



HB 4141 -- Closes Property Tax Exemptions that affect School Funding

Testimony for House Revenue Committee - Jody Wiser - 2.5.2014

HB 4141 closes previously approved property tax abatements that affect school funding. LRO estimates this will increase local education funding by \$378 m. The bill protects funding for K-12 school districts and ESDs, but not community colleges, an addition we recommend.

The bill runs 31 pages because it is a textbook on the property tax exemptions. These 31 pages should be required reading for every legislator. They provide a history book that is absent from the experience of most, and a picture of what benefits have already been passed out and to whom.

Until we read the bill, we assumed it would address only enterprise zones and urban renewal districts. There are nine types of E-Zones, from Electronic Commerce Enterprise Zones to the Strategic Reserve Program and Zones (SIPs and SIZs). These alone would be a productive challenge to current law.

However, the bill has a much broader stroke, including everything from the trellises used for hops to corporate-owned nursing homes and fraternal organizations. Each of these deserves re-consideration; most became law years ago. Perhaps not only schools, but also county commissions, city councils, fire departments and county sheriffs would like their share of some of these exemptions. That would suggest you close exemptions entirely, not just stop giving away education dollars. This too is an amendment worth considering.

HB 4141 will cost counties more to administer. Exempt property does not need careful assessment. Taxed property, even if only partially taxed, does. So those nursing homes, hops poles and Elks Clubs will need more attention. Roughly 40% of their value will be taxed and included on tax bills.

Of course, this bill will have many enemies. Everyone who wants to maintain the tax-free benefit they currently have will knock on doors and attend fundraising events. Actually, you could claim HB 4141 as a jobs bill, probably the best of the session. While under consideration, there will be new jobs in the political wing of most business and non-profit organizations across the state. If it passes, there will be new employees in rural and urban Oregon in county assessor's offices. To be fair, the bill should be amended to divert a small percentage of the increased schools' revenue to local assessors, at least for a few years, to handle the increased workload.

We support this bill. All of these tax breaks are suspect and deserve reconsideration. However, for the short session, we recommend either of two less far-reaching approaches. One would be to return to education districts their share of taxes from enterprise zones and urban renewal districts, in other words, just shorten this bill and amend to include community colleges. Clearly, education is the very best economic development tool at your disposal.

We read the bills and follow the money



Property Tax Programs for Business Development Siphon Funds from Education—K-12, ESD, CC

Types of E-Zones – a total of nine	Loss	Shift	Period
Strategic Enterprise Program & Zones	\$322.4 m	\$63.9 m	15 yrs.
Rural Renewable Energy Dev. Zone	2.2 m	0.4 m	3-5 yrs.
Long Term Rural E-Zone	32.3 m	6.3 m	15 yrs.
E-Zone Businesses - Includes Regular E-Zone, Reservation E-Zone, Federally based E-Zone, Electronic Commerce E-Zone	45.0 m	8.0 m	varies
Commercial Businesses under Construction & Construction in Process in an E-Zone	6.7 m	1.3 m	2 yrs.
Totals	\$408.6 m	\$ 79.9	
Urban Renewal Zones	?	?	Varies

Oregon’s nine types of Enterprise Zones move an estimated \$409 million a biennium from available resources for education, according to the Tax Expenditure Report.

Education districts get roughly 37-40% of property taxes; it varies from community to community. Thus, **the various E-Zones are costing schools \$150-\$163 million a biennium.**

\$150 million + could add 7.5 days to school years, or more than double what we provide in Oregon Opportunity Grants**

Alternatively, address a smaller piece of economic development law. Currently, some of our enterprise zone legislation, most notable the SIP, assesses taxes, fees and in some cases, additional assessments. Only the receipts labeled “taxes” are disbursed across all taxing districts. The fees, additional assessments and Gain Share receipts become slush funds for counties and cities. They get the share that should go to schools, fire protection, etc. and pass it on as they choose. Change the law to direct that all these monies be disbursed across all taxing districts and fairness in the property tax code will be improved along with school funding. Again, we remind you, research says education is the very best economic development tool at your disposal.

*The Tax Expenditure Report groups together these Enterprise Zones: Regular E-Zone, Reservation E-Zone, Federally based E-Zone, and Electronic Commerce E-Zone.

** This biennium’s \$114 million provides Oregon Opportunity grants to 23% of eligible students.