



This Week in State Tax (TWIST)

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Oregon: City of Portland Approves New Tax Credit

The Portland City Council recently approved of a new incentive for businesses that are located within certain boundaries of the downtown Portland, Oregon area. Per the City's website, a significant number of businesses have left Portland's central city since 2019 and the vacancy rate for office space is approximately 26 percent, which is expected to increase. The new Downtown Business Incentive credit program is a temporary nonrefundable tax credit designed to incentivize commercial lease signings and lease renewals that will contribute significantly to the recovery and revitalization of Portland's central city. The credit may be first taken on the 2023 or 2024 Portland Business License Tax Return.

To qualify for the credit, the taxpayer must first enter into a new lease or extend a current lease for a period of four years or more during the 2023 or 2024 calendar year in one of four designated sub-districts within the central city area. Alternatively, the taxpayer must own and occupy space within the sub-districts. Second, the taxpayer must maintain at least 15 employees with each employee working at least half their time in the leased or owned space in the qualifying sub-district over the four-year credit period. The taxpayer must file/provide an attestation for each tax year that they claim the credit. The maximum credit is \$250,000 in the year of origination and the credit limited to the lesser of (1) 100 percent of City of Portland Business License Tax (BLT) as shown on the BLT return, Section IV; (2) One percent of "income subject to tax" as shown on the BLT return, Section IV; or \$30 per square footage of building space covered in the lease/extension or building space used by a building owner's staff. The credit will be claimed on the BLT return in the origination year (either 2023 or 2024) and the succeeding consecutive three years. If a taxpayer breaks the lease/extension prior to the end of the lease/extension period, sells the building sold before the four-year period of the credit, or fails to meet the other requirements during the four-year period of the credit, the entire credit previously claimed must be repaid with interest. No penalty will apply to the tax due related to the lost credit. A taxpayer must apply to the Revenue Division for preapproval of the credit amount the taxpayer may claim. The total amount of credits the Revenue Division can approve for all taxpayers is limited to \$25 million over the two years of the program. If the total amount of the credits claimed exceeds this limit, the Revenue Division will reduce the amount of the credit each qualifying taxpayer may claim on a pro rata basis. Please contact Rob Passmore with questions on the Downtown Business Incentive Credit.

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