

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Seventh Oregon Legislative
Assembly
2014 Regular Session
Legislative Revenue Office**

**Bill Number: HB 4142 - 1
Revenue Area: Property Tax
Economist: Christine Broniak
Date: 2-6-2014**

***Only Impacts on Original or Engrossed
Versions are Considered Official***

Measure Description:

Amends definition of "rural area" to mean area outside urban growth boundary as boundary is acknowledged on date on which application is submitted for strategic investment program. Grandfathers current definition for current strategic investment zones and existing projects in the strategic investment program. Changes the requirement that a project eligible for the rural strategic investment program be outside the urban growth boundary of a city with 40,000 or more in population instead of 30,000 or more in population.

Revenue Impact (in \$Millions):

| | Fiscal Year | | Biennium | | |
|--|-------------|------------|----------|---------|---------|
| | FY 2013-14 | FY 2014-15 | 2013-15 | 2015-17 | 2017-19 |
| Counties and Local Taxing Districts | 0 | 1.45 | 1.45 | 5.79 | 8.68 |
| Schools | 0 | 1.13 | 1.13 | 4.53 | 6.79 |
| Community Service Fees Loss | 0 | -0.59 | -0.59 | -2.37 | -3.56 |
| Total | 0 | 1.99 | 1.99 | 7.94 | 11.92 |

Impact Explanation:

If the policy in HB 4142 had been in place throughout the history of the program, there are two companies that would not have been able to participate in the rural strategic investment program that are now participating. They were inside the urban growth boundary at the time they applied for the program but outside the December 1, 2002 urban growth boundary. One of these companies would not have been able to receive the strategic investment program exemption because the investment was less than \$100 million. One company would have been able to participate in the urban strategic investment program with its larger exemption and higher investment requirement of \$100 million. The difference between the tax exemption received currently and the tax exemption received under the hypothetical scenario was calculated as part of the total exemption. It is therefore thought that the measure will affect 10 percent of the new growth of the program, which is calculated to be \$52 million per biennium in additional exemptions granted. This analysis assumes that the companies would not locate in a more rural area to receive the rural strategic investment program exemption. It is possible

they would do so and the revenue impact of this measure would be reduced in this situation. The impact assumes that the company would locate in exactly the same place with or without the change and pay property taxes.

Creates, Extends, or Expands Tax Expenditure: **Yes** **No**

The purpose of this measure is in ORS 285C.603: "The Legislative Assembly declares that a significant purpose of the strategic investment program established in ORS 285C.600 to 285C.626 and 307.123 is to improve employment in areas where eligible projects are to be located and urges business firms that will benefit from an eligible project to hire employees from the region in which the eligible project is to be located whenever practicable."