qualified research expenses;" therefore, a company would have to have been already doing R & D to qualify for the tax credit in HB 2436.

204 Discussion of how a "plastics and composite" business would qualify under HB 2436.

224 REP. ADAMS requested more information on promoting the increased development of R & D in Oregon that HB 2436 was designed to encourage. Discussion of the potential benefits of HB 2436

328 MOTION REP. CARTER moved the amendments HB 2436-1 to HB 2436.

NO DISCUSSION

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332 ORDER There being no objection, CHAIR
 WALDEN so ordered.

357 MOTION REP. ADAMS moved HB 2436 as
 amended to the full Committee
 with a do-pass recommendation.

DISCUSSION

365 DICK YATES related that there were two limits on the amount of the credit a company can get. The first is for \$50,000, but the other is that the credit cannot exceed one third of the company's tax liability. He referred to his handout to explain how these limits could impact companies in different ways.

Questions and discussion

394 DICK YATES explained how companies calculate their tax liability, and how they would then determine their R & D tax credit given the two limits in HB 2436.

394 JERRY FISHER related that the tax liability for each corporation would be different "based on a complex set of tax standards." He believed many companies would not be able to qualify for the R & D tax credit, but he did not venture an opinion on the fairness of this.

Questions and discussion

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002 Questions and discussion with JERRY FISHER continued.

023 VOTE The motion passed 3-0. Ayes: REP. CARTER, ADAMS, and CHAIR WALDEN.

026 CHAIR WALDEN closed the Work Session on HB 2436.

028 CHAIR WALDEN adjourned the meeting at 10:17.

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Paula K.McBride, Committee Assistant
- Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Handout from Rep. Cynthia Wooten, containing her testimony from 4/27/93 (Exhibit 3) and letters supporting HB 3457.
2. HB 2436-1, Dick Yates, Legislative Revenue Office.
3. Research Tax Credits: Type of Industry, Dick Yates, Legislative Revenue Office.

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