

Preview of 2021 Tax Credit Report

Senate Interim Committee on Finance & Revenue

9/16/2019 | LRO



Overview of Discussion

- ▶ 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
- ▶ Tax credits to be reviewed
- ▶ Implications of recent federal tax changes for state contribution matching and auctioned credits

Statutory Requirements of Credit Report

► 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

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
- ▶ Beginning second iteration of review for many credits

Estimated Cost of Extending Tax Credits

\$ Millions, 9/16/2019

Tax Expenditure Report Number and Credit name	ORS	Sunset Date	-----Biennium-----		
			2021-23	2023-25	2025-27
<i>Scheduled for Review by the 2021 Legislature</i>					
1.406 Child with a Disability	316.099	2022	\$5.7	\$11.8	\$12.3
1.407 Rural Medical Practice	315.613-619	2022	\$1.1	\$4.0	\$5.6
1.409 Severe Disability	316.752-771	2022	\$6.0	\$12.6	\$13.6
1.421 Public University Venture Development Fund	315.521	2022	\$0.8	\$1.6	\$1.6
1.424 Working Family Household and Dependent Care	315.264	2022	\$32.0	\$64.0	\$64.0
1.425 Office of Child Care Contributions	315.213 (318.031)	2022	< 50K	\$0.1	\$0.1
1.426 Individual Development Account Contributions	315.271	2022	\$7.0	\$14.5	\$14.7
1.445 Oregon Life and Health IGA Assessments	734.835	2022	\$0.4	\$0.4	\$0.5
1.449 Oregon Veterans' Home Physician	315.624	2022	< 50K	< 50K	< 50K
1.429 Bovine Manure for Biofuel	315.176	2022	\$2.0	\$4.1	\$4.2
1.404 Employee Training in Eligible Counties (Klamath)	315.523	2023	< 50K	\$0.2	\$0.2
SUBTOTAL			\$54.9	\$113.3	\$116.8

Estimated Cost of Extending Tax Credits

\$ Millions, 9/16/2019

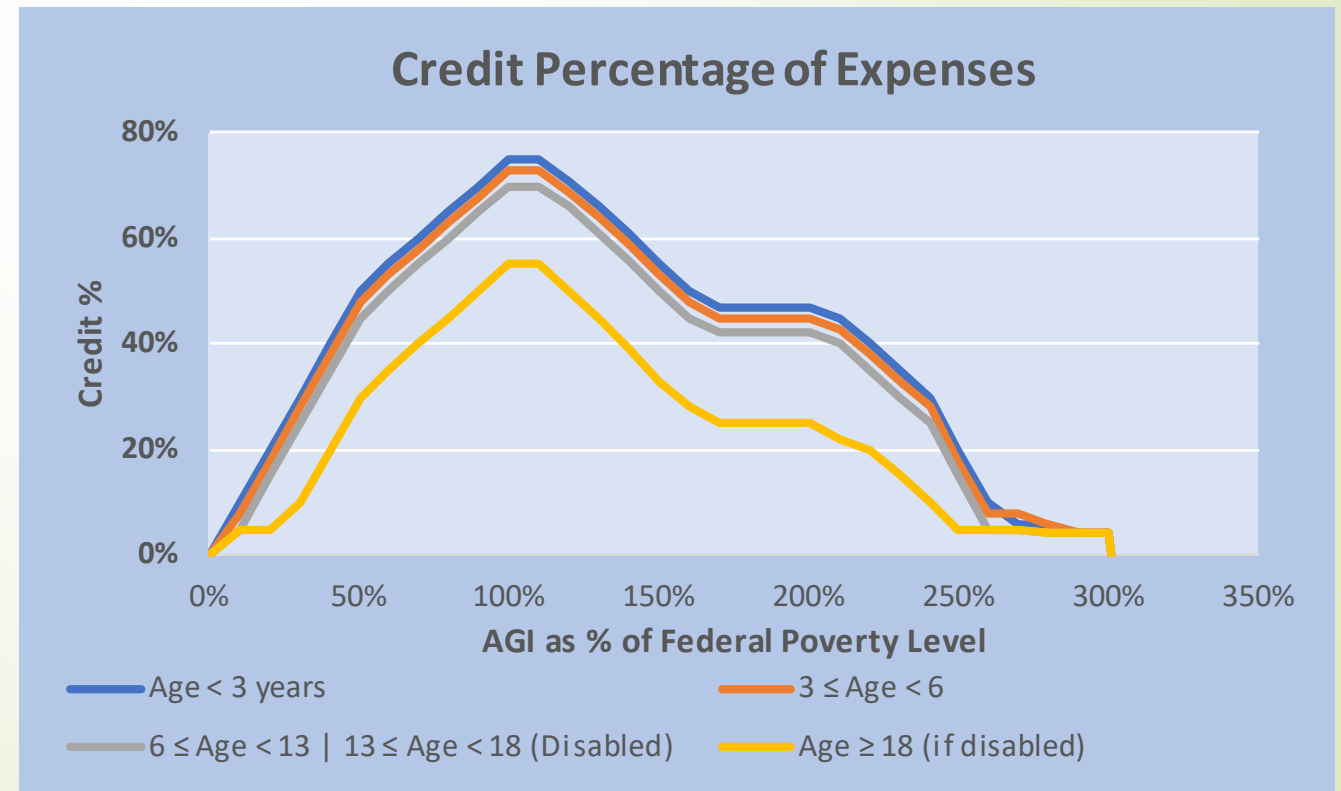
Tax Expenditure Report Number and Credit name	ORS	Sunset Date	-----Biennium-----		
			2021-23	2023-25	2025-27
<i>Scheduled for Review by the 2023 Legislature</i>					
1.403 Opportunity Grant Contributions	OR Laws 2018, Ch. 108	2024	\$0.0	\$13.5	\$27.5
1.413 Film Production Development Contributions	315.514-516	2024	\$0.0	\$13.5	\$27.5
1.440 Fish Screening Devices	315.138	2024	\$0.0	< 50K	\$0.1
SUBTOTAL			\$0.0	\$27.0	\$55.1
<i>Scheduled for Review by the 2025 Legislature</i>					
1.401 Employer Provided Scholarships	315.237	2026	\$0.0	\$0.0	< 50K
1.405 Earned Income	315.266	2026	\$0.0	\$0.0	\$67.4
1.408 Volunteer Rural Emergency Medical Services Providers	315.622	2026	\$0.0	\$0.0	\$0.1
1.411 Agriculture Workforce Housing Construction	315.163-172	2026	\$0.0	\$0.0	\$0.2
1.427 Oregon Affordable Housing Lender's Credit	317.097	2026	\$0.0	\$0.0	\$0.8
1.428 Manufactured Dwelling Park Closure	Note after 316.116	2026	\$0.0	\$0.0	< 50K
1.430 Crop Donations	315.154-156 (318.031)	2026	\$0.0	\$0.0	\$0.4
1.446 Political Contributions	ORS 316.102	2026	\$0.0	\$0.0	\$6.1
1.447 Oregon Cultural Trust	315.675	2026	\$0.0	\$0.0	\$4.7
1.450 Certain Retirement Income	316.157-158	2026	\$0.0	\$0.0	\$0.6
1.New 529 Education Savings	OR Laws 2019, Ch. 579 Sec. 1-5	2026	\$0.0	\$0.0	\$25.9
1.New 529 ABLE Savings	OR Laws 2019, Ch. 579 Sec. 1-5	2026	\$0.0	\$0.0	\$0.2
1.New Short Line Railroads	OR Laws 2019, Ch. 579 Sec. 6-17	2026	\$0.0	\$0.0	\$1.1
SUBTOTAL			\$0.0	\$0.0	\$107.6
<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
TOTAL			\$54.9	\$140.3	\$279.5

Working Family Household & Dependent Care

6

- ▶ Enacted in 2015 (HB 2171) – Combination of two previously existing credits: Child & Dependent Care and Working Family Child Care
- ▶ Refundable personal income tax credit for low/moderate income working families with employment related dependent care expenses
- ▶ Taxpayer must have paid employment related dependent care expenses for one or more qualifying individuals

- ▶ Credit is percentage of qualified expenses and adjusts with AGI



Additional Personal Exemption Credits for Disability

- ▶ Personal exemption credit
 - ▶ Nonrefundable income tax credit, indexed to inflation (\$201 in TY 2018)
- ▶ Both disability credits unavailable to taxpayers with AGI \geq \$100K
- ▶ Severe Disability
 - ▶ Additional personal exemption credit for each taxpayer who is severely disabled
- ▶ Child with a Disability
 - ▶ Additional personal exemption credit for each qualifying dependent child who is disabled (age \leq 21)

Individual Development Account (IDA) Contributions

- ▶ PIT/Corp credit for contributions made to fiduciary organization for distributions to IDAs
- ▶ Credit= % of amount donated, max was 70%, HB 2164 (2019) increased to 90%
- ▶ Annual credit limited to \$7.5 million, limit per individual of \$500,000
- ▶ IDAs are savings accounts where participant savings are matched from contributions to the program
 - ▶ Use of savings include: purchasing a home, education attainment and small business development

Other Expiring Credits

- ▶ Bovine manure for biofuel
- ▶ Rural medical practice
- ▶ Public university venture development
- ▶ Oregon life and health IGA Assessment (OLHIGA)
- ▶ Office of Child Care contributions
- ▶ Oregon Veterans' Home physician
- ▶ Employee training in eligible counties (Klamath)

Implications for Credits due to Recent Federal Changes

- ▶ Tax Cuts and Jobs Act (TCJA)
 - ▶ State and local tax (SALT) limitation, alternative minimum tax
- ▶ IRS regulations on charitable contributions and state/local tax credits
 - ▶ Taxpayers reduce charitable contribution deductions by amount of any state/local tax credits received in return
 - ▶ Safe harbor for itemizers below \$10,000 SALT cap
- ▶ Matched contribution tax credits and upcoming tax credit auctions

Questions and/or Comments