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# LONG-TERM RURAL ENTERPRISE ZONE TAX INCENTIVES

In 1997, the Oregon Legislature created a separate tax abatement program, distinct from the standard enterprise zone exemption, and available in most (but not all) enterprise zones. The Legislature extended this program to 2013.

Any type of business activity is eligible for these incentives, which depend on local approval and minimum levels for investment size, job creation and employee compensation.

The following only summarizes this program. For further information on these incentives, the current eligibility of certain counties, as well as minimum criteria by zone, please contact local zone manager or Business Oregon.

## Tax incentives

- ◇ Until the new facility is officially operational, it is not subject to the imposition of local property taxes.
- ◇ Seven to fifteen consecutive years of full relief from property taxes on the new facility, once permitted as operational.
- ◇ Credit equal to 62.5 percent of gross payroll against state corporate excise (income) tax liability relating to the facility, over and above annual minimum payment of as much as $1 million in state taxes.

  {Credits received over a 5- to 15-year period, and each credit may be carried forward for five succeeding years.}

## Where these tax incentives apply

- ◇ In a rural enterprise zone—one of more than 40 Oregon designations.
- ◇ Inside a county with longstanding annual unemployment rates or per capita income levels meeting defined levels, based on latest statistics.
- ◇ **Note:** The project must be in both an eligible county **and** a rural enterprise zone when local agreement is signed.

## Three criteria for qualifying project

- ◇ By end of the year when operations begin, total investment costs must exceed 0.5 percent or 1 percent of county's total real market value. This minimum amount varies from about $1 million up to $25 million, depending on the location.
- ◇ Within three or five years of commencing operations, at least a certain minimum number of new, full-time employees at the facility are hired (10, 35, 50 or 75 jobs, depending on location), and maintained during the tax abatement period.

  {Minimum of 10 new hires also suffices at non-I-5 location, if the investment exceeds $200 million.}
- ◇ Average annual compensation across all workers (including benefits) at the facility stays at or above 150 percent of county average annual wage, as first met and established within five years of starting operations.

## Procedural/local steps

- ◇ Prior to commencing construction, a business firm must submit a certification application to the local enterprise zone manager and county assessor.
- ◇ The business firm and all local government sponsors of the enterprise zone enter into a written agreement.
- ◇ This local agreement determines the exemption period (7 to 15 years) and may specify additional requirements to be met by the business firm/facility.
- ◇ The county board of commissioners (and the city council if within city limits) adopts a resolution sanctioning the property tax exemption.
- ◇ The Governor of Oregon issues a one-time authorization for the income tax credit and sets length of time to receive credits.
- ◇ Pursuant to gubernatorial authorization, corporation begins claiming credit (for 5 to 15 consecutive years) at the latest by tax year that starts in the third calendar year after the year when the facility is placed in service, using Department of Revenue form, provided that the corporation owns the entire facility.

## Special notes

- ◇ Sunset provisions for the Long-term Rural Enterprise Zone Tax Incentives do not affect any incentives certified and approved before the program's expiration.
- ◇ Other tax incentives are not affected if the Governor does not grant the tax credit. If it is granted, though, then 30 percent of corporate taxes collected by the state with respect to the project are rebated to local governments/districts.