

REVENUE: May have revenue impact, statement not yet issued

FISCAL: Fiscal statement issued

Action:	Do Pass as Amended, Be Printed Engrossed, and Be Referred to the Committee on Finance and Revenue by prior reference
Vote:	4 - 0 - 1
Yeas:	George L., Monnes Anderson, Starr, Metsger
Nays:	0
Exc.:	Deckert
Prepared By:	Janet Adkins, Administrator
Meeting Dates:	1/17, 2/26, 3/14, 3/28

WHAT THE MEASURE DOES: Extends the sunset date for the Oregon Enterprise Zone Program from June 30, 2009 to June 30, 2013. Requires an evaluation by outside experts of the enterprise zone program and related tax incentives and a report to the 75th Legislative Assembly. Includes in the required evaluation a cost-benefit analysis of the program's effects on state and local economies, public finance, and public services, and the degree to which the incentives affect investment and employment in the enterprise zones.

ISSUES DISCUSSED:

- Loss of property tax revenue to school and special districts
- Results of study by Portland State University Researchers contracted for by Special Districts Association
- Whether to include in enterprise zone requirements responsible building and contracting requirements
- Whether to redistribute some of the income tax revenues from businesses receiving property tax reductions to local taxing districts
- Background on the formation of zones, business reporting requirements
- Short and long term effects of enterprise zones
- How much incentive enterprise zones provide
- Support for zones from cities and counties – risk and potential reward
- Extent of zones competing with each other and/or being too common to provide substantial incentive

EFFECT OF COMMITTEE AMENDMENT: Reduces sunset extension from June 30, 2021 to June 30, 2013. Adds requirement for an evaluation of the enterprise zone program and report to the 75th Legislative Assembly.

BACKGROUND: Oregon's enterprise zones are designated by the Oregon Economic and Community Development Department (OECDD) and sponsored by city, county, port, or tribal governments. Once a zone is established, if an eligible business locates or expands within the zone, it is exempt for three to five years from property taxes that would otherwise be assessed on new plant and equipment. The property may also be exempt from taxation during construction. Enterprise zones terminate after ten years, but the sponsor may re-apply to the department for re-designation. The area of the zone must meet certain economic hardship criteria based on unemployment or median income as established in state law. Part of the local decision to request designation of a zone is that local governments, as well as school and special districts, forego the exempt property taxes during the period of exemption and may need to serve the developing property. The requesting city, county, or port are required to notify and consult with other affected taxing districts and may put additional conditions on businesses.

Eligible businesses must typically increase employment and maintain employment levels during the exemption period and meet other conditions of the local sponsor and state program. The enterprise zone program was initiated in 1985, with twenty zones designated in "economically lagging areas" in the first two years. There are currently 55 enterprise zone designations, 46 of which are rural, in 35 counties. Some zones have an additional designation as electronic commerce zones with additional eligibility criteria and incentives. The OECDD estimates that 5,884 new, full-time jobs have been created and that \$1.5 billion has been invested in business development projects as a result of the program.

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This summary has not been adopted or officially endorsed by action of the committee.