

SENATE BILL 938 V. THE ENTERPRISE ZONE

Senate Bill 938 has elements of similarity and contrast to the Enterprise Zone law.

A comparison:

- There can be no overlap of property tax abatement programs; i.e., an EZ cannot be located within the boundaries of a Strategic Investment Program area. The county ordinance in SB 938 covers the entire county. Does that mean by definition there is overlap if the county contains any area under a different tax abatement program? Or does the no-overlap rule apply only to a property accepting benefits from more than one property tax incentive program?
- The EZ requires the sponsor local government (city, county, port) to consult with affected local taxing districts; and authorizes the sponsor to exempt the property taxes of all local taxing districts within the EZ. SB 938 does not require consultation, nor does it grant exemption of property taxes of any local government except the county that adopted the ordinance or resolution.
- The EZ is established by the choice of the sponsor county, including its area of coverage and its expansion, if any. SB 938 is also established by the choice of the county, but it applies to only one classification of property (industrial), and across the entire county.
- The EZ is established before the investment is made; the business must apply for the exemption; this permits ease and efficiency of administration by the county assessor and a clear understanding of the agreement. SB 938 requires the county to grant an exemption on the same terms to all eligible industrial improvements in the county; the county will be unable to target development where most needed. And SB 938 is retroactive to July 1, 2014; in the county to which the clause applies, the county assessor will be forced into the more expensive and burdensome amendment of the tax roll (different property value and a property tax exemption to keep track of) and recouping of taxes already distributed to local governments and schools.
- The EZ requires a public-interest quid-pro-quo. The business must create at least one full-time job and, to get the fourth and fifth year, pay new employees 150% of the county average wage. This is determined before the investment, again, for smooth administration. SB 938 does not require the quid-pro-quo of job creation or minimum level of wage.
- The EZ has a sponsor (city, county, or port) that works with the assessor, Business Oregon, and Department of Revenue to assure smooth operation and oversight. Statute sets the parameters of the EZ, e.g., who is eligible for total property tax abatement for new investment, length of the abatement (three to five years), number of jobs to be created, and wages to be paid. SB 938 requires the county ordinance to specify

improvements must raise the real market value of the property at a minimum of between \$2 million and \$10 million. SB 938 requires the ordinance to specify the number of years the exemption is allowed (three to five years) and the percentage of annual exemption (that must decline each year).

- Because of the annual decline of value of the exemption under SB 938, it is possible that the business would benefit more in an EZ. The EZ requires an agreed-to minimum level of investment/expansion, but the exemption is total.
- EZs have benefitted wineries, brewpubs, and breweries.

[Query: Is personal property included in the valuations and requirements of SB 938 or EZ?]

April 7, 2015.