

<sup>5038</sup> House OKs tax credits; governor threatens veto

SALEM (AP) - The Oregon House on Tuesday passed a bill to extend pollution control tax credits for businesses, one of two major bills that Gov. John Kitzhaber is threatening to veto unless lawmakers move to reduce the state's prescription drug costs.

As legislators mounted the final drive to end the 2001 session, Kitzhaber also suggested he might veto the \$2.5 billion Human Services Department budget, which includes funds for the Oregon Health Plan, unless his formulary proposal is approved.

The formulary is a state-adopted list of preferred drugs bought at discount to lower prescription costs for the Health Plan, which serves low-income Oregonians. The state estimates drug costs will rise as much as 60 percent during the two-year budget period that began Sunday.

Kitzhaber, who helped create the Health Plan while serving in the state Senate, has sharply

criticized pharmaceutical industry lobbyists for opposing the drug list.

"The governor will consider every tool at his disposal to ensure that the Legislature considers a formulary before they adjourn, including the possibility of his veto," said Kitzhaber spokesman Bob Applegate. "Prescription drugs are the fastest rising costs of state government, and we currently have no tools to manage those costs."

Under the anti-pollution credit, companies now are allowed to deduct from their state income taxes 50 percent of the costs of pollution control equipment and work. The tax credit would expire on Dec. 31 without legislation to extend it.

Kitzhaber generally dislikes

the program, arguing that it rewards businesses for complying with legal requirements. He agreed to an extension under SB764, which passed 50-5, because it scales down the credits.

The credit would continue, but after 2004 drop to 35 percent for work that goes beyond what anti-pollution laws mandate. For controls that just meet legal requirements, the credit would be phased down and end after 2005.

The bill returns to the Senate for action on amendments.

The House on Tuesday also approved a bill to expand a child care tax credit for low-income families that will go into effect only if the governor signs a law giving a tax break to Oregon-based companies with large portions of their sales out of state.