

WILLAMETTE VALLEY

VINEYARDS

SB 938 Encourages Rural Improvements and Investments

Oregon provides little incentive to encourage significant improvements and investments in small to medium-sized industries and in particular rural, agricultural properties. Large capital investments can be incentivized by special corporate tax benefits or programs like the State's Strategic Investment Program and Enterprise Zones which provide property tax exemptions. Unfortunately, small to medium property owners in more rural areas are not encouraged to invest in improvements because they will be hit with a significant increase in property taxes before they begin seeing any financial gain from their investments.

Therefore, SB 938 gives counties a tool to encourage these capital investments in rural agricultural areas. The bill allows counties to incentivize significant investment by implementing a phased in property tax deferral.

SB 938 authorizes a county to adopt an exemption for newly constructed or installed industrial improvements. The bill allows the county to have discretion to specify the minimum real market value of eligible improvements between \$2 and \$10 million and the period of years between three to five during which exemption is allowed.

SB 938 also allows the county to amend or terminate the exemption, but provides that industrial improvements granted exemption continue to receive the exemption pursuant to the terms in effect at the time exemption was first granted. Therefore, counties will not have the authority to base their decisions to grant the phased in property tax deferral on a case-by-case basis. Instead, each county can "opt in" to incentivize investment. Once the county does decide to "opt in," it cannot remove that option for the companies that choose to participate in the necessary investment. However, the county will still have the authority to remove the "opt in" option for future investments.

Please support HB 938 and help encourage rural improvements and investments.

SB 938 Encourages Rural Improvements and Investments

PROBLEM:

- Oregon only incentivizes large capital investments with special corporate tax benefits or programs like the State's Strategic Investment Program and Enterprise Zones, which provide property tax exemptions.
- Unfortunately, small to medium property owners in more rural areas are not encouraged to invest in improvements because they will be hit with a significant increase in property taxes before they begin seeing any financial gain from their investments.

SOLUTION:

- SB 938 gives counties a tool to encourage these capital investments in rural agricultural areas by allowing counties to incentivize significant investment by implementing a phased in property tax deferral.

SB 938 Encourages Rural Improvements and Investments

- The bill enables a county to adopt an exemption for newly constructed or installed industrial improvements.
- The bill allows the county to have discretion to specify the minimum real market value of eligible improvements between \$2 and \$10 million and the period of years between three to five during which exemption is allowed.
- SB 938 also allows the county to amend or terminate the exemption, but provides that industrial improvements granted exemption continue to receive the exemption pursuant to the terms in effect at the time exemption was first granted.
- Counties will not have the authority to base their decisions to grant the phased in property tax deferral on a case-by-case basis.
- Each county can "opt in" to incentivize investment. Once the county does decide to "opt in," it cannot remove that option for the companies that choose to participate in the necessary investment. However, the county will still have the authority to remove the "opt in" option for future investments.

Willamette Valley Vineyards, Inc.
Historical Taxes Paid Analysis

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenue	\$3,637,721	\$4,235,020	\$5,714,132	\$6,132,355	\$5,914,546	\$6,716,857	\$7,014,539	\$5,950,842	\$7,356,646	\$9,387,141
Gross Profit	\$1,950,635	\$2,381,228	\$2,900,368	\$3,055,611	\$3,176,773	\$3,184,456	\$3,453,686	\$3,196,018	\$3,529,119	\$4,580,816
Number of Employees	20/6	25/6	31/6	41/9	40/15	53/17	54/13	38/22	49/31	70/6
<u>Federal Taxes</u>										
Income	-\$2,300	\$47,197	\$0	\$0	\$43,000	-\$8,273	\$17,969	\$66,029	\$114,754	\$299,963
BATF Excise	\$24,674	\$47,330	\$126,224	\$145,458	\$136,340	\$151,284	-\$145,848	\$155,388	\$181,140	\$143,712
Fed and State Licenses & Fees	\$8,975	\$11,564	\$12,674	\$20,367	\$11,928	\$14,569	\$461	\$13,006	\$24,926	\$17,165
<u>State Taxes</u>										
Income	-\$359	\$11,964	\$0	\$0	\$0	\$1,807	\$0	\$27,839	\$22,472	\$68,472
OLCC Excise	\$62,925	\$51,889	\$86,411	\$81,099	\$75,484	\$86,788	\$70,479	\$74,552	\$103,603	\$120,308
Local Property Tax	\$43,654	\$41,251	\$48,377	\$60,310	\$74,631	\$85,036	\$86,397	\$88,276	\$85,752	\$83,670
Total Taxes	\$137,569	\$211,195	\$273,686	\$307,234	\$341,383	\$331,211	\$2,948	\$425,091	\$532,647	\$733,289
Accumulated Taxes	\$137,569	\$348,764	\$622,450	\$929,684	\$1,271,067	\$1,602,279	\$1,605,227	\$2,030,317	\$2,562,964	\$3,296,254
Net Income	\$27,275	\$170,344	\$67,459	-\$71,894	-\$135,148	\$23,702	\$57,004	\$118,747	\$173,727	\$463,683
Accumulated Net Income	\$27,275	\$197,619	\$265,078	\$193,184	\$58,035	\$81,737	\$138,741	\$257,487	\$431,215	\$894,897

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Totals
Revenue	\$13,667,869	\$14,916,072	\$16,712,861	\$16,048,238	\$16,563,713	\$17,370,803	\$15,661,905	\$12,527,268	\$13,271,914	\$198,800,441
Gross Profit	\$6,385,757	\$6,952,635	\$8,282,059	\$7,818,361	\$7,713,912	\$7,691,388	\$7,717,270	\$7,273,932	\$7,683,475	\$98,927,499
Number of Employees	80/6	90/6	99/25	99/30	98/41	92/41	62/30	81/31	82/44	
<u>Federal Taxes</u>										
Income	\$591,247	\$660,888	\$790,633	\$444,002	\$0	\$232,348	\$455,779	\$455,019	\$571,220	\$4,779,475
BATF Excise	\$237,076	\$215,595	\$248,568	\$259,417	\$288,980	\$296,590	\$267,336	\$236,340	\$225,088	\$3,240,693
Fed and State Licenses & Fees	\$13,559	\$26,388	\$25,063	\$19,525	\$26,345	\$26,286	\$20,858	\$24,398	\$18,156	\$336,212
<u>State Taxes</u>										
Income	\$83,588	\$150,733	\$173,147	\$110,539	\$28,687	\$41,002	\$59,147	\$63,378	\$107,646	\$950,063
OLCC Excise	\$145,037	\$145,163	\$141,540	\$158,175	\$170,379	\$168,860	\$124,174	\$68,182	\$52,313	\$1,987,359
Local Property Tax	\$85,083	\$90,942	\$84,003	\$80,460	\$82,211	\$80,209	\$77,923	\$84,624	\$89,308	\$1,452,117
Total Taxes	\$1,155,590	\$1,289,709	\$1,462,953	\$1,072,118	\$596,603	\$845,295	\$1,005,217	\$931,942	\$1,063,731	\$12,719,411
Accumulated Taxes	\$4,451,843	\$5,741,552	\$7,204,505	\$8,276,623	\$8,873,226	\$9,718,521	\$10,723,738	\$11,655,680	\$12,719,411	
Net Income	\$1,156,940	\$1,291,774	\$1,688,624	\$708,598	\$731,470	\$411,761	\$857,752	\$1,202,849	\$1,423,492	\$10,368,157
Accumulated Net Income	\$2,051,837	\$3,343,611	\$5,032,235	\$5,740,833	\$6,472,303	\$6,884,064	\$7,741,816	\$8,944,665	\$10,368,157	