

77th Oregon Legislative Assembly – 2013 Regular Session
Senate Committee on Finance and Revenue
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**Written testimony in support of House Bill (HB) 3276 A –
property-tax exemption for publicly-owned transportation infrastructure**
**Submitted by Martin Callery, Chief Commercial Officer,
Oregon International Port of Coos Bay**

Chair Burdick, Vice-Chair George and members of the Committee, my name is Martin Callery. I serve as Chief Commercial Officer for the Oregon International Port of Coos Bay. I appreciate the opportunity to submit testimony in support of House Bill 3276, which will certify tax-exempt status for publicly-owned transportation infrastructure so the public-agency owner can maximize ongoing capital investment. This bill is specific to the Coos Bay rail line corridor in the western Lane, western Douglas and Coos Counties region of southwest Oregon. The corridor is owned by the Oregon International Port of Coos Bay.

Background

The Port of Coos Bay purchased 111 miles of mainline railroad infrastructure – mainline track, sidings and spurs, yard tracks, bridges and trestles, tunnels, and the real property comprising the rail corridor – from the previous owner/operator of the rail line in early 2009, resulting from an order from the U.S. Surface Transportation Board. The Port then acquired the remaining 23 miles of the line through an agreement with the Union Pacific (UP) Railroad in late 2010.

At the time of the purchase, it was the Port's understanding that as long as the rail line was in public ownership and freight rail operations were secured through a contracted operating agreement, not a lease, with a qualified railroad operator, the rail corridor would not be subject to property taxes levied by jurisdictions in which the rail corridor is located. Further, the Port was aware that as long as the agreement between the Port and the rail line operator was not a lease, the contracted operator would not be subject to property taxes within the rail corridor.

Current Situation

The Oregon Department of Revenue apparently interpreted the operating agreement between the Port and ARG Trans Inc., which operates the rail line as Coos Bay Rail Link-CBR, as a lease and determined that the rail corridor was subject to property taxes. Lane, Douglas and Coos Counties invoiced Coos Bay Rail Link-CBR for those taxes. This action was taken without consultation with the rail corridor property owner, Port of Coos Bay. Due to a misunderstanding of the tax invoicing, CBR personnel failed to respond to the communications from the counties, and consequently missed the appeal deadline for the property tax assessments.

The Port is currently investing approximately \$30.8 million in state and federal funds in rail line rehabilitation. Freight rail service was restored in two stages; Eugene to the North Spit of lower Coos Bay in October 2011, and to end of track during April 2013.

Legislative Action

House Bill 3276 certifies the Coos Bay rail line corridor as exempt from property taxes until July 1, 2023, and allows the Port, owner of the corridor, to continue to invest all available funds in capital infrastructure projects on the rail in order to continue serving industrial operations in the three-county region and marine terminals in the Coos Bay harbor.