



## **HB SB 4005A: E-Commerce Zones Need Evaluation**

Testimony for House Revenue, Jody Wisner 2.24.2014

E-Commerce Zones sunset in 2017 (285C.050), consider the program then, when the program will be evaluated. According to the Tax Expenditure Report there were 19 taxpayers using this tax credit in 2009. How many are using it now? Who are they? What benefits are they providing to Oregon, that we should give them 25% of their expenses?

This benefit is in addition to abatement of all property taxes. Who uses it? Is it used by Export Global Metals, SolarWorld or Garmin? With expansion will it be used by Old Trapper Smoked Products in Forest Grove or Facebook in Prineville? Do we need to further subsidize these businesses?

Will we taxpayers continue to pay for 25% of their business investments without knowing it? Is it used even in the 15 year rural enterprise zones or only the 3-5 year zones? The law allows the jobs requirements – which are minimum, 1 job or a 10% increase in employment – to be relaxed. Were they relaxed for the recession? Have they been returned?

We have asked both OBDD and the Revenue Department for the names of the businesses using the benefit, but so far we've been shifted from one to the others. Should you go forward with a 50% increase in a program you know so little about?

A business, paying no property taxes for three to five years, (depending upon the wages & benefits paid) will get 25% of its businesses investments in "e-commerce operations" back as a tax credit. This cost is limited to \$2 m per year per taxpayer. It is a tax credit that be carried forward for up to 5 years.

There are currently 10 e-commerce zones which are an overlay to our regular enterprise zone program. HB 4005 extends it to 15 zones—with no requirement that these new e-commerce zones go to rural areas or provide substantial numbers of jobs at no more than X dollars per job. In fact you were told that Beaverton and Eugene/Springfield want two of the new zones.

The underlying E-Zones themselves have vastly different taxpayer costs, since the benefit is based on the value of the property and the tax rate, not the number and quality of jobs. There is no relationship between the subsidy and the jobs. In Hillsboro, last year the cost per job at their nine E-zone businesses ranged from \$281 to \$17,500 for five years.

Before this action is taken, we believe you should be provided an opportunity to have this program evaluated, so that we all understand the taxpayer return on investment in these businesses and their jobs, and how better to look at the return on investment for taxpayers.

Should we afford more tax breaks for businesses? Our business community is thriving; it is our schools, which depend in part on property taxes, that are suffering.

***We read the bills and follow the money***