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SENATE BILLS 570 AND 571

Comments to the Senate Finance & Revenue Committee
by Gil Riddell, Policy Director, Association of Oregon Counties, February 10, 2015.

County Commissioners and Judges understand the task at hand for this Committee. You must use your best judgment to balance the need for an improved central assessment method and appropriate property tax treatment against the need for adequate public resources to provide for growth of communities that are healthy, attractive, and safe. Commissioners and Judges often must determine that same balance for communities within their jurisdiction. They understand the need at times for incentives to attract the companies that matter: those of community spirit and family-wage jobs. They also know that with growth comes demands for more quality public services: a functioning public safety system that is able to enforce the law, prosecute fairly, and provide needed jail space; an excellent education system that provides opportunities to individuals to improve their lives and, if they chose, stay home and become one of those talented workers in the business paying family-wage jobs; emergency and care services for those who are in need; and a sound physical infrastructure for business and recreation. Judges and commissioners trust that *this is the environment that businesses are looking to settle in*.

Counties' dual interests can some time conflict, as it does now with the Committee's task before it.

Senate Bill 571

AOC is impressed with the Committee's work on SB 571. We support your treatment of data centers, taking moderate measures to improve current law.

- Striking the requirement that the data center be in a tax abatement program, such as an enterprise zone, to be locally assessed, makes sense, especially when the incentive tools remain available to a county or city that wishes to provide further incentives to a company.
- Maintaining local assessment while narrowing the limitation on property other than data centers to that which provides communication services also makes sense, as does raising the limitation moderately from five percent to ten percent.

In short, AOC supports SB 571 as introduced.

Senate Bill 570

Reform of the central assessment system is a thornier question.

AOC supports a system that is predictable, stable, unambiguous, administratively feasible, and competitive. But it must minimize the loss of capacity for counties, cities, and schools to provide what businesses and residents need for a safe, healthy community.

The Department of Revenue tells us that the first step in the proposed central assessment method - the concept of "historic cost", i.e., the actual cost of all real and tangible personal property when acquired and ***without depreciation***, owned or leased by the company – is unambiguous and defensible. Counties would rather see resources go to communities than to lawyers, who would litigate more often under an

ambiguous calculation or an ad hoc separation of intangible values from the company's total unitary value.

After DOR allocates the appropriate share of the company's historic cost appraisal to Oregon, the proposal would apply a factor to that value that will serve as a surrogate for intangible values and as a cap on valuation. This, of course, is the crux of the debate. The question is *not whether* counties, cities, schools, and special districts will lose resources to provide critical public services, but *how much* will they lose.

Counties' dual interests of wise community development and economic growth on the one hand and resources to provide the needed services and infrastructure for that growth on the other are, in this instance, in conflict. Using estimates provided to the Committee at FY 2014-15 values, counties alone statewide will find $1,444,000 per year in resources (at current values for currently centrally assessed companies) wiped from the books if the cap is set at 1.0/100% (or in effect at the historic cost per se). This is a cut far too deep, and would take too long from which to recover. New growth needs adequate services from counties, general government jurisdictions that provide critical state-shared and local public services.

At a cap of 1.3/130%, the loss to counties statewide is more manageable – some $437,000 erased annually. A cap of 1.4 is better ($152,000 annual loss). Even 1.35/135% is more appealing than 1.3/130%. But AOC realizes that this is a Senate Bill and a Senate Committee discussion and decision. It is for your judgment to determine whether 1.3/130% is appropriate to attract growth of new and current Oregon businesses at a rate that permits a return of county and public resources to a net zero within a reasonably short period of time and continues the growth of family-wage jobs and public resources. AOC must oppose any cap below 1.3/130%; the bruise is too deep (over $1 million to counties alone), particularly considering the extreme revenue issues some of Oregon's county are facing right now. News stories from these counties do not sell Oregon to new businesses.

Centrally assessed companies will get what they are asking for: a stable, unambiguous, and predictable assessment method, and *very significant* tax savings. These companies will also benefit from reduced lawyer fees from avoidance of litigation. To apply depreciation to the calculation of historic cost or to attempt to separate elusive intangible values within the proposed assessment method would work against everyone's interest.

AOC thanks the Committee, DOR, and the Legislative Revenue Office for engaging so well in this difficult issue, which has haunted the State for decades.