

**REVENUE IMPACT OF  
PROPOSED LEGISLATION  
Seventy-Eighth Oregon Legislative  
Assembly  
2015 Regular Session  
Legislative Revenue Office**

**Bill Number: SB 938 - A  
Revenue Area: Property Tax  
Economist: Kyle Easton  
Date: 6/15/2015**

***Only Impacts on Original or Engrossed  
Versions are Considered Official***

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**Measure Description:**

Allows county, by ordinance or resolution, to allow property tax exemption for newly constructed or installed industrial improvements. Exemption granted beginning with the first property tax year following adoption of ordinance or resolution and is available only for newly constructed or installed industrial improvements first placed in service after the ordinance or resolution is adopted. Requires adopted ordinance or resolution to conform to exemption parameters contained in measure. Required parameters include qualifying industrial improvements to have minimum real market value, at time improvements are first placed in service, between \$2 million and \$25 million and exemption allowed for a period of three to five years at a declining percentage of assessed value. Exemption applies to tax levy of city or county that adopted ordinance or resolution and to all taxing districts in which property granted exemption is located if district governing bodies comprising 51 percent or more of the total combined rate of taxation agree to grant exemption. Allows exemption to apply to newly constructed or installed industrial improvements for which the first assessment year was January 1, 2014 or January 1, 2015 and requires exemption schedule to be applied beginning as of first assessment date. Prohibits new ordinances or resolutions on or after January 2, 2026. Takes effect 91 days following adjournment sine die.

Expands existing property tax exemption available to charitable, literary and scientific organizations to include real and personal property owned or leased by a history museum or science museum if property is used to fulfill the mission of the museum and is used or occupied for one or more specific qualifying purposes. Qualifying purposes include: food service facility or concession, retail store, parking lot, theater located in a museum, unimproved land that is not specially assessed, displays, storage areas, and educational classrooms or meeting areas. Specifies that exemption does not apply to property used or occupied as a hotel, water park, chapel or for any commercial enterprise. Applies to property tax years beginning on or after July 1, 2015. Removes language changes from ORS 307.130 for property tax years beginning on or after July 1, 2019.

Creates Task Force on the Taxation of the Property of Nonprofit Corporations. Requires task force to study issues relating to taxation and exemption of property owned, leased or used by nonprofit corporations. Requires task force to submit update to interim committees on revenue on or before December 1, 2015 and full report to Senate and House Revenue committees as soon as practicable after February 1, 2016.

## Revenue Impact (in \$Millions):

|                                  | Fiscal Year |         | Biennium |         |         |
|----------------------------------|-------------|---------|----------|---------|---------|
|                                  | 2015-16     | 2016-17 | 2015-17  | 2017-19 | 2019-21 |
| <b>Local Governments</b>         | (.1)        | (.1)    | (.2)     | (.2)    | N/A     |
| <b>Local Education Districts</b> | (.1)        | (.1)    | (.1)     | (.1)    | N/A     |
| <b>Total Revenue Change</b>      | (.1)        | (.2)    | (.3)     | (.3)    | N/A     |

### Impact Explanation:

The measure as amended adds language to ORS 307.130 (property tax exemption for Literary, Charitable and Scientific Organizations) that would expand and clarify the qualification criteria for property owned or leased by nonprofit history or science museums. Nearly all property owned by nonprofit history or science museums is currently exempt under existing property tax exemption language contained in ORS 307.130. The revenue impact reflects property owned or leased by nonprofit history or science museums that is not currently exempt under existing statute and would become exempt upon adoption and passage of measure. The language changes to ORS 307.130 apply to property tax years 2015-16 through 2018-19.

The measure as amended would allow but not require city or county to adopt an ordinance or resolution granting property tax exemption for newly constructed or installed industrial improvements. As the exemption is permissive to counties and cities, no direct revenue impact exists. If a county or city adopts an ordinance or resolution allowing the exemption, a revenue loss to the adopting city or county would result. A revenue loss to all other districts is dependent upon district governing bodies comprising 51 percent or more of the total combined rate of taxation agreeing to grant exemption.

No impact is associated with the creation of a task force to study taxation and exemption of property owned or leased by nonprofit corporations.

**Creates, Extends, or Expands Tax Expenditure:**      Yes  No

Two tax expenditures are affected by measure as amended and policy purposes for each are described below.

The policy purpose of this measure is to allow cities and counties the ability to provide temporary property tax relief, to industrial property owners newly constructing or installing industrial improvements, thereby encouraging business investment in such property and contributing to overall economic development.

The policy purpose of this measure is to expand and clarify the existing exemption available to nonprofit history or science museums. The purpose of the underlying exemption is to provide tax relief to property owned or leased by nonprofit corporations in recognition of the social benefits such organizations provide to the public.