

HB 4142 A is a necessary fix to assure that the Rural Strategic Investment Program supports real rural communities. This bill, with broad bipartisan support, amends the definition of “rural area” to mean an area outside an urban growth boundary of city of 40,000 or more, and deletes a December 1, 2002 time stamp for “rural” designation.

Among tax exemptions and credits in Oregon is the [Rural Strategic Investment Program](#).

RURAL STRATEGIC INVESTMENT PROGRAM (SIP)

This is an invaluable tool for moderating property taxation of exceptional large investments in capital anywhere in Oregon:

- Exempts from property taxes all of the investment in excess of \$25 million in rural areas—for 15 years.
- Company pays a community service fee equal to 25 percent of the abated taxes, up to a yearly maximum of \$500,000
- Exemption is available subject to project-specific agreement or in pre-established local requirements/approval in a designated Strategic Investment Zone.

A rural SIP is highly favorable for large property investments because of the aforementioned caps. Industrial lots developed on rural areas before Dec. 2002 get this tax break. 5302 urban industrial acres added to the Metro Urban Growth Boundary since 2002 are eligible.

It doesn't matter whether the lot is already incorporated in a city population approaching [100,000 people](#) and included in a metropolitan over [2,000,000 people](#).

\$433,136,472: That's the amount that Genentech invested in Washington County since 2010. Genentech, a corporate citizen residing in the City of Hillsboro, has 12 more years to benefit from these “rural” tax breaks. The *current* property tax exemptions were valued at [\\$23 million](#) over the 15-year life of the deal under Oregon's Strategic Investment Program. But that could be just the start!

With [only 15 of 75 acres developed](#), "The long-term potential for an expansion of that facility, into R&D or other areas, is relatively high," said Arundee Pradhan, vice president of technology transfer and business development at Oregon Health & Science University.

[Genentech](#) is a subsidiary of Swiss-based Roche Pharmaceuticals. With new cancer drugs, [Roche sees 2014 profit](#). *"Net income last year jumped 18 percent to 11.4 billion Swiss francs (\$12.7 billion) from 9.7 billion francs a year earlier, Basel, Switzerland-based Roche said in a [statement](#) today... [Andrew Weiss](#), an analyst for Bank Vontobel in Zurich. "That's a lot of money," Weiss said. "Here you see the power of the business model."*

From this table, we see Roche's CEOs have been amply rewarded. (For those who are having difficulty with the fine print: \$146,605,514 from 2003-2012.)

CEO Salary Expenditures of Top 11 Global Pharmaceutical Companies											
Companies	2012 Compensation (USD)	2011 Compensation (USD)	2010 Compensation (USD)	2009 Compensation (USD)	2008 Compensation (USD)	2007 Compensation (USD)	2006 Compensation (USD)	2005 Compensation (USD)	2004 Compensation (USD)	2003 Compensation (USD)	2003-2012 Compensation (USD)
Johnson & Johnson ¹	\$ 40,815,368	\$ 26,797,939	\$ 28,720,491	\$ 30,813,844	\$ 29,127,432	\$ 28,404,762	\$ 28,557,749	\$ 9,272,388	\$ 6,061,282	\$ 4,799,400	\$ 233,370,655
Abbott Laboratories	25,118,836	24,010,902	25,564,283	26,213,996	28,253,387	31,954,549	26,915,358	8,400,894	7,222,895	4,153,005	207,808,105
Pfizer ²	25,634,136	25,013,348	42,084,961	14,898,038	15,547,600	13,075,099	15,338,670	12,767,270	17,184,437	10,706,002	192,249,561
Novartis (Switzerland) ³	14,446,818	16,751,783	27,730,257	19,773,896	19,245,575	15,037,094	17,293,718	16,137,499	18,202,510	14,431,040	179,050,190
Eli Lilly ⁴	14,620,633	16,370,094	16,504,545	20,927,649	26,037,229	13,011,390	15,229,817	11,943,955	15,511,784	9,994,604	160,151,700
Roche (Switzerland) ⁷	13,692,375	12,052,545	12,201,737	11,688,853	21,778,487	19,101,227	15,908,361	13,547,546	14,047,923	12,586,461	146,605,514
Merck ⁵	15,459,607	13,347,652	24,572,871	15,809,866	22,349,105	19,891,862	10,236,740	6,987,064	3,234,233	3,494,835	135,383,835
Bristol-Myers Squibb ⁶	17,201,980	14,911,947	15,324,386	18,221,434	19,710,697	12,475,667	11,270,858	7,848,235	6,529,410	6,518,499	130,013,113
Sanofi (France) ⁸	9,863,630	9,245,970	8,183,694	10,220,141	5,886,071	7,430,219	9,172,877	3,651,409	3,708,277	2,646,195	70,008,483
GlaxoSmithKline (UK) ⁹	6,328,096	10,523,381	3,594,805	5,057,915	5,699,596	6,035,000	5,413,000	6,591,000	4,559,000	4,570,000	58,371,793
AstraZeneca (UK) ¹⁰	16,042,992	5,393,000	4,705,000	4,937,000	4,692,000	4,300,000	4,865,000	4,125,000	2,566,000	2,886,000	54,511,992
Grand Total	\$ 199,224,471	\$ 174,418,561	\$ 209,187,030	\$ 178,562,632	\$ 198,327,179	\$ 170,716,869	\$ 160,202,148	\$ 101,272,260	\$ 98,827,751	\$ 76,786,041	\$ 1,567,524,941

Notes	
Foreign currency converted using X-rates Historical calculator and based on conversion rates of 12/31 of each year	
¹ 2012 includes compensation for two CEOs	² 2010 includes compensation for two CEOs
² 2006 and 2010 include compensation for two CEOs	³ 2008 includes compensation for two CEOs
³ 2005 includes compensation for two CEOs	⁴ 2008 includes compensation for two CEOs
⁴ 2008 includes compensation for two CEOs	⁵ 2008 includes compensation for two CEOs
⁵ 2006 and 2010 include compensation for two CEOs	⁶ 2012 includes compensation for three CEOs

If Genetech shuts its doors in Oregon, it could pass on this tax break to the next corporation. Corporate heirs need not be related as the will of current law gives this subsidy immortality.

No doubt that “rural” lands that abut Genetech will lure cluster industries that insist “Me too!”

Real rural communities should not have to compete with fake rural industrial lots that shave revenue from the surrounding communities—revenue necessary for schools, fire districts and other infrastructure that all businesses need to survive.

The rules on “rural” must change now. Please support HB 4142A.

Kris Alman