

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

**Bill Number: HB 3017 - A
Revenue Area: Property Tax
Economist: Christine Broniak
Date: 3/21/2011**

Measure Description: Extends sunset date of enterprise zone program.

Revenue Impact: In 2013-15, a small amount of the \$62.1 million tax expenditure is foregone by extending the sunset. Revenue loss in subsequent biennia will be progressively higher until it reaches \$62.1 million.

The enterprise zones currently result in \$62.1 million in tax expenditures per biennium, which equals the amount of tax expenditure in a biennium for rural and urban enterprise zones. If zones were allowed to sunset on June 29, 2013, revenue would begin to increase in the middle of 2013-15 from businesses that have their exemptions expire. Revenue impacts from an enterprise zone sunset would be positive, therefore, by extending the sunset, the measure results in a loss of revenues due to preventing some exemptions from running out.

Impact Explanation: The measure extends the sunset dates for property tax exemptions associated with enterprise zones from June 30, 2013 to June 30, 2025. The measure also changes the sunset dates for long-term rural enterprise zones but not their associated income tax credit. Property tax exemptions for Enterprise zone affected by the measure are as follows.

Property Tax Expenditures for Enterprise Zones By Biennium			
	2009-11	2011-13	2013-15
Enterprise Zone Businesses (Loss)	32,900,000	34,600,000	34,600,000
Enterprise Zone Businesses (Shift)	6,900,000	7,200,000	7,200,000
Long Term Rural Enterprise Zone (Loss)	29,400,000	27,500,000	27,500,000
Long Term Rural Enterprise Zone (Shift)	6,000,000	5,600,000	5,600,000

Revenue loss is the amount of property tax that is not paid by any party, and revenue shift is the additional taxes that are paid by other taxpayers when companies are given a tax exemption for an enterprise zone.

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 that is 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 participating 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

The policy purpose of this measure is to promote the health, safety, and welfare of the people in the state by encouraging, developing, growing, and expanding employment, business, industry, and commerce throughout all regions of the state. The Legislative Assembly seeks this promotion especially in communities at the center of or outside major metropolitan areas for which geography may act as an economic hindrance. The purpose of enterprise zones is to stimulate and protect economic success in such areas of the state by providing tax incentives for employment, business, industry, and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management, and efficient infrastructure.