REVENUE IMPACT OF PROPOSED LEGISLATION

Seventy-Eighth Oregon Legislative Assembly
2015 Regular Session
Legislative Revenue Office

Bill Number: SB 611 - 3
Revenue Area: Property Tax
Economist: Kyle Easton
Date: 2/26/2015

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

The bill as amended would create new exemptions available to companies subject to central assessment or companies subject to central assessment that complete, maintain and operate a qualified project in Oregon. New exemptions available to centrally assessed communications companies relate to the value of franchises, satellites used in connection with FCC license agreements to provide service directly to retail consumers, and an alternative exemption calculation based upon a company's historical or original cost of real property and tangible personal property multiplied by 130%. For companies receiving an exemption related to a new qualified project, the company's Oregon allocated value will be based upon the greater of $250 million or the real market value of the company's real and tangible personal property located in Oregon as of the assessment date. The exemptions described in this paragraph apply to property tax years beginning on or after July 1, 2016.

Clarifies that a company that is an owner or lessee of a data center is not a centrally assessed property under ORS 308.515 if certain conditions are met. The conditions are that the company owns, leases or uses a data center as defined in statute. The original cost of construction and installation of real and tangible personal property used by the company in the business of communication unrelated to the company's data centers, does not equal more than ten percent of the original cost of the real and tangible personal property of all data centers owned, leased or used by the company in Oregon. Describes legislative intent. Applies to property tax years beginning on or after July 1, 2015.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2015-16	2016-17		2015-17	2017-19	2019-21
Local Government		(8.9)		(8.9)	(18.4)	(19.3)
Local Education Districts		(7.3)		(7.3)	(15.1)	(15.8)
Total Revenue Reduction		(16.2)		(16.2)	(33.5)	(35.0)

Impact Explanation:

The revenue impact includes losses in revenue for local governments derived from the exemptions provided in the bill that would reduce value and subsequent taxes levied for existing companies in Oregon. The revenue impact does not include estimates for potential companies that could receive exemption under the qualified project investment exemption. This potential loss is not included

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because, while the exemption will be available to companies meeting the qualified project investment requirements, there is no assurance that an undertaking such as this will occur.

Current law provides the base from which the revenue impacts are calculated from. The result of current lawsuits residing in Oregon Tax Court could change the base from which future revenue estimates would be calculated.

The changes in the bill related to data centers could potentially affect the property tax liability of communication companies operating data centers used in their communications business if the data center property is the primary value of the communication property in Oregon. No known companies are expected to be impacted as communication data centers are not currently subject to central assessment if located within an enterprise zone. Potential impacts could exist as enterprise zone exemptions expire and new data center property is built, but inclusion in central assessment would be dependent upon the data center being used for communication purposes.

Creates, Extends, or Expands Tax Expenditure: Yes ☒ No ☐

The policy purpose of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon.