

**REVENUE IMPACT OF
 PROPOSED LEGISLATION**
 Seventy-Sixth Oregon Legislative
 Assembly
 2011 Regular Session
 Legislative Revenue Office

Bill Number: HB 3017
Revenue Area: Property Tax
Economist: Christine Broniak
Date: 3/16/2011

Measure Description:
 Extends sunset date of enterprise zone program.

Revenue Impact (in \$Millions):

Revenue Losses	2011-13	2013-15
Counties and Local Taxing Districts	\$0	A small portion of \$62.1
General Fund	Indeterminate	Indeterminate

Impact Explanation: The measure extends the sunset dates for income tax credits and property tax exemptions associated with enterprise zones from after June 30, 2013 to after June 30, 2025. The measure changes the sunset dates for long-term rural enterprise zones and their associated income tax credit. Revenue impact information for the income tax credit is not available because of privacy disclosure laws due to the fact that the associated tax expenditures only affect a few taxpayers. Enterprise zone property tax exemptions affected by the measure are given in the amounts below for each biennium.

Property Tax Expenditures for Enterprise Zones By Biennium			
	2009-11	2011-13	2013-15
Enterprise Zone Businesses (Loss, not Shift)	32,900,000	34,600,000	34,600,000
Long Term Rural Enterprise Zone (Loss, not Shift)	29,400,000	27,500,000	27,500,000

Income Tax Expenditures for Enterprise Zones By Biennium			
	2009-11	2011-13	2013-15
Long Term Rural Enterprise Zone	Undisclosed	Undisclosed	Undisclosed

Statutes related to the dissolution of an enterprise zone allow for businesses receiving the tax exemption to continue receiving it for the period of time for which it was originally scheduled. Any new property constructed by a business with property already exempted is also eligible for an exemption, provided that it meets the usual requirements. The termination of the enterprise zone does not interfere with application for tax exemptions on new property or improvements for these businesses until 10 years after the termination of the enterprise zone. For businesses that do not construct new property, the period of their exemption will simply run out in the specified amount of time. This is 3 to 5 years for standard enterprise zones and 7 to 15 years for rural enterprise zones. The main effect of the enterprise zone termination would be that new businesses would not be able to apply for an exemption. Revenue gains from this measure would not be realized until exemptions received by businesses begin to expire. Revenue impacts could begin as early as the middle of 2013-15, but are not expected to reach the full impact until all exemptions have expired. Due to the varying time periods on these exemptions, the initial revenue impact is not possible to predict. It may be possible to have tax expenditures on new property by participating businesses as late as 10 years after the sunset date, extending for 3 to 15 years depending on what type of enterprise zone exemption is claimed. However, this would likely be a rare scenario.

Creates, Extends, or Expands Tax Expenditure: Yes No