

Fiscal: No Fiscal Impact

Revenue: Revenue impact issued

Action Date: 05/28/15

Action: Do Pass As Amended And Be Printed Engrossed.

Meeting Dates: 04/01, 05/19, 05/28

Vote:

Yeas: 5 - Barnhart, Lininger, Read, Smith Warner, Vega Pederson

Nays: 4 - Bentz, Davis, Johnson, Whitsett

Prepared By: Kyle Easton, Economist

WHAT THE MEASURE DOES:

Establishes exemption for qualifying new property or new improvements to property that increase energy efficiency of property or reduce greenhouse gas emissions from property. New or improvements to property must qualify for any form of tax relief or rate-payer incentives in Oregon or improvements to property must improve a property's home energy performance score. For commercial buildings, new or improvements to property must qualify as energy conservation measures. Specifies calculation for amount of exemption. Establishes exemption in most populous city of a county with population of 650,000 or more. To qualify for exemption, requires energy efficient improvements to be constructed or installed on property built before 2008. Specifies exemption not available to centrally assessed property and industrial property appraised by Department of Revenue. Requires application for first year of exemption to be made prior to construction or installation. Requires county to prescribe application forms and deadlines for filing application for exemption. Applies to property tax years beginning on or after July 1, 2016. Applications for exemption may not be filed for tax years beginning on or after July 1, 2022.

ISSUES DISCUSSED:

- Impact of potential exemption on investment amount in "green" property investment and return on that investment
- Administrative costs and requirements for assessors, forms required, etc.
- Expected amendments being drafted with input from county assessors
- Impact upon revenues
- Benefit to Clean Energy Works
- Lack of sideboards and qualification of energy efficient items
- Potential benefit to data centers
- Qualification of replacing oil furnace with heat pump
- Determination of ten year exemption time period
- Effect of other incentives related to "green" investment (credits, rebates, etc.) and need for additional incentive
- Possibility of exempting schools from exemption, i.e. include opt-out clause.

EFFECT OF COMMITTEE AMENDMENT:

Replaces content of bill.

BACKGROUND:

The measure as engrossed would provide an exemption from property taxes for qualifying improvements to property that increase energy efficiency of property or reduce greenhouse gas emission from property. Qualifying improvements to property include: property that qualifies for any form of tax relief or ratepayer incentives in Oregon, property improvements that improve the home energy performance score of existing property, and property that qualifies as energy conservation measures for commercial buildings. The measure requires qualifying improvements to be constructed or installed on property built before 2008. Exemption is available only to property improvements located within city of Portland.

The measure as engrossed will exempt from taxation energy efficient improvements to property. For a loss in revenue to occur, the energy efficient improvement property would have to otherwise meet the exception value threshold. Current law allows for "minor construction" to be added to existing property without required changes in the property's maximum assessed value causing no change in tax liability. Many energy efficient improvements to residential property would fall under the category of minor construction.

Under existing law, "new property or new improvements" to property are added to the roll based upon the real market value of the property multiplied by the applicable change property ratio. Property considered "minor construction" is not added to the roll. Minor construction are additions of real property improvements, the real market value of which does not exceed \$10,000 in any year or \$25,000 made over five years.

Examples of ratepayer incentives include: lighting, water heating, weatherization, heating, appliances, energy efficient showerheads and energy saver kits

Examples of energy related tax relief include: Tax deductions, subtractions and credits

Commercial energy conservation measures include but are not limited to: improved operation and maintenance measures, energy use analysis procedures, lighting system improvements, heating, ventilating and air conditioning system modifications, furnace and boiler efficiency improvements, automatic control systems including wide dead band thermostats, heat recovery devices, infiltration controls, envelope weatherization, solar water heaters and water heating heat pumps.