
MEMORANDUM

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To: Capital Construction Subcommittee

From: Paul Siebert, Legislative Fiscal Office
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Date: June 25, 2015

Subject: SB 129
Work Session Recommendations

SB 129 relates to strategic investment. The bill directs the Department of Revenue to distribute funds previously transferred to the Shared Services Fund and expended by the Department of Administrative Services, directly to counties instead.

The –A9 amendment replaces the bill. It changes calculations to include 20% of the total annual amount of personal income tax revenue attributable to retained jobs, down from 50%. Caps annual Shared Services Fund payments to any one county at \$16 million. Extends program sunset to July 15, 2024, after which distributions are prohibited. Adds later timelines for calendar year 2015 to allow this year’s distributions to be made under the new requirements.

Recommended Changes to SB 129:

The Legislative Fiscal Office recommends adoption of the –A9 amendment.

Motion #1: Move adoption of the –A9 amendment to SB 129

Measure to Full

LFO recommends the measure be moved to the full Joint Committee on Ways and Means.

Motion #2: Move SB 129 as amended, to the full committee with a Do Pass recommendation.

Assignment of Carriers

Full: _____
2nd Chamber: _____

PRELIMINARY STAFF MEASURE SUMMARY

Joint Committee On Ways and Means

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

Action Date:

Action:

Meeting Dates:

Prepared By: Paul Siebert, Budget Analyst

WHAT THE MEASURE DOES:

Directs Department of Revenue to distribute funds previously transferred to the Shared Services Fund. Modifies distribution of income tax revenue estimated from wages associated with Strategic Investment Program projects. Extends allocation of identified income tax revenue from 2019 to 2029. Modifies implementation of sunset by making agreements for eligible projects reached prior to the sunset date eligible for payments for the life of the agreement.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENT:

Replaces the bill. It changes calculations to include 20% of the total annual amount of personal income tax revenue attributable to retained jobs, down from 50%. Caps annual Shared Services Fund payments to any one county at \$16 million. Extends program sunset to July 15, 2024, after which distributions are prohibited. Adds later timelines for calendar year 2105 to allow this year's distribution to be made under the new requirements.

BACKGROUND:

The Shared Service Fund was established by the 2007 Legislature with the passage of SB 954. Allocations to the fund are based on 50% of the estimated personal income tax collections from the wages of workers associated with eligible Strategic Investment Program projects.

**PROPOSED AMENDMENTS TO
A-ENGROSSED SENATE BILL 129**

1 On page 1 of the printed A-engrossed bill, line 2, after “ORS” insert
2 “285C.600, 285C.615 and” and delete “and 327.008”.

3 Delete lines 5 through 12 and delete pages 2 through 6 and insert:

4 **“SECTION 1.** ORS 285C.600 is amended to read:

5 “285C.600. As used in ORS 285C.600 to 285C.639:

6 “(1) ‘Business firm’ has the meaning given that term in ORS 285C.050.

7 “(2) ‘Eligible project’ means a project that meets criteria established by
8 the Oregon Business Development Commission to be exempt from property
9 taxation under ORS 307.123.

10 “(3) ‘First-source hiring agreement’ has the meaning given that term in
11 ORS 285C.050.

12 **“(4) ‘Newly created jobs’ means, for an eligible project, total jobs
13 less retained jobs.**

14 “[4] (5) ‘Publicly funded job training provider’ has the meaning given
15 that term in ORS 285C.050.

16 “[5] (6) ‘Rural area’ means an area located entirely outside of the urban
17 growth boundary of a city with a population of 30,000 or more, as the urban
18 growth boundary is acknowledged on December 1, 2002.

19 “[6] (7) ‘Strategic investment zone’ means a geographic area established
20 under ORS 285C.623, within which the property of eligible projects may be
21 exempt from property taxation under ORS 307.123.

22 **“SECTION 2.** ORS 285C.615 is amended to read:

1 “285C.615. (1) On or before April 1 following each tax year that property
2 is exempt under ORS 307.123, the business firm that owns or leases the ex-
3 empt property shall submit a report to the Oregon Business Development
4 Department, in addition to any other reporting or filing requirement.

5 “(2) The report shall be in a form prescribed by the Oregon Business De-
6 velopment Department and shall include:

7 “(a) The assessed value and location of taxable and exempt property con-
8 stituting the eligible project and the corresponding payment and savings of
9 property taxes for the tax year, as ascertained from the county assessor;

10 “(b) The amount and disposition of fees and other amounts paid by the
11 business firm pursuant to the agreement with the county under ORS 285C.609
12 in the immediately preceding calendar year;

13 “(c) The average number of persons hired or employed by the business
14 firm in association with the eligible project, determined by dividing the total
15 number of hours for which such hired or employed persons were paid during
16 the immediate prior calendar year by 2,080;

17 “(d) The annual amount of taxable income and total compensation paid
18 to employees as described in paragraph (c) of this subsection;

19 “(e) Numbers and amounts as described in paragraphs (c) and (d) of this
20 subsection for [*jobs retained in direct relation to*] **retained jobs and newly**
21 **created jobs for** the eligible project; and

22 “(f) Any other information required by the department.

23 “(3)(a) If a business firm fails to provide a report required under this
24 section or to verify information as requested by the Oregon Business Devel-
25 opment Department, the Oregon Business Development Commission, upon
26 recommendation by the department, may suspend the determination of the
27 commission that the project receive the tax exemption provided for in ORS
28 307.123.

29 “(b) If the commission suspends the determination of eligibility under this
30 subsection, the exemption is revoked as provided in ORS 307.123 (6), until the

1 department receives the report.

2 “(c) Upon receipt of a report required under this section or the informa-
3 tion requested by the department, the department shall notify the commission
4 and the commission shall rescind the suspension **under this subsection**.

5 “(4) Information collected under this section may be used by the Oregon
6 Business Development Department to make aggregate figures and analyses
7 of activity under the strategic investment program publicly available.

8 “(5) Specific data concerning the financial performance of individual firms
9 collected under this section is exempt from public disclosure under ORS
10 chapter 192.

11 “(6) After receiving the reports required under this section, the Oregon
12 Business Development Department shall compile and organize the reported
13 information for purposes of ORS 285C.635 and transmit it to the Oregon
14 Department of Administrative Services. The Oregon Business Development
15 Department shall transmit the information not later than April 15.

16 “(7) The Oregon Business Development Department shall adopt rules the
17 department considers necessary to administer ORS 285C.600 to 285C.639.

18 “**SECTION 3.** ORS 285C.635 is amended to read:

19 “285C.635. (1)(a) Upon receipt of information compiled under ORS
20 285C.615, the Oregon Department of Administrative Services shall determine
21 the annual amount of personal income tax revenue attributable to **retained**
22 **jobs and newly created jobs for** each eligible project for which an eligible
23 business firm received a property tax exemption under ORS 307.123.

24 “(b) The amount of personal income tax revenue attributable to each el-
25 igible project under this subsection may not include personal income tax
26 revenue attributable to the estimated incremental income tax revenues gen-
27 erated by an eligible employer in connection with a tax reimbursement ar-
28 rangement or loan agreement that has been entered into under the Oregon
29 Industrial Site Readiness Program established by ORS 285B.627.

30 “[2)] (c) In determining the amount of personal income tax revenue at-

1 tributable to each eligible project, the Oregon Department of Administrative
2 Services may rely on reasonable techniques of estimation, if appropriate.

3 “[~~(3)~~] **(2)** Not later than May 15 of each fiscal year, the Oregon Depart-
4 ment of Administrative Services shall certify **to the Department of Reve-**
5 **nue, the Legislative Revenue Officer and the Legislative Fiscal Officer**
6 the amounts determined under subsection (1) of this section [*to the Depart-*
7 *ment of Revenue, the Legislative Revenue Officer and the Legislative Fiscal*
8 *Officer*] **and the amounts described in subsection (3) of this section to**
9 **be distributed by the Department of Revenue.**

10 “[~~(4)~~] **(3)(a)** Not sooner than July 10 and not later than July 15 of the
11 [*following fiscal year, after receiving the certification under subsection (3) of*
12 *this section,*] **fiscal year immediately following the fiscal year in which**
13 **the certification under subsection (2) of this section is made,** the De-
14 partment of Revenue shall [*transfer an amount equal to 50 percent of the cu-*
15 *mulative amount for all eligible projects determined under subsection (1) of*
16 *this section to the Shared Services Fund established in ORS 285C.639.*] **dis-**
17 **tribute to each county in which an eligible project is located an**
18 **amount equal to the total of:**

19 **“(A) Twenty percent of the total annual amount of personal income**
20 **tax revenue attributable to retained jobs for all eligible projects in the**
21 **county as determined under subsection (1) of this section; and**

22 **“(B) Fifty percent of the total annual amount of personal income**
23 **tax revenue attributable to newly created jobs for all eligible projects**
24 **in the county as determined under subsection (1) of this section.**

25 **“(b) Notwithstanding paragraph (a) of this subsection, a county**
26 **may not receive a distribution under this section in an amount greater**
27 **than \$16 million for any year.**

28 **“(c) The county shall distribute the amounts received under para-**
29 **graphs (a) and (b) of this subsection to the taxing districts in the**
30 **county in which an eligible project is located in a manner consistent**

1 **with the distribution of the community services fee under ORS**
2 **285C.609 for the project.**

3 “[5] (4) The Department of Revenue shall retain unreceipted revenue
4 from the tax imposed under ORS chapter 316 in an amount necessary to make
5 the *[transfer]* **distributions** required under subsection [(4)] (3) of this sec-
6 tion. The department shall make the *[transfer]* **distributions** out of the un-
7 receipted revenue in lieu of paying the revenue over to the State Treasurer
8 for deposit in the General Fund.

9 “[6] (5) The Oregon Department of Administrative Services shall adopt
10 rules necessary to administer this section.

11 **“SECTION 4. ORS 285C.639 is repealed.**

12 **“SECTION 5.** Section 6, chapter 905, Oregon Laws 2007, is amended to
13 read:

14 **“Sec. 6.** (1) *[Sections 2 and 3 of this 2007 Act]* **ORS 285C.615 and 285C.635**
15 **apply to:**

16 **“(a)** Tax years beginning on or after January 1, 2009[, *and before January*
17 *1, 2019*].

18 “[2] (b) *[Sections 2 and 3 of this 2007 Act apply only to]* Income taxes
19 *[generated as the result of an eligible project that first becomes]* **attributable**
20 **to eligible projects that first become** exempt from property taxation under
21 ORS 307.123 on or after January 1, 2008[, *and continue to apply only as long*
22 *as the project remains exempt*].

23 **“(2) Distributions under ORS 285C.635 (3) may not be made after**
24 **July 15, 2024.**

25 **“SECTION 6.** Notwithstanding the deadlines provided in ORS
26 **285C.635, the following deadlines for the 2015 calendar year shall be**
27 **adjusted as provided in this section:**

28 **“(1) The Oregon Department of Administrative Services shall make**
29 **the certifications required under ORS 285C.635 (2), as amended by sec-**
30 **tion 3 of this 2015 Act, not later than August 1, 2015; and**

1 “(2) The Department of Revenue shall make the distributions re-
2 quired under ORS 285C.635 (3), as amended by section 3 of this 2015
3 Act, not sooner than October 1, 2015, and not later than October 5,
4 2015.

5 “SECTION 7. Section 6 of this 2015 Act is repealed on January 2,
6 2016.

7 “SECTION 8. This 2015 Act being necessary for the immediate
8 preservation of the public peace, health and safety, an emergency is
9 declared to exist, and this 2015 Act takes effect on its passage.”.

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