



OREGON STATE SENATE

Testimony
Oregon House Revenue Committee
March 10, 2015

There are some 500 companies in Oregon who pay property taxes under the obscure arrangement known as Central Assessment – a method governments used to tax railroads 100 years ago.

Railroads are still important – but our economy today rides the rails of coaxial cable, optical fiber and wireless transmission. The companies delivering those services are subject to this obscure but necessary method of taxation – companies that provide jobs in all parts of Oregon.

This is not a Portland fix. This is an Oregon fix.

In the last five years, Central Assessment has been a thorny, difficult, controversial, contentious, painful, litigated problem. It culminated with a Supreme Court ruling in October, which said Oregon could use intangible values in computing property tax bills. Now the matter is back in tax court.

Most of you know, intangibles are things like intellectual property, patents, trademarks, copyrights, FCC licenses, goodwill, brand recognition – all common, especially with big tech companies. Here's the thing: Oregon statutes never envisioned companies with such gargantuan intangibles like Apple, Facebook, Google and Amazon.

We want Oregon to continue to be attractive to those companies – they are the Fords and Chryslers of this century. It's in Oregon's best interest to participate in the technical transformation they're leading.

But that won't happen if we do nothing, as some would prefer. Because right now there is a blinking, red warning light on our state. Companies who are considering expanding in Oregon are frozen in their tracks. And some tech companies in Oregon today are shaking in their boots.

What those companies asked for was elimination of intangibles from central assessment process. Seemed like an easy fix.

But it presented two problems.

First, it would have dealt a serious revenue blow to local governments – and two; the Justice Department said it would lead to more litigation, not less.

So, after months of meetings with a legislative workgroup, Department of Revenue tax experts and with our own Legislative Revenue Office, we came up with an approach that caps intangibles by computing rates at 130 percent of tangible value. Then, we exempted franchise agreements from intangibles to make it consistent with current exemptions on FCC licenses.

That gives communication companies much needed certainty. But it doesn't exactly give them much of a break. NBC/Comcast, for example, will pay considerably more. Their property tax rates in Oregon will be the highest in the country under this bill.

We also added an incentive for high speed Internet, Gigabit. Gigabit speeds are 1,000 megabits per second, 25 times faster than the new federal definition of broadband service. These high speeds would be a boon to consumers and business. It's this provision that switches off the blinking red warning light –and turns on a green light, extending an offer of partnership to companies that meet Oregon's high standards.

And finally, the data centers – those giant server farms attracted to the high desert climate of eastern Oregon and the Columbia River gorge. These sites provide optimal conditions for cooling and condensation-free operations. And contrary to popular opinion, the jobs are plentiful. Amazon, for example, has two data centers, employing 140 people. Two more are under construction and Amazon intends to eventually have 14 data centers in Oregon.

Other tech titans—from Apple to Facebook—are looking at expanding the number of data centers they already have in Oregon.

But they won't do it without this bill that clearly says they are not a communication company and therefore not subject to central assessment.

One of the reasons this bill is moving quickly is so Oregon can take advantage of these enormous economic development opportunities that are pending right now.

Nobody got 100 percent of what they wanted in SB 611. Nobody ever does in a tax bill. Industry wanted intangibles out altogether – we didn't do that. Local governments wanted to maximize taxes – we didn't do that.

What we did do was collaborate – this was a collaborative effort of both chambers and I want to express my deep gratitude to Representatives Barnhart, Vega-Peterson and McLane as well as all members of the Senate Revenue Committee.

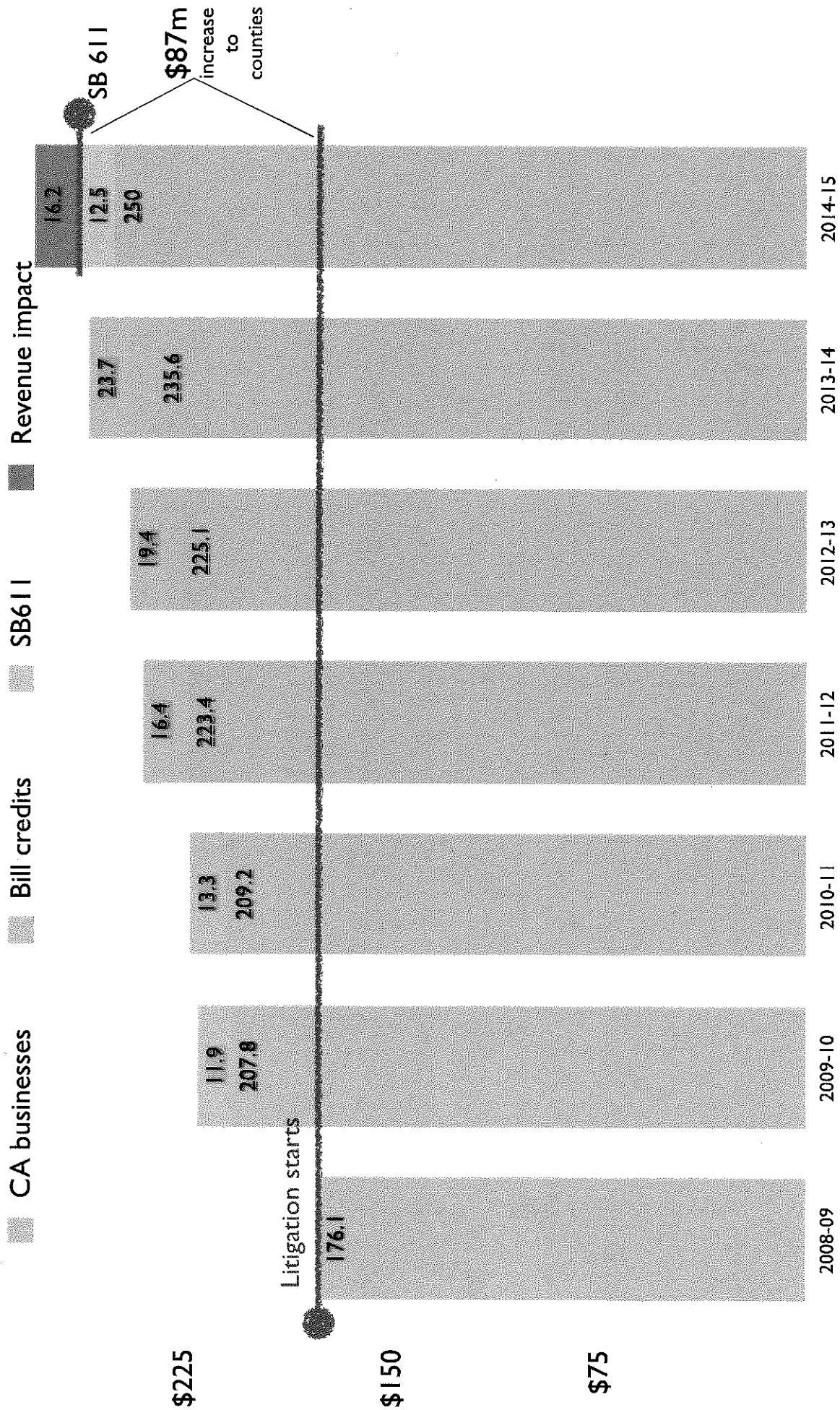
We can still work together in this building. This is what you can get when you do. A non-partisan, practical solution that delivers certainty to business and fairness to Oregonians.

Thank you.

A handwritten signature in black ink that reads "Mark Hass". The signature is written in a cursive, flowing style.

Central Assessment Property Tax Collections

\$300 million



source: Legislative Revenue office figures