


March 11, 2013

To: Chair Ginny Burdick and Members
Senate Committee on Finance and Revenue

From: Association of Counties, on behalf of Rural Counties: 
Clatsop, Columbia, Union, Gilliam, Harney, Morrow, Sherman, Umatilla

Re: Shared Services payments with SIP Agreements (SB 223 and SB 314)

All counties in Oregon that have participated in the Strategic Investment Program (SIP) have done so to make mutually acceptable property tax agreements with businesses contemplating location in their areas.

The abatement program in rural areas applies to investments larger than \$25 million. In fact, to make the program work for the businesses involved, the investment in property (excluding land) must be much greater than the \$25 million threshold.

Federal and state incentives for such businesses have become fewer and fewer, and there is considerably more pressure on local taxing districts in Oregon to offer incentives to locate, even when it is the state partnering with local officials to encourage the highly competitive decisions on location in Oregon. For the counties and other local taxing districts, the choice to use the SIP, rather than an enterprise zone abatement, stems from several factors including the ability to customize an agreement fit for the locale and their special needs.

The assessment value for property of capitol intensive businesses tends to depreciate quickly. By using an SIP agreement between the business and the county, the depreciation of the property is less important and the amount of property taxes paid by the business is predictable with a slight increase over the term of the 15 year agreement. For the business, the agreement allows the company to have a somewhat reduced property tax requirement in the early years when construction and investment costs are the greatest.

The shared services/gain share overlay that provides funding to local taxing districts from the 50% portion of income taxes paid by employees of the business is a recognition that the state and local governments share responsibility for locating the business (here rather than somewhere else) and establishing income and property tax payments for the health of Oregon .

Each agreement is unique and requires certain payments from the business (in lieu of additional property taxes) for needs of the community, such as a library, a school program, contributions to training programs at community colleges, infrastructure needs of the community, etc. The shared-service amount helps with the increased community needs of the new business and their employees, however large or small it may be in the particular agreement.

The use of this program has provided billions of dollars of investment in rural Oregon that might have gone to Washington, Idaho or elsewhere across the nation.

The shared service/gain share payments will continue to be invested in economic development thus stimulating additional state income taxes.

We are highly supportive of this program wherever it works for these few large-scale investments and for the communities in which they are located.

W. Lawrence Green Chair Umatilla Co. Board of Commissioners
