Fiscal: Fiscal impact issued
Revenue: Revenue impact issued

Action Date:
Action:
Meeting Dates: 03/10, 03/16, 03/17
Prepared By: Kyle Easton, Economist

WHAT THE MEASURE DOES:
The bill as amended would create and make available new exemptions to companies subject to central assessment. New exemptions relate to the booked value of franchises, satellites used to provide service directly to retail consumers, and an alternative exemption calculation based upon a company's historical or original cost of the company's real property and tangible personal property multiplied by 130%. For companies receiving the newly created exemption related to a new qualified project, Oregon allocated value will be based upon the greater of $250 million or the real market value of 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 and 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.

ISSUES DISCUSSED:

- Value of "goodwill" a company holds
- Variation in how companies book "goodwill"
- Effective tax rates of companies providing similar services
- Definition of "service area" or "territory"
- Interpretation of "new investment" exemption as applied to companies with existing communication property in Oregon
- Use of central assessment valuation as applied to data center property
- Revenue loss as applied to individual cities and local taxing districts
- Level of transparency regarding property tax exemptions.

EFFECT OF COMMITTEE AMENDMENT:
-A11
Requires exemption for booked value of franchises to be applied to a company's real market value.

Changes to exemption related to new capital investment

- Requires communication property infrastructures to enable the company to offer and have capacity of at least one gigabit per second symmetrical service to a majority of the residential customers of the company's broadband services
- Requires company to not deny access to the communication infrastructure access to the communication to any group of residential customers
- Requires Public Utility Commission to consult with any city that has entered into franchise fee agreement with company that has submitted application for exemption

Clarifies that data center property of a company subject to central assessment is locally assessed if the historic or original cost of the real and tangible personal property of all data centers owned, leased or used by the company in Oregon is equal to or greater than $200 million.

BACKGROUND:
ORS 308.505 - 308.665 requires the Department of Revenue to assess utility properties as described in 308.515(1). This assessment is referred to as "central assessment". Central assessment differs from property assessments done by the county assessor in that central assessment follows a unitary assessment approach. Unitary valuation is singularly valuing an integrated group of assets functioning as an economic unit without reference to the component values. Unitary valuation includes the tangible and intangible value of a company in reaching a unitary value.

Beginning with the 2009-10 tax year, reflective of general industry changes, Department of Revenue changed its interpretation of a communication company as defined in ORS 308.515(1). This change resulted in companies being subject to central assessment that were previously locally assessed. This change in interpretation was upheld by the Oregon Supreme Court in Comcast Corporation v. Department of Revenue (issue related to maximum assessed value remanded to Tax Court). The result of interpreting more companies as being "communication" companies and therefore subject to central assessment is the inclusion of those company's tangible and intangible value in their property tax assessment. The composition of a communication company's tangible and intangible value can vary considerably. High levels of intangible to tangible value can result in tax assessments several times greater than what would be assessed if the assessment was based on tangible value only. This can be especially acute for companies newly investing tangible communication property in Oregon.